

PHONE (808) 594-1888  
Committee on Resource Management  
Trustee John Waihe'e IV, *At-Large - Chair*  
Trustee Luana Alapa, *Moloka'i / Lāna'i - Vice Chair*  
*Members*

Trustee Leina'ala Ahu Isa, *At-Large*  
Trustee Dan Ahuna, *Kaua'i / Ni'ihau*  
Trustee Kaleihikina Akaka, *O'ahu*  
Trustee Keli'i Akina, *At-Large*  
Trustee Brendon Kalei'aina Lee, *At-Large*  
Trustee Carmen Hulu Lindsey, *Maui*  
Trustee Keola Lindsey, *Hawai'i Island*



**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS**

FAX (808) 594-1865

**MEETING OF THE  
COMMITTEE ON RESOURCE MANAGEMENT (RM)**

**DATE:** Tuesday, November 30, 2021  
**TIME:** 1:30 p.m.  
**PLACE:** Virtual Meeting viewable at [www.oha.org/livestream](http://www.oha.org/livestream) OR  
Listen by phone: (213) 338-8477,  
Webinar ID: 819 5083 9126

**Due to the threat of COVID-19, Governor Ige issued the most recent Emergency Proclamation Related to the State's COVID-19 Delta Response, dated October 1, 2021, that suspends parts of Hawai'i Revised Statutes Chapter 92, Public Agency Meetings and Records to, among other things, enable boards to conduct business without any board members or members of the public physically present at the same location.**

**The OHA Board of Trustees and its Standing Committees will hold virtual meetings until further notice. The virtual meetings can be viewed and observed via livestream on OHA's website at [www.oha.org/livestream](http://www.oha.org/livestream) or listen by phone: (213) 338-8477, Webinar ID: 819 5083 9126**

**AGENDA**

- I. Call to Order**
- II. Public Testimony on Items Listed on the Agenda\***  
(Please see page 2 on how to submit written testimony or provide oral testimony online.  
Oral testimony by telephone/landline **will not** be accepted)
- III. Approval of Minutes**  
None
- IV. Unfinished Business**  
None
- V. New Business**
  - A. ACTION ITEM RM #21-18: Accept and Implement the Recommendations Implementation Report for CliftonLarsonAllen OHA & LLCs Contract and Disbursement Review, November 2021
  - B. Presentation: Legacy Land Program & Portfolio, Wahiawā Lands – Kalani Fronda, Land Director
- VI. Announcements**
- VII. Adjournment**





**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS**

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

Meeting materials will be available to the public 72-hours prior to the meeting and posted to OHA's website at: [www.oha.org/rm](http://www.oha.org/rm). In the event that the livestream public broadcast is interrupted and cannot be restored, the meeting may continue as audio-only through the phone and Webinar ID provided at the beginning of this agenda.

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

\*Public Testimony: Public testimony can be submitted to the OHA Board of Trustees either:  
(1) in writing emailed at least 24 hours prior to the scheduled meeting, or  
(2) as live, oral testimony online during the Public Testimony portion of the virtual meeting.

**Public Testimony must be limited to matters listed on the meeting agenda.**

Please visit OHA's website for more detailed information on how to submit Public Testimony at:  
<https://www.oha.org/how-to-submit-testimony-for-oha-bot-meetings/>.

Persons wishing to provide **written testimony** on items listed on the agenda should submit testimony via **email** to [BOTmeetings@oha.org](mailto:BOTmeetings@oha.org) at least **24 hours prior** to the scheduled meeting. Any testimony received after this deadline will be considered 'late' testimony and distributed to the Board members after the scheduled meeting.

**Due to COVID- 19, please do not fax, mail, or hand-deliver written testimony.**

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

**[https://us06web.zoom.us/webinar/register/WN\\_9LZZKVUgQgaHpW3G8b7yKQ](https://us06web.zoom.us/webinar/register/WN_9LZZKVUgQgaHpW3G8b7yKQ)**

The registration to provide oral testimony online will remain open until the Public Testimony section on the agenda has concluded. You will need to register prior to this time if you would like to orally testify. Once you have completed your registration, a confirmation email will be sent to you with a link to join the virtual meeting and further instructions on how to provide oral testimony during the virtual meeting.

To provide oral testimony online, you will need:

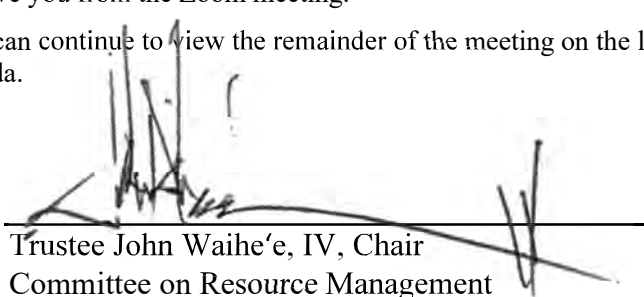
- (1) a computer or mobile device to connect to the virtual meeting;
- (2) internet access; and
- (3) a microphone to provide oral testimony.

Oral testimony online will be limited to five (5) minutes.

Oral testimony by telephone / landline **will not** be accepted at this time.

Once your oral testimony is completed, please disconnect from the meeting. If you do not log-off on your own, support staff will remove you from the Zoom meeting.

You can continue to view the remainder of the meeting on the livestream or by telephone, as provided at the beginning of this agenda.

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

11/24/2021

\_\_\_\_\_  
Date

November 30, 2021 - Continued



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Oral testimony by telephone/landline **will not** be accepted)

**III. Approval of Minutes**

None

**IV. Unfinished Business**

None

**V. New Business**

**A. ACTION ITEM RM #21-18: Accept and Implement the Recommendations Implementation Report for CliftonLarsonAllen OHA & LLCs Contract and Disbursement Review, November 2021**

**B. Presentation: Legacy Land Program & Portfolio, Wahiawā Lands – Kalani Fronda, Land Director**

**VI. Announcements**

**VII. Adjournment**





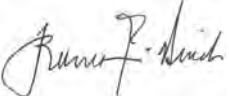
## ACTION ITEM

### COMMITTEE ON RESOURCE MANAGEMENT November 30, 2021


RM #21-18

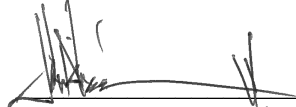
**Action Item Issue:** Accept and Implement the Recommendations Implementation Report for CliftonLarsonAllen OHA & LLCs Contract and Disbursement Review, November 2021

Prepared by:  Nov 19, 2021  
Sylvia M. Hussey, Ed.D. Date  
Ka Pouhana, Chief Executive Officer

Reviewed by:  Nov 19, 2021  
Ramona G. Hinck Date  
Ka Pou Kihi Kanaloa Wai, Chief Financial Officer

Reviewed by:  Nov 19, 2021  
Casey K. Brown Date  
Ka Pou Nui, Chief Operating Officer

Reviewed by:  Nov 19, 2021  
Raina Gushiken Date  
Ka Paepae Puka, Senior Legal Counsel

Reviewed by:  Nov. 22, 2021  
Ke Kua, Trustee John D. Waihee, IV Date  
Luna Ho'omalua o ke Kōmike Resource Management  
Chair of the Committee on Resource Management



**Action Item RM #21-18: Accept and Implement the Recommendations Implementation Report for CliftonLarsonAllen OHA & LLCs Contract and Disbursement Review, November 2021**

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**I. Proposed Action**

To accept and implement the Recommendations Implementation Report for CliftonLarsonAllen OHA & LLCs Contract and Disbursement Review, November 2021, as attached.

**II. Issue**

Whether or not the Committee on Resource Management (“Committee”) should recommend approval or not of the Recommendation Implementation Report for CliftonLarsonAllen OHA & LLC’s Contract and Disbursement Review, November 2021, as attached.

**III. Discussion**

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

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

The results of the review was reported to the Board of Trustees (BOT or Trustees) Committee on Resource Management (CRM) on December 4, 2019 and after full and free discussion, recommended approval of the following action to the BOT:<sup>1</sup> *Move to recommend that: 1) the Board of Trustees receive the final report on OHA & OHA’s LLCs Contract & Disbursement Review prepared by CliftonLarsonAllen LLP and commissioned by the Board under [Contract] 3284, as amended; and 2) direct Administration to review and analyze the recommendations contained in the final report and report back to the RM Committee with its analysis and plan to implement the recommendations at the first Resource Management Committee meeting in January 2020.* The BOT approved the action at its meeting on December 5, 2019 and Administration presented a draft recommendations implementation report plus appendices (“2020 Draft Report”) at the January 22, 2020 Committee on Resource Management meeting.

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<sup>1</sup> Committee on Resource Management Committee Report dated December 4, 2019



**B. Activities Completed by CLA – Review, Analyses, Observations and Recommendations<sup>2</sup>.** In executing the engagement, CLA completed reviews and analyses of data gathered from: preliminary information gathering and document review; process interviews of OHA and LLCs staff; documents requested; test items; selected sample of contracts and disbursements; interviews with OHA Trustees; inquiries with OHA and LLCs staff; assessments of Board of Trustees oversight; and status updates and communications with the Resources Management Committee (RMC).

In the final report, CLA provided both observations and recommendations for OHA and the LLCs separately. For OHA: Seventy-three (73) recommendations based on the results of contracts and financial disbursements testing as well as measures concerning the internal controls in place to ensure the integrity of the performance indicators in the OHA annual report to the BOT; and six (6) recommendations pertaining to the BOT's general oversight and governance of OHA and the LLCs. CLA also made thirty (30) recommendations based on the results of contracts and financial disbursements testing as well as measures concerning the internal controls in place to ensure the integrity of the performance indicators in the LLC's Quarterly reports to the BOT. In addition the CLA Report strongly encouraged the Trustees to delegate to OHA's Administration the development of a "Recommendations Implementation Plan".

**C. Fraud, Waste and Abuse.** Administration noted the CLA Report definitions of fraud<sup>3</sup>, waste<sup>4</sup> and abuse<sup>5</sup> in responding to the observations, recommendations and implementation plan. In addition, there are two limitations<sup>6</sup> that should be noted, CLA's procedures were designed to: 1) Detect and identify possible fraud, waste, and abuse; however, CLA cannot provide absolute assurance that all instances of possible fraud, waste, and abuse were identified; and 2) Detect red flags of fraud and transactions that appeared questionable. The CLA Report noted, "However, if during the performance of our services other matters had come to our attention suggesting possible financial improprieties and/or irregularities, we would have communicated

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<sup>2</sup> CLA report, p 18

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

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

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

<sup>6</sup> CLA Report, page 28



**Action Item RM #21-18: Accept and Implement the Recommendations Implementation Report for CliftonLarsonAllen OHA & LLCs Contract and Disbursement Review, November 2021**

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such matters to the Resource Management Committee of the Office of Hawaiian Affairs.”<sup>7</sup> [emphasis added] To Administration’s knowledge, no such communication was made to the Resource Management Committee.

**D. Recommendation Implementation Plan Development of Implementation**

**Activities.** In addressing the recommendations<sup>8</sup> provided by CLA (Recommendations), Administration completed the following: 1) Reviewed in detail, the related testing criteria, methodology, results and observations; 2) Compared the recommendations to policy, procedure and practice actions taken by the organization since FY2016; 3) Contacted prior employees, vendors and other stakeholders, reviewed internal systems and sources and located documents and deliverables that CLA noted were not available at the time of field work; 4) Assessed implementation status (e.g., full, partial); 5) Determined corrective action and related implementation actions; and 6) Designed implementation monitoring and reporting activities.

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

**E. Responses by LLCs Leadership.** Implementation responses to the 30 Recommendations and six (6) test items flagged for possible fraud, waste and abuse, were provided by LLC Management (e.g., Chief Operating Officer, Executive Director). Administration reviewed and discussed the LLC implementation plan responses (e.g., implemented, partially implemented, not implemented) and included LLC Management in the recommendations and implementation quarterly monitoring and reporting responsibilities. As of this report date, the Chief Operating Officer is no longer employed by Hi’ilei Aloha LLC and the BOT changed the LLC Managers to three non-OHA employees, effective April 1, 2021, via Action Item RM #21-01, February 2021.

**F. CLA Report to the Committee on Resource Management, Dated December 4, 2019.** The CLA report to the Committee on Resource Management, dated December 4, 2019 (CLA Report), is incorporated herein by reference and used as the basis for Administration’s Recommendations Implementation Plan. Restating of certain sections of the CLA Report verbatim is done when deemed by Administration to be important for context, clarity and emphasis. The complete report, including an executive summary, attachments, and exhibits, is posted on OHA’s website site: <https://www.oha.org/oha-llcs-contract-and-disbursement-review/>.

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<sup>7</sup> CLA Report, Page 2

<sup>8</sup> Refers to 73-OHA, 30-LLC and 7-BOT recommendations, collectively “Recommendations”



**Action Item RM #21-18: Accept and Implement the Recommendations Implementation Report for CliftonLarsonAllen OHA & LLCs Contract and Disbursement Review, November 2021**

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- G. Impact of COVID-19, Post January 2020 Draft Report.** In March 2020, as a result of government stay-at-home orders and other evolving conditions associated with COVID-19, the OHA closed its offices statewide, and in Washington, D.C.; and the entire organization transitioned to telework. OHA's objective has and continues to be, maintaining safe, healthy, and productive work environments for staff and beneficiaries while, to the extent possible, limiting disruptions in our services to the Lāhui. As a result, implementation activities detailed in the 2020 Draft Report were delayed. Appendices have been updated for recommendations that have been either subsequently implemented (vs. partially) or have a new targeted implementation date of no later than June 30, 2023; and with external reports or documents to help inform about the progress of the implementation.
- H. Reporting and Monitoring of Recommendations Implementation Plan.** At Appendix E, Administration developed and updated a Recommendations Implementation Plan dashboard that will be used to report the progress of the implementation. Administration plans to update the dashboard and report to the CRM on a quarterly basis----no later than April 30, 2022 for the third quarter ending March 31, 2022; and no later than July 31, 2022 for the fourth quarter and year ended June 30, 2022, continuing into FY2023 in similar quarterly reporting fashion. Administration anticipates that all Recommendations will be addressed no later than fiscal year ended June 30, 2023.

As it relates to the Board governance recommendations 1-6, Administration projected an implementation date of June 30, 2023 to allow time for the Board to review the recommendations made by Administration, act on those recommendations and if appropriate (i.e., approved) monitor its implementation by Administration.

**I. BOT Ad-Hoc Committee on the CliftonLarsonAllen (CLA) Report (Appendix H)<sup>9</sup>**

- 1. Ad-Hoc Committee Formation.** On July 1, 2021, the BOT approved an Ad-Hoc Committee on the CLA Report entitled "OHA & LLCs Contract and Disbursement Review" (the Committee). Committee members approved by the BOT were: Trustee Keola Lindsey (Committee Chair), Trustee Luana Alapa, BOT Chief of Staff Colin Kippen and Chief Operating Officer Casey Brown.

The BOT approved scope of the Committee was to: 1) Review Act 29's (2021) provisions contained in Section 9 and Section 11 (Attachment 2 of the action item); 2) Review Act 37's (2019) provisions relating to conducting a financial and management audit of the OHA; 3) Determine an appropriate scope of work given the time and budget constraints set by the legislature in Section 11 of Act 29 (2021) as well as by OHA's by-laws and personnel policies and relevant State and Federal laws; 4) Review the findings of OHA's contract for December 4, 2019 CLA Report; and 5) Propose a plan, timeline, scope of services, and budget to hire an auditor or other third-party business or other professional as necessary to perform the defined scope of services in a timely and ethical fashion consistent with OHA's existing by-laws and personnel policies as well as with relevant State and Federal laws, subject to approval by the BOT.

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<sup>9</sup> From Action Item BOT #21-11: Accept and Implement the Recommendations in the OHA Ad Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled "OHA & LLC's Contract and Disbursement Review" Report, September 16, 2021, Appendix H of this report.



**Action Item RM #21-18: Accept and Implement the Recommendations Implementation Report for CliftonLarsonAllen OHA & LLCs Contract and Disbursement Review, November 2021**

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The Committee held meetings on July 19<sup>th</sup>, July 26<sup>th</sup>, August 5<sup>th</sup>, August 9<sup>th</sup> and August 17<sup>th</sup>. These meetings were held and the recommendations contained in this report were developed in accordance with BOT Governing Documents applicable to Ad-Hoc Committees.

2. **Recommendations of the Committee**<sup>10</sup>. September 16, 2021, via Action Item BOT #21-11: Accept and Implement the Recommendations in the OHA Ad Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLC’s Contract and Disbursement Review”, the BOT accepted and approved for implementation (by Administration) the recommendations contained in the report. Refer to Appendix H for action item and related report.

The Committee achieved consensus on the following recommendations to complete the scope of work approved by the BOT: 1) **Plan:** The follow up directed by Act 29 specific to existing information in the 2019 CLA report should be conducted via an OHA contract with an independent third party vendor; 2) **Timeline:** The estimated term of this contract should be four months; 3) **Scope of Services:** to competitively procure and engage a professional services firm that has experience in forensic services<sup>11</sup> to conduct a follow up contract and disbursement review of the CLA<sup>12</sup> – OHA & LLC’s Contract and Disbursement Review Report, dated December 4, 2019, specifically on 38 test items flagged for possible fraud, waste and abuse. The purpose of this RFP is to hire a professional services firm to determine, for each of the 38 red flag issues, whether cause to a reasonable certainty exists to believe that fraud, waste, or abuse or some combination of each of these three classifications, exists. Offerors must have experience with forensic, accounting, audit and related type engagements utilizing standards in accordance with the Statement on Standards for Forensic Services, established by the American Institute of Certified Public Accountants (AICPA) Council, Forensic and Valuation Services Executive Committee, which provides guidance and establishes enforceable standards for members performing certain forensic and valuation services; and 4) **Budget:** \$200,000<sup>13</sup> for the hiring of an independent professional services firm that has experience in forensic services to conduct a follow up contract and disbursement review as set forth in the scope of services.

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<sup>10</sup> From Attachment 1, report attached to the Action Item, Appendix H of this report.

<sup>11</sup> For Request for Proposal (RFP) purposes, the term *forensic* is defined as “used in, or suitable to, courts of law or public debate”. Forensic accounting services generally involve the application of specialized knowledge and investigative skills by a member to collect, analyze, and evaluate certain evidential matter and to interpret and communicate findings (forensic services). Statement on Standards for Forensic Services No. 1, retrieved July 13, 2021 <https://future.aicpa.org/resources/download/statement-on-standards-for-forensic-services>

<sup>12</sup> As the report of the previous contractor CliftonLarsonAllen (CLA) is the subject of the follow up review, CLA is not eligible to respond to this RFP.

<sup>13</sup> Per Section 11 of Act 29 (2021), “Provided that of the general funds appropriated for beneficiary advocacy (OHA175), the sum of \$200,000 for fiscal year 2021-2022 shall be expended to conduct or contract for a follow-up contract and disbursement review of the CLA – OHA & LLCs Contract and Disbursement Review – Report, dated December 4, 2019.”



**Action Item RM #21-18: Accept and Implement the Recommendations Implementation Report for CliftonLarsonAllen OHA & LLCs Contract and Disbursement Review, November 2021**

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**J. Request for Proposal (RFP) BOT-2022-009, October 8, 2021**

As directed by Action Item BOT #21-11 described above (and attached as Appendix H), Administration began preparations for issuance of an RFP with the scope of services described above. The resultant RFP and attachments and addendum (see Appendix I) was posted on October 8, 2021 and October 25, 2021, respectively. Responses to the RFP were due by 2:00 p.m. on Monday, November 8, 2021 at which time OHA's Procurement function received two responses and will continue with the RFP evaluation and award processes.

**IV. Funding Source**

Not applicable, no dedicated funding needed to accept Administration's Recommendation Implementation Report as attached. Any identified budgetary implications have been resourced (and approved) via FY22 and/or FY23 operating budgets, as approved by the Trustees on June 30, 2021<sup>14</sup> or will come forward via subsequent budget realignment(s).

**V. Recommended Action**

To accept and implement the Recommendations Implementation Report for CliftonLarsonAllen OHA & LLCs Contract and Disbursement Review, November 2021, as attached.

**VI. Timeframe**

The operational recommendation implementation report activities have been on-going since January 2020, the presentation date of the draft report to the Committee on Resource Management; and activities continued but for adjustments due to COVID-19 (e.g., office closure, telework) and other organizational matters (e.g., reorganization). In addition, Appendix E highlights the remaining eight (8) measures for monitoring and completion no later than June 30, 2023.

**VII. References – OHA & LLC's Contract and Disbursement Review conducted by CliftonLarsonAllen and posted on OHA's website:**

<https://www.oha.org/oha-llcs-contract-and-disbursement-review/>

**OHA & LLCs Contract and Disbursement Review**

- [Executive Summary](#)
- [Final Report](#)
- [Attachments](#)
- [Exhibits](#)

**VIII. Attachment**

Recommendations Implementation Report, CliftonLarsonAllen OHA & LLCs Contract and Disbursement Review, November 2021 + Appendices A to K.

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<sup>14</sup> Action Item RM #21-08A: OHA Biennium Budget for the Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23), June 30, 2021





APPENDIX A - IMPLEMENTATION PLAN FOR 73 OHA RECOMMENDATIONS

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

Implementation Status	Total	Recommendation Numbers
Implemented	55 (75.3%)	1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23A, 26A, 26B, 27, 28, 29, 30, 32A, 32B, 33, 34A, 34B, 35B, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47A, 48, 50, 51, 52, 53, 54, 58, 59, 61, 62, 63, 66, 68B, 71, 72
Partially Implemented	8 (11.0%)	31,35A,47B, 55, 57, 60, 68A, 69
Not Implemented, N/A	7 (9.6%)	23B, 24, 25A, 25B, 49, 56, 64, 65, 70
Not Implemented, Disagree	3 (4.1%)	2, 67, 73
Total	73 (100%)	

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

Implementation Status	Total	Joint <sup>1</sup>	Grants	Procurement	Financial Services	Executive Office, Organization Wide	Corporate Counsel, Records Management	Community Engagement	Board of Trustees
Implemented	55	1, 12, 14, 26, 27, 32, 34, 38	3, 4, 5, 7, 8, 9, 10, 11, 13, 15, 16, 17, 18, 19, 20, 21, 22, 33, 35B, 59, 62, 72	23A, 28, 36, 37, 39, 40, 41, 42, 43, 44, 45, 46, 47A, 50, 51, 53, 54	29, 30, 48, 52, 58, 63, 66, 68B	61	6	71	
Partially Implemented	8			68A	47B	31, 35A, 69	55		57, 60
Not Implemented	0								
Not Implemented, N/A	7		23B	24, 25, 49, 64, 70	65				56
Not Implemented, Disagree	3		2, 73		67				
Total	73 (100%)	8 (11.0%)	23 (31.5%)	22 (30.1%)	10 (13.7%)	4 (5.5%)	2 (2.7%)	1 (1.4%)	3 (4.1%)

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





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

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

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

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





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





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Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
06)	Implement a process whereby the Hawai'i State Ethics Commission Short Form Disclosure of Financial Interests filed by OHA's officers are reviewed to ensure there are no potential conflicts with OHA vendors or grantees. Copies of the disclosure forms and documentation of the internal review should be retained according to OHA's document retention policy.		<b>Corporate Counsel:</b> X Implemented	<b>Corporate Counsel:</b> The primary responsibility to identify and disclose conflicts of interest will remain with the individual staff involved in decision-making. A self-certification statement above the contract signature lines has been inserted so that by signing, each contract signatory (OHA or vendor) is attesting that he/she has no conflicts of interests related to the other party. As an additional step to screen for potential conflicts during the processing of contracts, staff in OHA Grants, Procurement, and Corporate Counsel utilize a list of publicly disclosed entities compiled from the Hawai'i State Ethics Commission Short Form Disclosures of Financial Interests for review during their contract drafting work.  <b>Implementation Date: October 2020</b>





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





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





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





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





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Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
16)	Ensure that the grant committee scoring and recommendation documentation is retained in the grant file to provide evidence that the review and recommendation processes occurred.	<b>18-08 Recommendation No. 1.b.</b>	<b>Grants Program:</b> X Implemented	<b>Grants Program:</b> The current grants information management system (OHA Foundant Grants Portal) retains grant committee scoring as evidence that the review process occurred. The OHA Grants Portal electronically tracks each grant pre-award phase, i.e., application, evaluation & scoring process. Effective <i>Jan. 15, 2020</i> , the system was updated to include all recommendation and award documents for each process cycle in the OHA Grants Portal (i.e., Action Items, BOT minutes, CEO / BOT Memos) <b>Implementation Date: January 2020</b>
17)	Ensure that attachments and schedules to BOT minutes are retained in the grant file to provide evidence that the grant was reviewed and approved by the BOT.	<b>18-08 Recommendation No. 1.b.</b>	<b>Grants Program:</b> X Implemented	<b>Grants Program:</b> <i>See Rec. CLA #16, Comments Section (supra)</i> <b>Implementation Date: January 2020</b>
18)	Enforce the requirement that Kulia Initiative grant files contain a statement explaining why the grant requests and awards were not made through the Community Grants Program. Ensure that the Certificate of Vendor Compliance and IRS letter of determination are retained in the grant files.	<b>18-03 Board Recommendation No.2.a.</b> <b>18-03 Board Recommendation No.2.b.</b> <b>18-03 Board Recommendation No.2.d.</b> <b>18-08 Recommendation No. 1.a.</b> <b>18-08 Recommendation No. 1.b.</b>	<b>Grants Program:</b> X Implemented	<b>Grants Program:</b> Kūlia Grants Guidelines & Processes were approved by the Board of Trustees on July 26, 2018. Beginning with the FY20 Kūlia Grant Solicitation, Kūlia Grant applications require that applicants confirm the basis for their grant request submitted as a Kūlia Grant request and not through the Community Grants Program. Certificate of Vendor Compliance and IRS determination letters are retained in each grant applicant's grants information management system (OHA Foundant Grants Portal) Letter of Intent file. <b>Implementation Date: December 2019</b>





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Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
19)	Ensure that Kulia Initiative grants are assessed using the Kulia Initiative Review Form and that a copy of the form is retained in the grant file.	<b>18-03 Board Recommendation No.2.a.</b> <b>18-03 Board Recommendation No.2.b.</b> <b>18-03 Board Recommendation No.2.d.</b> <b>18-03 Adm Recommendation No. 2.a.</b> <b>18-03 Adm Recommendation No. 2.b.</b> <b>18-08 Recommendation No. 1.a.</b> <b>18-08 Recommendation No. 1.b.</b>	<b>Grants Program:</b> X Implemented	<b>Grants Program:</b> Beginning with the FY19 Kūlia Grants Solicitation, Kulia Grant applications are assessed based on the grant solicitation and scoring system. The review and scoring process is documented in the grants information management system (OHA Grants Portal). The OHA Grants Portal electronically tracks Kūlia Grant pre-award phase (i.e., application, evaluation & scoring process). This process replaces the Kūlia Initiative Review Form which was used for Kulia grants prior to 2018.  <b>Implementation Date: November 2018</b>
20)	Implement a process whereby the grant staff, when reviewing a new grant application for award, conduct research to determine whether the grant applicant has received prior grants from OHA or has other historical business relationships with OHA. For example, if a grant applicant has previously received grants from OHA, and the purpose or intended results of the grant were not attained, OHA should consider this information in the review process for the new grant application. This information should be documented in the grant file and used by the grant staff to determine whether the grant applicant is in good standing with OHA as required by the Grants SOP.	<b>18-03 Board Recommendation No.1.f.</b> <b>18-03 Board Recommendation No. 1.g.</b> <b>18-08 Recommendation No. 1.b.</b>	<b>Grants Program:</b> X Implemented	<b>Grants Program:</b> The current Grants SOP includes a noncompliance and ineligibility process. The Grant Closeout Report has a provision in which the Grants Specialist confirms (checks a box) and provides a justification if a grantee is found ineligible for future OHA funding. The Grants Manager reviews, confirms the eligibility determination and signs the Closeout Report. Eligibility determinations are tracked in the grants information management system (OHA Grants Portal) wherein a list can be retrieved and used to identify ineligible grantees during the grant application process.  <b>Implementation Date: November 2019</b>
21)	Provide all grants department staff with ongoing training to ensure all policies and procedures are being followed and necessary documentation is being retained in the grant files.		<b>Grants Program:</b> X Implemented	<b>Grants Program:</b> Grants Program staff training is conducted for current employees and all new employees.  <b>Implementation Date: July 2019</b>





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22)	<p>Implement the use of a software program for tracking all grant applications and awards. OHA currently uses Excel spreadsheets to track and monitor grants awarded. To ensure that there is one reliable source of information for grants, OHA should implement the use of a software program that allows the following:</p> <ul style="list-style-type: none"><li>a. Input of all grant applications with applicant information</li><li>b. Uploading of all applicable grant documents for each application and award</li><li>c. Status of grant applications, including those that were not awarded</li><li>d. Grant awards with total dollar amount, time period, and award per year</li><li>e. Tracking of all monitoring activities, including uploading electronic copies of evaluation and monitoring reports</li><li>f. Customization of reports</li></ul> <p>Using a software program for tracking grants will assist OHA in retaining grant information on a long-term basis and prevent the accidental loss of information. Additionally, the program will result in a comprehensive database that OHA can use when assessing future grant applications for award.</p>	<p><b>18-03 Board Recommendation No.1.f.</b> <b>18-03 Board Recommendation No. 1.g.</b> <b>18-08 Recommendation No. 1.b.</b></p>	<p><b>Grants Program:</b> X Implemented</p>	<p><b>Grants Program:</b> The grants information management system (OHA Foundant Grants Portal) serves as the grants comprehensive database and tracks all Grants Program grants.</p> <p>Tracking By Phases. Reports can also be generated for all phases of a grant lifecycle:</p> <ul style="list-style-type: none"><li>a. Pre-Award: applications submitted/ineligible/denied, email notifications, application evaluations/scores.</li><li>b. Award: email notifications, grant agreements, support documentation-insurance certificates.</li><li>c. Post-Award: email notifications, reports (progress, monitoring and closeout) with specific report data such as date due/date submitted/submitter name, and award amount/payments made (amount expended)/award balance.</li></ul> <p>The OHA Foundant Grants Portal ensures that grant files are complete. All mandated reports for each grant are on a dashboard, which serves as a checklist for each grant. The system electronic file includes system emails and all grant documents (e.g., grant agreements, support documents, OHA Staff Attendance Reports, grantee Final Reports, and Grant Monitor Closeout Reports, expenditure reports, and payment information). The system emails include auto generated emails and emails from Grants Program staff to the grantees. The system serves as the system of record for all grant information and documents. Grants Program staff can access the system to provide customized grant reports.</p> <p><b>Implementation Date: July 2019</b></p>
23)	<p>Establish a process to ensure that all documentation related to the RFP process is retained in the contract procurement file. This documentation should include (1) written determination on the use of the RFP method, (2) appointment of the evaluation committee, (3) a copy of the RFP, (4) a copy of the published notice, (5) a copy of the registry of proposals received by OHA, (6) copies of the acknowledgment of receipt of proposal (7) a copy of the evaluation documents, (8) a copy of the evaluation matrix, (9) a copy of the evaluation committee recommendation to hire, and (10) any other documents relevant to the RFP process.</p>		<p><b>A. Procurement Services Program (PSP):</b> X Implemented</p>	<p><b>Procurement Services Program (PSP):</b> Effective 2021, the Procurement Services Program contract procurement file contains the following in electronic format: (1) written determination on the use of the procurement method, (2) appointment of the evaluation committee, (3) a copy of the RFP, (4) a copy of the published notice, (5) a copy of the registry of proposals received by OHA, (6) copies of the acknowledgment of receipt of proposal (7) a copy of the evaluation documents, (8) a copy of the evaluation matrix, (9) a copy of the evaluation committee recommendation to hire, and (10) any other documents relevant to the RFP process. Procurement has scanned all solicitation documents for efficient document retrieval. The entire procurement contract file is retained throughout the</p>





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				<p>term/life of the contract. Once the contract has expired, the contract file is archived according to OHA's records retention policy. This process has been included in the revised Procurement Services Program SOP.</p> <p><b>Implementation Date: February 2021</b></p> <p><b>Grants Program:</b> Effective FY2019, the Grants Program no longer uses the RFP process, a solicitation process is used.</p> <p><b>Implementation Date or Targeted Implementation Date: N/A</b></p>
24)	Ensure that in accordance with OHA policy, a written determination is made by the Administrator that a competitive sealed proposal is the more appropriate method of contracting rather than competitive sealed bidding.		<p><b>B. Grants Program:</b></p> <p>X Not Implemented, N/A</p>	<p><b>Procurement Services Program (PSP):</b> HRS 103D-301, as amended by Act 239 (2013), no longer requires that procurements begin with a competitive sealed bidding. Pursuant to Act 239, the designated procurement official has the authority to choose the appropriate source selection to meet the circumstances of each procurement. The Procurement Services Program documents in the contract file the written justification for the selection of the procurement method, which is approved by the Procurement Manager, the designated procurement official.</p> <p><b>Implementation Date or Targeted Implementation Date: N/A</b></p> <p><b>Grants Program:</b> The Grants Program does not use this process.</p> <p><b>Implementation Date or Targeted Implementation Date: N/A</b></p>
25)	Implement the requirement for a review of the RFP draft by legal counsel prior to publication, and document this review on the Procurement Solicitation Routing form.		<p><b>A. Procurement Services Program (PSP):</b></p> <p>X Not Implemented, N/A</p>	<p><b>Procurement Services Program (PSP):</b> There is no statutory requirement that legal counsel must review an RFP prior to publication. Notwithstanding, the Corporate Counsel office conducts reviews of the RFPs provided by Procurement prior to publication. If the Procurement staff have any substantive questions or issues at any time during the procurement process, they seek guidance from Corporate Counsel and/or State Procurement Office (SPO).</p>





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Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
			<b>B. Grants Program:</b> X Not Implemented, N/A	<b>Implementation Date or Targeted Implementation Date: N/A</b>  <b>Grants Program:</b> Effective FY 2019, the Grants Program no longer uses the RFP process. <b>Implementation Date or Targeted Implementation Date: N/A</b>
26)	Conduct a review of each contract to ensure that each of the documents required for the establishment of a contract is appropriately completed and retained in the contract file. See also recommendation 47.		<b>A. Procurement Services Program (PSP):</b> X Implemented  <b>B. Grants Program:</b> X Implemented	<b>Procurement Services Program (PSP):</b> Effective 2021, all procurement contract files contain the following in electronic format: (1) written determination on the use of the procurement method, (2) appointment of the evaluation or selection committee (if applicable), (3) a copy of the solicitation (if applicable), (4) a copy of the published notice, (5) a copy of the registry of proposals or quotes received by OHA, (6) copies of the acknowledgment of receipt of proposal (7) a copy of the evaluation/selection documents, (8) a copy of the evaluation/selection matrix, (9) a copy of the evaluation/selection committee recommendation to hire, and (10) any other documents relevant to the solicitation process. This process has been included in the revised PSP SOP. <b>Implementation Date: February 2021</b>  <b>Grants Program:</b> The Grants Program grant agreement process requires that documents required for the establishment of a contract are submitted and retained in the grants information management system (OHA Foundant Grants Portal). The Grants Program routing form requires that initial documents are secured prior to routing the agreement for Grants Manager, LOB Director, and Legal review. <b>Implementation Date: July 2019</b>
27)	Ensure that whenever an amendment is executed for an existing contract, the amendment document is retained in the contract file.		<b>Procurement Services Program (PSP):</b> X Implemented  <b>Grants Program:</b>	<b>Procurement Services Program (PSP):</b> Effective 2016, the Procurement Services Program files all primary contracts and supplemental contracts in Section 2 of the Procurement Contract File. <b>Implementation Date: January 2016</b>





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Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
			X Implemented	<b>Grants Program:</b> The Grants Program maintains grant agreement amendments in the grant files in the grants information management system (OHA Foundant Grants Portal). <b>Implementation Date: July 2019</b>
28)	Ensure that the senior staff attorney performs a review of the contract file prior to signing the contract. The senior staff attorney must ensure compliance with State Procurement Laws for purchases of more than \$2,500 and document the review on the Procurement Document Checklist as indicated by OHA Policies and Procedures Manual. See also recommendations 48 and 52.		<b>Procurement Services Program (PSP):</b> X Implemented	<b>Procurement Services Program (PSP):</b> It is the responsibility of the Procurement Services Program to ensure compliance with the State Procurement Laws for purchases of more than \$2,500. The Procurement Manager reviews and signs for approval of the source selection on the PAC form. The Procurement Document Checklist is no longer used. The Procurement Services Program submits to Corporate Counsel the procurement contract file for review and approval of a contract as to form.  This process has been included in the revised Procurement Services Program Standard Operating Procedures that was updated in February 2021. <b>Implementation Date: February 2021</b>
29)	Provide training to OHA staff, especially accounts payable staff, to ensure that once a payment is processed for a vendor, the payment is mailed or otherwise delivered directly to the vendor. It is not a best practice to deliver a prepared check to the staff requesting the payment. This practice heightens the risk of an employee not mailing or otherwise delivering the payment to the intended vendor.		<b>Financial Services Program (FSP)</b> X Implemented	<b>Financial Services Program (FSP):</b> Processed check payments are being sent directly to vendors via mail or in person. While this was the prior fiscal procedure, to allow for checks to be released to the requestors for delivery to vendors/grantees, with the control over the practice, the signature of receipt (by the requestor) as indicated on the check transmittal; procedures to be updated to discontinue this practice.  Due to COVID-19, the organization closed its offices in March 2020 and transitioned to telework. Essential processes such as cash disbursements were changed to predominately disburse cash via ACH processing and manual check transmittals (via postal mail). Physical checks are no longer hand-delivered to a vendor or grantee. <b>Implementation Date: December 2020</b>
30)	Ensure that individuals in the accounts payable department are trained to double check their work to reduce the risk of overpayment in error.		<b>Financial Services Program (FSP)</b> X Implemented	<b>Financial Services Program (FSP):</b> FS has multiple layers of review to reduce the risk of overpayment in error. Staff pre-audits requests for correct amounts, charge codes and authorized signatures before inputting into the accounting system. The Accounting Manager reviews the Invoice Register against the individual requests for accuracy of data entries and validity of billings. The Controller conducts final review and approval of





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				invoices for payment issuance. Accounting staff have been reminded to double check their work prior to approval. <b>Implementation Date: June 2008</b>
31)	Implement a process whereby record of the deliverables submitted by the vendor are retained in the contract file. If the deliverable by the vendor consists of verbal updates or meetings, ensure that some type of documentation is included in the contract file as reference for the deliverable.		<b>Executive Office, Organization Wide:</b> X Partially Implemented	<b>Executive Office, Organization Wide, Contract Management:</b> Once a good or service has been procured through the Procurement Services Program (PSP), the Program (e.g. Land, Community Engagement, Research) is responsible for contract administration. PSP is not responsible for maintaining a record of the deliverables submitted by the vendor or for keeping a record of the deliverable in the contract file. The Program communicates and works directly with the contractor or vendor to ensure the deliverables are met, received, and/or otherwise maintained. An organization wide process for contract administration will be developed and implemented that complements and is integrated with OHA's Oracle Fusion processes.  Due to the reorganization, organization wide contract management is contingent on sufficient resourcing for compliance functions to be designed, implemented and monitored. <b>Targeted Implementation Date: June 2022</b>
32)	Ensure that OHA staff and administration are aware that it is not a best practice to execute a contract for which the effective date precedes the execution date. There may be certain instances when a contract must be executed in this manner; however it should be only in rare occasions and a note should be included in the contract file to indicate the reason for this.		<b>A. Procurement Services Program (PSP):</b> X Implemented  <b>B. Grants Program:</b> X Implemented	<b>Procurement Services Program (PSP):</b> This is an exception to the normal practice. Only in rare occasions, and in instances concerning emergencies, will contracts with an effective date that precedes the execution date be reviewed for consideration by Corporate Counsel. A memo to file will be included with the contract to document the reason for Corporate Counsel's granting of the exception, consistent with state practice (Comptroller's Memorandum no. 2009-14). <b>Implementation Date: February 2021</b>  <b>Grants Program:</b> The grant agreement review and contract execution process includes administrative oversight (Grants Manager) to ensure that contracts do not have effective dates that precede execution dates. <b>Implementation Date: July 2019</b>





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Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
33)	OHA must retain, within the contract file, the invoice and other supporting documents for all payments made on a contract. OHA should consider the risk of payment a vendor upon the execution of a contract and before the vendor has performed any work. If at all possible, OHA should avoid executing contracts that require a payment upon execution. If this type of arrangement continues to be used, it should be infrequent, and payment should not be made to the vendor without first obtaining an invoice.		<b>Grants Program:</b> X Implemented	<b>Grants Program:</b> The Grants Program retains invoices and support documents for payments made on a grant agreement. The Grants Program provides an initial payment on grant agreements with an invoice. Since most grant agreements are reimbursement contracts, the initial payment is necessary for the grants start-up processes. There is no payment upon execution, however, most Community Grant, Kulia and other grantees are allowed to bill for 10% of the contract during the initiation of the grant for grant start up costs. <b>Implementation Date: July 2019</b>
34)	If additional fees must be paid to a vendor on an existing contract, a contract amendment should be processed. Clear documentation must be included in the contract amendment language to describe the reasons for the amendment. If additional funds are needed for the vendor to complete work that was already accounted for within the original contract, there should be documented evidence of what prevented the vendor from accomplishing the deliverable within the original contract price. For example, if the vendor encountered delays that were outside of its control but within OHA's control, then a case could be made of the need for additional funds to be added as an amendment to the contract.		<b>A. Procurement Services Program (PSP):</b> X Implemented  <b>B. Grants Program:</b> X Implemented	<b>Procurement Services Program (PSP):</b> A Program's request to extend and/or add funds to an existing contract must be submitted in writing to the Procurement Services Program. The Procurement Specialist will request justification in writing for the amendment, and it will be retained in the contract file under Section 5: "Internal Communications of the Procurement Services Program (PSP)." However, justification for the amendment will not be drafted into the contract amendment. Programs submit requests to add funds via a Purchase Requisition (PR) in Oracle Fusion and submit requests to extend time of performance via a Non-Funding Purchase Requisition (NPR) outside of Oracle Fusion. This process has been included in the revised Procurement Services Program Standard Operating Procedures that was updated in February 2021. The PSP SPO was revised February 2021. <b>Implementation Date: February 2021</b> <b>Grants Program:</b> For Grantee initiated amendments, grantees are required to submit a formal amendment request on a Grant Amendment Request form to the Grants Program. The request describes the basis for an amendment and must be approved by the Grants Specialist and Grants Manager. Grant agreement amendments specify the basis for the amendments. Support documentation is also included in grantee's files, if needed. <b>Implementation Date: July 2019</b>





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35)	Implement a process for all contracts whereby the contract manager reviews all contracts no less than 60 days prior to the termination of the contract to assess whether there is a need for a contract amendment to document an extension in the effective period and, if applicable, an increase in contract fees. The contract manager, LOB Director, CFO, or any other OHA staff should never approve for payment an invoice that includes time or costs incurred after the contract period has expired for which no amendment has been executed. See also recommendation L10.		<b>A. Executive Office, Organization Wide, Contract Management</b> X Partially Implemented  <b>B. Grants</b> X Implemented	<b>Executive Office, Organization Wide, Contract Management:</b> Once a good or service has been procured through the PSP, the Program (e.g. Land, Community Engagement, Research) is responsible for contract administration. PSP is not responsible for maintaining a record of the deliverables submitted by the vendor or for keeping a record of the deliverable in the contract file. The Program communicates and works directly with the contractor or vendor to ensure the deliverables are met, received, and/or otherwise maintained. An organization wide process for contract administration will be developed and implemented that complements and is integrated with OHA's Oracle Fusion processes.  Due to the reorganization, organization wide contract management is contingent on sufficient resourcing for compliance functions to be designed, implemented and monitored.  <b>Targeted Implementation Date: June 2022</b>  <b>Grants Program:</b> Current Grants Program practice includes Grants Specialist and Grants Manager ongoing review of grantee progress and proactive determinations by the Grants Program regarding contract extensions.  <b>Implementation Date: July 2019</b>
36)	Establish a process whereby the contract procurement file maintains the names of the persons serving on a professional services review committee and selection committee and the following documents providing evidence that an appropriate selection process was completed: (1) Memorandum to CEO to appoint the Selection Committee, (2) evidence that the Procurement Officer ensured the impartiality and independence of committee members, (3) the Selection Committee individual scoring sheets, (4) the Selection Committee Scoring Matrix, (5) Memorandum to CEO recommending the top three ranked candidates with the CEO's approval.		<b>Procurement Services Program (PSP):</b> X Implemented	<b>Procurement Services Program (PSP):</b> Effective 2021, the Procurement Services Program retains the approved review and selection committee members' names in the procurement contract file. The following documents that evidence completion of an appropriate selection process are kept in the procurement contract file: (1) Memorandum to CEO to appoint the Selection Committee, (2) evidence that the Procurement Officer ensured the impartiality and independence of committee members, (3) the Selection Committee individual scoring sheets, (4) the Selection Committee Scoring Matrix, and (5) Memorandum to CEO recommending the top three ranked candidates with the CEO's approval.  The approval memos and evaluation conducted by the Professional Services Review committee are kept in a separate file with the corresponding fiscal year's Statement of Qualifications and Notice of Interest.





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				<p>This process has been included in the revised Procurement Services Program Standard Operating Procedures that was updated in February 2021. was revised in February 2021.</p> <p><b>Implementation Date: February 2021</b></p>
37)	Consistently require a process is in place to ensure the impartiality and independence of committee members. This process may include requiring that persons serving on a professional services review committee and selection committee complete and sign an affidavit attesting to having no personal, business, or any other relationship that would influence their decision.		<p><b>Procurement Services Program (PSP):</b></p> <p>X Implemented</p>	<p><b>Procurement Services Program (PSP):</b> Effective 2016, the Procurement Services Program requires that the SPO-024 “Attestation Serving on an Evaluation, Review or Selection Committee” form is completed, signed, and dated by all persons serving on an evaluation, review, or selection committee. The SPO-024 form is kept in the solicitation file, and this form documents the following:</p> <ol style="list-style-type: none"> <li>1) identifies a committee member as a governmental employee or non-governmental employee;</li> <li>2) states the purpose of the committee; and</li> <li>3) requires the committee member to attest: <ul style="list-style-type: none"> <li>• I have no personal, business, or any other relationship that will influence my decision in the applicable evaluation, review, or selection process.</li> <li>• I agree not to disclose any information on the applicable evaluation, review, or selection process; and</li> <li>• I agree that my name will become public information upon award of the contract.</li> </ul> </li> </ol> <p><b>Implementation Date: January 2016</b></p>
38)	Ensure that, in accordance with HRS §84-18© a©(e), no former employee of OHA who was employed for more than 181 days in the prior year, is hired for compensation nor any other consideration to perform the same type of work the person had performed while employed by OHA.		<p><b>Corporate Counsel:</b></p> <p>X Implemented</p>	<p><b>Corporate Counsel:</b></p> <p>The CLA statement is over-broad.</p> <p>The Hawaii State Ethics Commission (HSEC) provides the following guidance on post-employment ethics laws:</p> <p>There are three basic provisions of the post-employment law, which apply to anyone who works for OHA for more than 180 days (HRS § 84-18(e)):</p> <ol style="list-style-type: none"> <li>1. There’s a confidentiality provision (HRS § 84-18(a)), so former OHA employees are still prohibited from using or disclosing any confidential</li> </ol>





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





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				<p>communication between the former OHA employee an– OHA - instead, the former OHA employee is prohibited even from <i>assisting</i> her/his new employer in getting the contract.</p> <p>With this guidance from HSEC, if during the contracts or grants process, OHA staff becomes aware that a former OHA employee is working for a prospective vendor, contractor, or grantee, then OHA staff should inform Corporate Counsel. Corporate Counsel can confirm with Human Resources the separation date of the former employee and follow-up with the former OHA employee or his/her current employer on the former OHA employee’s role or responsibilities with respect to the contract or grant being considered by OHA. Corporate Counsel can make a determination on whether OHA or the vendor, contractor, or grantee can proceed further. If there are any questions, Corporate Counsel or the former OHA employee can contact HSEC for guidance.</p> <p><b>Implementation Date: June 2020</b></p>
39)	Provide training and education to all levels of OHA employees involved in the execution of contracts. It must be clear to them that completed documentation and approvals must be in place, such as the completed Authorization to Proceed with Contract, before a contract is actually executed.		<b>Procurement Services Program (PSP):</b> X Implemented	<p><b>Procurement Services Program (PSP):</b> All Procurement Services Program staff involved in the execution of a contract are required to complete training and SPO webinars documented on the Procurement Unit Checklist. Any required documentation and approvals are obtained before the execution of a contract. All construction contracts have the requisite Notice to Proceed, and all other service contracts are sent with the information to proceed, executed contract, and PO numbers.</p> <p>The Procurement Services Program has provided onboarding training to all levels of OHA staff for the past several years. The first level of basic procurement training consisted of 4-5 classes and was provided twice a month during new hire onboarding.</p> <p><b>Implementation Date: January 2014</b></p>
40)	Ensure that the contract procurement process is followed as dictated by current OHA policies and procedures without circumvention and without completing the required steps in the wrong order. For example, a contract should never be executed prior to all of the necessary steps being completed. See also recommendation 51.		<b>Procurement Services Program (PSP):</b> X Implemented	<p><b>Procurement Services Program (PSP):</b> Currently, to process a procurement request from solicitation to an executed contract requires a Procurement Authorization Checklist (PAC) form to be completed. The PAC form documents the procurement process on a single form and provides a useful tool to effectively inventory the required compliance documents and approvals for procurement processing. The PAC form</p>





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				<p>includes: the PR number and relevant information; approval for solicitation method; compliance documents; and approvals as required by program managers, directors, CFO, COO and/or CEO.</p> <p>This process has been included in the revised Procurement Services Program Standard Operating Procedures that was updated in February 2021.</p> <p><b>Targeted Implementation Date: February 2021</b></p>
41)	<p>Consistently follow the process outlined by HRS §103D-304 and by OHA's policy for the selection of Professional Service providers from the approved list when the need arises during the year for a specific service.</p> <p>a. An administrator should designate a Selection Committee to evaluate the Statements of Qualification submitted by the approved professional service providers and rank at a minimum three providers using the selection criteria.</p> <p>b. Professional service providers should not be selected without written documentation of the process followed and reason for selection.</p> <p>c. The vendors approved for inclusion on the list of approved professional service providers must have submitted a Statement of Qualification and Expression of Interest for the year applicable to the contract for which they are being considered. The Statement of Qualifications and Expression of Interest should not be carried forward from one year to the next.</p>		<p><b>Procurement Services Program (PSP):</b></p> <p>X Implemented</p>	<p><b>Procurement Services Program (PSP):</b> Past and current Procurement Services Program practice has been to follow the process outlined by HRS §103D-304 and OHA's policy for the selection of Professional Service (PS) providers from the approved list when the need arises during the year for a specific service. Effective 2016, the Procurement Services Program has retained the documentation for the approvals to conduct the professional services review and selection, in the procurement contract file according to OHA's records retention policy. The names of the individuals serving on the professional services review committee and the selection committee are also maintained in the procurement contract file. The following documents that evidence completion of an appropriate selection process are kept in Section 1 of the procurement contract file: (1) Memorandum to CEO to appoint the Selection Committee, (2) evidence that the Procurement Officer ensured the impartiality and independence of committee members, (3) the Selection Committee individual scoring sheets, (4) the Selection Committee Scoring Matrix, and (5) Memorandum to CEO recommending the top three ranked candidates with the CEO's approval.</p> <p>The approval memos and evaluation conducted by the review committee are kept in a separate file with the corresponding fiscal year's Statement of Qualifications and Notice of Interest.</p> <p>All Procurement Services Program staff conducting a procurement for Professional Services (PS), complete the SPO training webinar SPO 115, and are required to read HRS §103D -304 and HAR §3-122-62. The procurement staff conducting the PS is required to use the forms provided by SPO and OHA Memos created for PS.</p> <p>Prior to each new fiscal year, the Procurement Services Program conducts its annual solicitation for the various Professional Services Categories</p>





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				needed for OHA. A Statement of Qualifications and Expressions of Interest are solicited for as well. <b>Implementation Date: January 2016</b>
42)	Ensure that a copy of the published Notice to Providers of Professional Services is included in the Professional Service Providers binder for reference along with evidence that the notice was published. This may include a newspaper clipping or screenshot of the Procurement Notices System to provide evidence that the notice was posted.		<b>Procurement Services Program (PSP):</b> X Implemented	<b>Procurement Services Program (PSP):</b> The publication of solicitations is done electronically on the SPO website. Previously, only the Star Advertiser receipt for posting was kept with the file. The Procurement Services Program currently retains the SPO website publication confirmation, the OHA website posting, and the Star Advertiser receipt, with the respective fiscal years' Professional Services solicitation files. <b>Implementation Date: September 2016</b>
43)	Ensure that compliance documents are always obtained from the vendors prior to contract execution. It would be prudent to establish a policy that requires an explanation as to why compliance documents may not be required from a vendor whenever this designation has been listed on the Procurement Package Checklist for procurements that are not grants or purchases of less than \$25,000.		<b>Procurement Services Program (PSP):</b> X Implemented	<b>Procurement Services Program (PSP):</b> The Procurement Services Program currently requires a "Procurement Authorization Checklist" (PAC) form to be completed in order to process a procurement request from solicitation to an executed contract. The PAC form documents the procurement process on a single form and provides a useful tool to effectively inventory the required compliance documents and approvals for procurement processing. If an exemption is applicable, procurement staff provides citation to the exemption with an explanation on the PAC form. The PAC form is then submitted to the PSP Manager for approval. The PAC form includes: the PR number and relevant information; approval for solicitation method; compliance documents; and approvals by program managers, directors, CFO, COO and CEO. This process has been included in the current draft of the Procurement Services Program Standard Operating Procedures, pending review and adoption. <b>Targeted Implementation Date: February 2021</b>
44)	Ensure that a Purchase Requisition is always completed not only at the beginning of the procurement process for a new contract, but also when the need for a contract amendment is identified so that there is verification of availability of funds, encumbering funds, and for use in creating the Purchase Order. See also recommendations 47, 48, and 54.		<b>Procurement Services Program (PSP):</b> X Implemented	<b>Procurement Services Program (PSP):</b> Currently, the Procurement Services Program requires the completion of a Purchase Requisition for all new purchases, contract amendments, and encumbering the new FY funds. Funds are verified prior to creating a Purchase Order. <b>Implementation Date: January 2016</b>





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Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
45)	In the event that a procurement violation is identified, ensure that the appropriate steps are taken to complete a Report of Procurement Violation on State Procurement Office (SPO) Form-016, which lists five steps including determining whether appropriate corrective action has been taken, and forwarding the form (request) to the CFO for after-the-fact payment approval if one has been requested. In addition to completing the appropriate documentation, ensure that a copy of the completed form is retained in the related contract file.		<b>Procurement Services Program (PSP):</b> X Implemented	<b>Procurement Services Program (PSP):</b> Upon notice of a possible procurement violation, the Procurement Manager will gather information from the program and the assigned Procurement Specialist. The Procurement Manager will use the information provided to determine if a violation has occurred. If a violation has occurred, the Procurement Manager will request that the program complete Form SPO-016, Report of Procurement Violations: Finding and Corrective Actions and/or Request for After-The-Fact Payment Approval. Upon receipt of Form SPO-016 from the program, the Procurement Manager will review for completeness and submit to the HOPA and CPO for review and approval. All Procurement violations will be reported to SPO. This process has been included in the current draft of the Procurement Services Program Standard Operating Procedures.  <b>Targeted Implementation Date: February 2021</b>
46)	Implement a process to increase communication with the Board of Trustees with respect to the procurement of professional services, particularly when the services involve action items from the Board of Trustees. For any contract for which it is expected that the results of the work will require action or agreement by the Board of Trustees, it is prudent that discussions with the Board of Trustees take place prior to the commencement of the procurement process. This will help reduce possible waste from decisions made by the Board of Trustees not to proceed on an action item.		<b>Procurement Services Program (PSP):</b> X Implemented	<b>Procurement Services Program (PSP):</b> Effective 2016, the process to include the BOT in a professional services procurement has been done in accordance with HRS§103D-304 and HAR §§ 3-122-62 thru 69. The BOT has participated as advisors and selection committee members.  <b>Implementation Date: January 2016</b>
47)	Perform revisions and updates to the OHA Fiscal Procedures Manual to ensure that it is complete and accurately reflects the policies and procedures as currently mandated by applicable Hawai'i Revised Statutes and as practiced by OHA. The manual should also be updated to reflect current titles and approval authorities. The review and update of this manual should take place at least every two years to ensure that current policies are reflected.		<b>A. Procurement Services Program (PSP):</b> X Implemented  <b>B. Financial Services Program (FSP):</b> X Partially Implemented	<b>Resource Financial Management Assets:</b> Financial Services Program (FSP) and Procurement Services Program (PSP): The updated FSP and PSP SOP were refreshed in February 2021. Further revisions to reflect the automation of our processes and advancements achieved with the Oracle Fusion Contract Module (implemented in November 2020), remote working process changes due to COVID-19 vs. legacy paper processes, and new leadership are top of mind in the up-coming relook at the FSP and PSP SOP. Vacancy of the Chief Financial Officer position (since January 2019 to October 2020), Controller (since January 2021), Accounting Manager and Accountant (since May 2021) and Accounting Assistant (since July 2021) have hampered fiscal activities and prompted 3 <sup>rd</sup> party services for basic functions. Fiscal and Procurement Procedures Manual(s) will be updated again, no later than the end of the fiscal year.





## APPENDIX A - IMPLEMENTATION PLAN FOR 73 OHA RECOMMENDATIONS

Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
				<b>Targeted Implementation Date: June 2022</b>
48)	Consider implementing the process of stamping each invoice paid, indicating the check number on the invoice itself instead of, or in addition to, applying this stamp to the Request For Payment form. It is a best practice to apply this type of marking to the invoice itself to prevent the risk of the invoice being paid again should the invoice become separated from the Request for Payment form.		<b>Financial Services Program (FSP):</b> X Implemented	<b>Financial Services Program (FSP):</b> Current fiscal procedures require accounting staff to stamp “Paid” and write the check number on all invoices and Request for Payment forms.  <b>Implementation Date: June 2008</b>
49)	Consider developing and implementing a policy and procedures that require the procurement office to obtain a minimum of three quotes, when feasible, when seeking services that qualify as exempt. Although obtaining quotes are not required for goods or services that qualify as exempt under HRS §103D-102(b), the statute states in subsection 102(d) that “[g]overnmental bodies making procurements which are exempt from this chapter are nevertheless encouraged to adopt and use provisions of this chapter and its implementing rules as appropriate ... ” Obtaining three quotes before awarding a contract for exempt goods or services will help ensure that OHA receives a fair price, increases competition, and helps reduce the risk of vendor favoritism or other unethical behavior in the procurement process. Documentation of the quotes received should be retained in the procurement files.		<b>Procurement Services Program (PSP):</b> X Not Implemented, N/A	<b>Procurement Services Program (PSP):</b> The process of obtaining minimum quotes for goods or services that qualify as exempt will not be implemented, as this is not applicable pursuant to Hawai’i Revised Statutes §103D-102 and Hawai’i Administrative Rules §3-120-4.  The CLA recommendation did not include the complete text of HRS §103D-102(d). The complete text of HRS §103D-102(d) as provided below, does not require obtaining three quotes:  “Governmental bodies making procurements which are exempt from this chapter are nevertheless encouraged to adopt and use provisions of this chapter and its implementing rules as appropriate; provided that the use of one or more provisions shall not constitute a waiver of the exemption conferred and subject the procurement or the governmental body to any other provision of this chapter.”  <b>Implementation Date or Targeted Implementation Date: N/A</b>
50)	Require staff to use other procurement methods (e.g., Professional Services), whenever possible, prior to using the exempt procurement method. The exempt procurement method should be used only when the goods or services qualify under the statute and when other procurement methods are not feasible. The use of other procurement methods will provide more competition and ensure OHA is receiving a fair and competitive price for its purchases.		<b>Procurement Services Program (PSP):</b> X Implemented	<b>Procurement Services Program (PSP):</b> The Procurement Services Program currently requires a “Procurement Authorization Checklist” (PAC) form to be completed in order to process a procurement request from solicitation to an executed contract. The PAC form documents the procurement process on a single form and provides a useful tool to effectively inventory the required compliance documents and approvals for procurement processing. If an exemption is applicable, procurement staff provides citation to the exemption with an explanation on the PAC form. The PAC form is then submitted to the PSP Manager for approval.  This process has been included in the revised Procurement Services Program Standard Operating Procedures.





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Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
				<b>Implementation Date: February 2021</b>
51)	Consider seeking guidance from the State Procurement Office regarding the appropriate application of the exemptions under HRS §103D-102(b) and Hawai'i Administrative Rules Section 3-120-4 - Exhibit A. The State Procurement Office may be able to provide additional training or guidance to OHA staff, especially the procurement department, to ensure the proper interpretation and application of the list of exempt goods and services. Appropriate OHA staff should be sufficiently trained. If staff are unsure of whether a service or good qualifies as exempt, they should be encouraged to contact the State Procurement Office for guidance.		<b>Procurement Services Program (PSP):</b> X Implemented	<b>Procurement Services Program (PSP):</b> The Procurement Services Program and Procurement Manager has an open communication and active relationship with the State Procurement Office (SPO). The Procurement Manager encourages the Procurement Specialist to contact the SPO with any questions, concerns, and for guidance regarding procurements they are working on. The Procurement Manager also has an open communication and active relationship with the SPO. The OHA Procurement Services Program has participated in the annual Conference organized by the SPO office for the past four years. It is mandatory for all procurement staff to complete and pass SPO webinars prior to being assigned a method of solicitation. <b>Implementation Date: January 2016</b>
52)	Update the Operational Authority Delegation Hierarchy, Request for Payment on Contract, and Request for Issuance of Check to ensure that the approval signatures included on the request for payment/check align with the signatures required per the delegation hierarchy. If necessary, include a location on the payment request where the program, line of business, or other pertinent information is included so that staff can easily verify that the appropriate signatures were obtained.		<b>Financial Services Program (FSP):</b> X Implemented	<b>Financial Services Program (FSP):</b> The last updated Operational Authority Delegation Hierarchy is referenced when verifying approval signatures for all financial transactions. <b>Implementation Date: June 2008</b>
53)	Update the Procurement Document Checklist to include a location for the Procurement Manager to sign indicating that the form was reviewed.		<b>Procurement Services Program (PSP):</b> X Implemented	<b>Procurement Services Program (PSP):</b> Effective 2016, the "Procurement Document Checklist" was replaced by the "Procurement Authorization Checklist" (PAC) form. The Procurement Services Program requires the PAC form to be completed in order to process a procurement request from solicitation to an executed contract. The PAC form documents the procurement process on a single form and provides a useful tool to effectively inventory the required compliance documents and approvals for procurement processing. The PAC form tracks and records approvals from the receipt of the Purchase Requisition to the approvals by the Procurement Manager for the solicitation method selected; Program Manager and/or LOB for content; Controller, CFO, Budget Analyst for availability of funds; and COO and/or CEO for execution of contract.





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Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
				<b>Implementation Date: January 2016</b>
54)	Implement a process for obtaining and retaining documentation when signing authority is delegated to another member of OHA staff, such as the CFO giving signing authority to the Controller while the CFO is absent. Ensure that this documentation is kept with the procurement, contract, and payment files for later verification.		<b>Procurement Services Program (PSP):</b> X Implemented	<b>Procurement Services Program (PSP):</b> Effective 2015, the Procurement Services Program has retained an electronic file of the Delegation of Signing Authority. Effective early 2019, the Procurement Services Program also retains a hardcopy of the Delegation of Signing Authority in the contract file when the signing authority is delegated to another OHA staff member. <b>Implementation Date: May 2015 Electronic, January 2019 Hard Copy</b>
55)	Implement procedures to ensure that documents are retained according to OHA's document retention policy and the Hawai'i state requirements. Consider the implementation of a digital document repository that would allow OHA to easily scan, upload, and store all relevant documents. This could assist OHA in the retention of important documents on a long-term basis.		<b>Records Management Program:</b> X Partially Implemented	<b>Records Management Program:</b> OHA Administration completed the Records Management Redesign (RMR) Project in November 2020, which effected a systematic, agency-wide review and update to OHA's records management policies and procedures that was tailored to the unique records produced by each OHA program. An updated Records Management policy, a Records Custodian List based upon completed records custodian designation forms, an updated OHA Record Retention Schedule, and RMR training and training materials were developed and implemented. Digital document retention systems remain operational for many programs and may be further expanded with the Oracle Fusion contract module, which could serve as a future digital repository for agency documents. <b>Targeted Implementation Date: December 2022 for Digital Document Repository</b>
56)	Update the Operational Delegation Authority Hierarchy regarding grants awarded to the LLC's. The Operational Delegation Authority Hierarchy should require the approval of the Board of Trustees, regardless of dollar amount, to ensure there is no conflict of interest in the grant award process.		<b>Board of Trustees:</b> X Not Implemented, N/A	<b>Board of Trustees:</b> OHA does not award grants to LLCs. In May 2019, the Board of Trustees approved: 1) the dissolution of LLCs ---Ho'okele Pono LLC, Hookipaipai, LLC and Hi'ikualono, LLC; and 2) the search and seating of non-OHA employee LLC managers for Hi'ilei Aloha LLC and Hiipaka LLC (dba Waimea Valley). During the FY20-21 budget and budget realignment actions (May and September 2019, respectively), operational winddown activities were projected and the related winddown, dissolution and termination activities were a part of the BOT approved LLC budget for FY20-21. <b>Implementation Date or Targeted Implementation Date: N/A</b>





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Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
57)	Ensure that information on the sponsorship review forms are consistent with the grantees formal letter or application. Grantee information received by OHA that is not on the letter or application should be retained in the sponsorship file to ensure that a record of all relevant information is retained.	<b>18-08 Recommendation No.1.a.</b> <b>18-03 Board Recommendation No. 4.a.</b> <b>18-03 Board Recommendation No. 4.b.</b>	<b>Board of Trustees:</b> X Partially Implemented	<b>Board of Trustees:</b> On August 1, 2017, the Board approved the appointment of members to an Ad Hoc Committee on Grants and Scholarships to review and address Grants, including Kūlia Initiatives, Sponsorships, and the Trustee Sponsorship and Annual Allowance Fund (TSAAF). Via Action Item BOT #18-01, on 2/27/2018 a moratorium on Trustee Sponsorship and Allowance Fund and CEO Sponsorships. Subsequently via Action Item RM #19-03, 2 <sup>nd</sup> reading approved on 5/2/2019 the Trustee Protocol Allowance program was approved by the Board. The remaining subjects of BOT and CEO sponsorships remain under review by the Ad Hoc Committee. <b>Targeted Implementation Date: June 2023</b>
58)	Revise the Operational Authority Delegation Hierarchy to specify the departments or titles required to approve and sign Requests for Check Issuance. Currently, the delegation hierarchy simply states "Appropriate Budget Authority," and OHA was unable to identify for CLA who the "Appropriate Budget Authority" was for disbursements. If necessary, consider creating a budget authority document that identifies the appropriate budget authority by line of business, division, etc.		<b>Financial Services Program (FSP)</b> X Implemented	<b>Financial Services Program (FSP):</b> The Operational Authority Delegation Hierarchy for all approval signatures has been last updated 7/3/18. "Appropriate Budget Authority" is further defined as the manager or director for the program account being charged if different from manager's approval line. <b>Implementation Date: July 2018</b>
59)	Ensure that grants are issued only for the grant types established within the OHA Grants Program Standard Operating Procedures. Disbursements described as "Other" grants should be required to use another procurement method.		<b>Grants Program:</b> X Implemented	<b>Grants Program:</b> The Grants Program has two types of grants- Competitive and Noncompetitive Grants. Noncompetitive grants are initiated as an Administration and/or BOT initiative based on an identified need in the Native Hawaiian community that does not conform to the Competitive Grants Program process. Noncompetitive Grants conform to HRS §10-17 requirements. The Noncompetitive Grants process is included in the current Grants Program SOP. The Grants Program does not have "Other" Grants. <b>Implementation Date: November 2019</b>
60)	Ensure that sponsorships are not awarded for programmatic services. Grants awarded for programmatic services should use other grant methods (e.g., Community Grants Program).	<b>18-03 Board Recommendation No. 4.a.</b> <b>18-03 Board Recommendation No. 4.b.</b>	<b>Board of Trustees:</b> X Partially Implemented	<b>Board of Trustees:</b> On August 1, 2017, the Board approved the appointment of members to an Ad hoc Committee on Grants and Scholarships to review and address Grants, including Kūlia Initiatives, Sponsorships, and the Trustee Sponsorship and Annual Allowance Fund (TSAAF).  Administration is in the process of developing new organization wide Sponsorship processes, including processing of sponsorships formerly





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





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Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
62)	Enforce the requirement that sponsorships, and other awards and disbursements, not exceed the dollar limits established by OHA. All appropriate OHA staff (i.e., grants, procurement, and accounting) should be adequately trained to scrutinize the supporting documentation to ensure that amounts are not split to circumvent spending/award limits. Any request that exceeds such spending limits should not be awarded, approved, or paid.		<b>Grants Program:</b> X Implemented	<b>Grants Program:</b> Grant awards conform to a BOT approved budget and require BOT award approval. Given this process, the Grant Program would not contract an amount that exceeded the award amount.  <b>Implementation Date: July 2019</b>
63)	Ensure that accounting staff are sufficiently trained to not pay requests for payment that do not contain sufficient supporting documentation. All disbursements should equal the approved requests for payment and supporting invoices. Any exceptions should be returned by accounting to the appropriate OHA staff for correction and resubmission.		<b>Financial Services Program (FSP)</b> X Implemented	<b>Financial Services Program (FSP):</b> Staff has been trained to pre-audit payment requests for sufficient supporting documentation and proper approvals. Any incomplete forms or signatures are given back to the requestor to complete.  <b>Implementation Date: June 2008</b>
64)	Require that disbursements not exceed the amount approved on a Purchase Requisition. If it is determined that the amount approved on a Purchase Requisition is not sufficient for the required disbursement, issue a new Purchase Requisition for the full amount of the disbursement and not only for the incremental increase. Approval of Purchase Requisitions is based on the dollar amount; therefore, issuing disbursements based on incremental Purchase Requisitions could be used to circumvent appropriate approval requirements.		<b>Procurement Services Program (PSP):</b> X Not Implemented, N/A	<b>Procurement Services Program (PSP):</b> The Purchase Requisition is "how" programs request that the Procurement Services Program conduct a solicitation for a particular goods, service or construction needed by the program. The cost listed on the Purchase Requisition is only an estimate as an actual cost will not be known until the solicitation is completed. Should the actual cost be higher than stated on the PR once the solicitation is completed, the Procurement Authorization Checklist documents the original amount on the PR and provides for the actual cost to be approved by the LOB and the Budget Analyst.  <b>Implementation Date or Targeted Implementation Date: N/A</b>
65)	Disbursements and other financial transactions should not be approved by individuals other than OHA staff and designated on the Operational Authority Delegation Hierarchy. If OHA desires an approval from staff working in the Native Hawaiian Roll Commission (NHRC) regarding a disbursement, there should be an additional approval required of the appropriate staff of NHRC; however, it should not replace the approval signatures required of OHA staff. The Operational Authority Delegation Hierarchy should be updated to include the additional approval signatures required of NHRC staff.		<b>Financial Services Program (FSP)</b> X Not Implemented, N/A	<b>Financial Services Program (FSP):</b> All financial transactions are processed and approved by authorized OHA personnel. The Native Hawaiian Roll Commission (NHRC) was administratively attached to OHA and OHA funded. The NHRC ceased its active operations in 2016, so no associated update to the Operational Authority Delegation Hierarchy is needed.  <b>Implementation Date or Targeted Implementation Date: N/A</b>





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Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
66)	Ensure that OHA staff and administration are sufficiently trained on the appropriate order of documents that must be approved before purchasing goods or services. CLA observed instances in which a check request was prepared prior to or at the same time as other documents that require approval before requesting payment. Goods and services should not be purchased or paid for prior to obtaining adequate approval for the purchase.		<b>Financial Services Program (FSP)</b> X Implemented	<b>Financial Services Program (FSP):</b> Simultaneous preparation of various documents is acceptable in certain urgent/emergency instances to expedite processing. FS staff are trained to obtain sufficient supporting documentation and proper approvals for all payment requests. <b>Implementation Date: June 2008</b>
67)	Consider implementing a policy that requires all disbursements to be approved via a Request for Check Issuance or Request for Payment on Contract. These documents include information indicating that the approver has certified to the receipt of goods or services, which is an important step for approving all disbursements.		<b>Financial Services Program (FSP)</b> X Not Implemented, Disagree	<b>Financial Services Program (FSP):</b> The FS program disagrees with the recommendation of a policy requiring ALL disbursements be approved by the Check Issuance or Request for Payment on Contract. Other than the monthly recurring invoices (e.g. utilities, rent, etc.), the use of a “form” to request for payment is required. Encumbrances are setup in the beginning of the fiscal year for the recurring fixed expenditures, Program monitors review, verify and sign off on the monthly invoices acknowledging receipt of goods and services. FS staff processes the approved invoices in accordance with established fiscal procedures. <b>Implementation Date or Targeted Implementation Date: N/A</b>
68)	Implement a process to enforce the requirements that (1) the Request for Use of Procurement Card form is completed and appropriately signed before a pCard is used, (2) all receipts and other supporting documentation are retained within the disbursement file, (3) the Statement of Completed Travel form is submitted within the deadline, and (4) all forms are signed and dated. Provide additional staff training regarding the appropriate process for pCard approval, documentation, and use. Ensure that steps are taken to immediately address instances when the policy is not followed. Consider revoking pCard privileges for staff that consistently do not follow policy.		<b>A. Procurement Services Program (PSP):</b> X Partially Implemented  <b>B. Financial Services Program:</b> X Implemented	<b>Procurement Services Program (PSP):</b> Addresses item number (3) Statement of Completed Travel Form is submitted within the deadline: OHA initiated the Business Travel Process project team to help develop an efficient travel process for OHA Trustees and staff. Through the project management process, the project team addressed inefficiencies in the current travel process and provided for clear accountability to the travel policy and procedures. The Statement of Completed Travel Form and Business Travel Process is in place. The Delegation of Authorities has been drafted and requires formal approval. The implementation of the revised delegations will tighten the processes further. <b>Targeted Implementation Date: June 2022</b>  <b>Financial Services Program (FSP):</b> Current pCard guidelines and procedures specify that cardholder is to obtain a completed Request for Use of Purchasing Card Form before charging, reconcile all charges on account and submit a bi-monthly billing statement supported by receipts and appropriate documentation for payment processing. Cardholder who consistently violates internal guidelines and procedures may be put on a





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				corrective active plan including verbal or written warning, temporary suspension, revocation of privileges, or other disciplinary action. <i>See</i> OHA’s Purchasing Card Program Internal Guidelines and Procedures.  <b>Implementation Date: June 2016</b>
69)	Implement a process to enforce the requirement that the Travel Allowance Authorization form is submitted within the deadline required for in-state and out-of-state travel. Provide additional staff training regarding the required process, and ensure that steps are taken to immediately address instances when the policy is not followed.		<b>Procurement Services Program (PSP):</b> X Partially Implemented	<b>Procurement Services Program (PSP):</b> OHA initiated the OHA Business Travel Process project team to help develop an efficient travel process for OHA Trustees and staff. Through the project management process, the project team plans to, among other things, address inefficiencies in the current travel process and to provide for clear accountability to the travel policy and procedures.  A Business Travel Process (BTP) pilot, as part of the business travel function, within Procurement, including the related system, was launched in March 2020, about the time the organization, closed the office and transitioned to telework due to COVID-19. Systems and processes are in place and in use for essential travel (e.g., Board, operations). Pilot p-card processing and process changes for the Board suite were implemented in early 2021 and October 2021, respectively.  With the reorganization, the travel function will move from the Procurement Program to Operations unit. New procedures and related changes in the system, including delegations of authority need to be designed, implemented, and monitored. Accordingly, the final implementation is dependent on the staffing, training, and implementation of operations processes.  <b>Targeted Implementation Date: June 2022</b>
70)	Implement a process whereby leases and long-term rentals are procured using the Exempt Procurement method for contracts. Using contracts for leases and long-term rentals will provide assurance that a contract manager is assigned, the contract has appropriate oversight and monitoring, and the invoice amounts and rates are compared to the rental or lease agreement.		<b>Procurement Services Program (PSP):</b> X Not Implemented, N/A	<b>Procurement Services Program (PSP):</b> Pursuant to HRS§103D-104 of the Hawai’i Public Procurement Code, leases of real property and office rentals are explicitly excluded from the definition of “goods” and it does not fall under the definition of “service.” As such, leases of real property and office rentals do not fall under procurement. Properties which OHA leases and long-term rentals are managed by the Resource Management Land Assets, Commercial Property Program.  <b>Implementation Date or Targeted Implementation Date: N/A</b>





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Rec No.	CLA Recommendation Description	State Audit Recommendation Response <sup>2 3</sup>	Implementation Status	Comments, Including Implementation (or Targeted Implementation) Date
71)	The Community Engagement department should retain in the department files the information provided by various OHA staff to prepare the annual report to the Board of Trustees. This information should be retained in accordance with OHA's standard retention policy to ensure that there is support for the information and numbers reported.		<b>Community Engagement Program:</b> X Implemented	<b>Community Engagement Program:</b> The Community Engagement (CE) program will retain in the Department files the information provided by various OHA staff to prepare the annual report to the Board of Trustees in accordance with OHA's standard retention policy to ensure that there is support for the information and numbers reported. CE begins to gather information for the annual report in August, submission deadlines for various sections of the report run from September 1 and the final deadline for submissions is October 31. The report is sent for printing in mid-November.  <b>Implementation Date: January 2020 for next annual report period fiscal year ended 6/30/2020</b>
72)	The Community Engagement department should clarify with the grants department regarding whether the reported grant and sponsorship information is based on dollars awarded or disbursed. The report should be updated to clarify the nature of the dollars reported (awarded versus disbursed).		<b>Grants Program:</b> X Implemented	<b>Grants Program:</b> The Grants Program notified Community Engagement that grant and sponsorship information provided for the Annual Report are 'awarded' not 'disbursed' amounts.  <b>Implementation Date: December 2019</b>
73)	Consider including information in OHA's annual report to the BOT that addresses the amount of grant awards disbursed. Currently, the annual report provides only grant awards. Providing disbursed dollars will help the BOT and other readers assess the overall results of the grant programs.		<b>Grants Program:</b> X Not Implemented, Disagree	<b>Grant Program:</b> Contrary to the audit recommendation, providing disbursement amounts for active grants in OHA's annual report will not support an assessment regarding overall results of grants program. The current grant closeout process provides data on grant performance and actual disbursement amount for each grant. The grants information management system (OHA Foundant Grants Portal), which was launched in July 2019, can provide customized grant disbursement data for any requested grant period. Administration will consider how actual grant expenditures and other information can be reported to the Trustees, Administration, staff and beneficiaries on a quarterly basis.  <b>Implementation Date or Targeted Implementation Date: N/A</b>





## APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

### I. Summary of Implementation Plan for 30 LLC Recommendations by LLC Entity<sup>1</sup>

		Recommendation No.		
Implementation Status	Quantity	Hi'ilei Aloha LLC	Hi'ipaka LLC	Ho'okipaipai LLC
Implemented	28	1-11,13,16,23, 26-29, 30	12,14,15,17,18, 19,20,25, 21	
Not Implemented, N/A	1			22
Not Implemented, Disagree	1	24		
<b>Total</b>	<b>30</b>	<b>20</b>	<b>9</b>	<b>1</b>

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





## APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

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

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





## APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

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





## APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

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





## APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

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





## APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

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





## APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

Recommendation No.	Recommendation Summary	Implementation Status	Comments, Including Implementation (or Target Implementation) Date
	information, such as payee name, check number, and date.		
<b>L21</b> <b>(Hi'ipaka LLC)</b>	Consider requesting from the bank, images of the front and back of cancelled check with the monthly bank statements.  On a sample basis, use images to compare payee information to the information in the general ledger and ensure Hi'ipaka's check signing policy is in compliance.	X Implemented	Due to digital advancements the bank is no longer including the check images on monthly customer statements. The bank was also doing away with check images on a CD. Customers were told to access their account online to obtain and print check image copies directly. Our accounting department currently obtains the check images of 5% of our monthly checks during our month end closing procedures and cross references them with the general ledger.  <b>Implementation Date: February 2020</b>
<b>L22</b> <b>(Ho'okipaipai LLC)</b>	Ensure three verbal quotations of rate or price are obtained as required by the Ho'okipaipai Fiscal Policies and Procedures manual.	X Not Implemented, N/A	Not implemented as Ho'okipaipai LLC is in the process of dissolving.
<b>L23</b>	Document in the contract file the basis for non-competitive	X - Implemented	Added section to Fiscal P&P that the basis for any non-competitive negotiations must be documented





## APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

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





## APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

Recommendation No.	Recommendation Summary	Implementation Status	Comments, Including Implementation (or Target Implementation) Date
			<b>Implementation Date: January 2020</b>
<b>L27</b>	Ensure comprehensive quality review control in place for the production of the LLCs quarterly reports to the Board of Trustees (BOT).	X Implemented	<p>Created Quarterly Report form and initiated review process for OHA quarterly reports:</p> <ul style="list-style-type: none"> <li>a. Review draft &amp; circulate to other LLC executive director(s)</li> <li>b. Address differences in reports</li> <li>c. Identify &amp; correct mathematical errors</li> <li>d. Add footnotes with explanation of any legitimate differences</li> <li>e. Sign off by Hi'ipaka E.D., Hi'ilei accountant, and Hi'ilei COO.</li> </ul> <p><b>Implementation Date: January 2020</b></p>
<b>L28</b>	Consider adding footnotes or notes to the quarterly reports to the BOT; including reconciliation notes addressing recorded transactions after the quarterly reports provided to the BOT.	X Implemented	<p>Footnote disclaimer is already included in OHA Quarterly Reports per suggestion made by CLA staff earlier this year; next quarter for reporting is third quarter ending September 2019.</p> <p><b>Implementation Date: January 2020</b></p>





## APPENDIX B - IMPLEMENTATION PLAN FOR 30 LLC RECOMMENDATIONS

Recommendation No.	Recommendation Summary	Implementation Status	Comments, Including Implementation (or Target Implementation) Date
<b>L29</b>	Ensure strict quality control review process to ensure mathematical errors are identified and corrected prior to finalization.	X Implemented	Initiated process outlined in L27 above; next quarter for reporting is third quarter ending September 2019. <b>Implementation Date: January 2020</b>
<b>L30</b>	Consider formatting the quarterly financial reports to mirror the format of the audited financial statements.	X - Implemented	To be implemented upon confirmation from OHA of preferred format. <b>Implementation Date: June 2020</b>

### Individual Contract File folder for each contract will contain:

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





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

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

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

<sup>1</sup> Based on contract \$ (vs. disbursed \$)





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

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

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes <sup>2</sup>
1	Contract	Grants	K-11	2726 (12/01/2011-11/30/2013)	I Ola Lāhui, Inc.	\$ 500,000.00	72	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p><b>Contract Purpose:</b> Community Grant to provide evidence-based health interventions</p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>Contractor’s Executive Director of contractor and CEO may be acquaintances; CEO in position to review and approve grants recommended by the review committee before sending to BOT;</li> <li>Grant period overlapped with K-25;</li> <li>Backdating of contract K-11;</li> <li>K-11 grant file missing Purchase Requisition for first year and final Request for Payment on Contract for \$1,000</li> <li>Does not appear to be financial benefit to OHA employee; but there is a possibility of preferential treatment to this grantee;</li> </ul> <p>Any mishandling of grant awards or perceived favoritism could pose a risk to OHA of possible fraud, waste, abuse</p>	<ul style="list-style-type: none"> <li>Closed</li> <li>CLA found that "there does not appear to be any financial benefit to an OHA employee."</li> <li>Request for Final Payment on Contract of \$1,000 was found in the files provided to CLA.</li> <li>Contract monitor is no longer employed with OHA.</li> </ul>

<sup>2</sup> Administration’s notation of “Closed” marks the end of follow up work as of January 2020 when the draft Recommendations Implementation Report was presented to the Committee on Resources Management; and as of November 2021 no further follow up work to be done by Administration.





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

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes <sup>2</sup>
2	Contract	Grants	K-25	2887 (07/01/2013-06/30/2015)	I Ola Lāhui, Inc.	\$ 500,000.00	72	Former Grants Manager was interviewed; still at OHA in another role	<p><b>Contract Purpose:</b> Community Grant for Kūlana Hawai‘i Weight Management Program</p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>Contractor’s Executive Director of contractor and CEO may be acquaintances; CEO in position to review and approve grants recommended by the review committee before sending to BOT;</li> <li>Grant periods overlapped with K-11;</li> <li>Purchase Requisition for second year for \$250,000 missing from grant file.</li> <li>Does not appear to be financial benefit to OHA employee; but there is a possibility of preferential treatment to this grantee;</li> </ul> <p>Any mishandling of grant awards or perceived favoritism could pose a risk to OHA of possible fraud, waste, abuse</p>	<ul style="list-style-type: none"> <li>Closed</li> <li>CLA found that "there does not appear to be any financial benefit to an OHA employee."</li> <li>Contract monitor is no longer employed with OHA.</li> </ul>
3	Contract	Grants	K-39	2953 (02/01/2014-05/31/2014)	Native Hawaiian Education Association on behalf of World Indigenous Peoples Conference on Education (WIPCE)	\$ 150,000.00	73	Contract monitor no longer employed by OHA and was not	<p><b>Contract Purpose:</b> Grant for WIPCE Conference</p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>Former OHA CEO was keynote speaker at Grant event;</li> </ul>	<ul style="list-style-type: none"> <li>Closed</li> <li>According to NHEA President (phone call, 1/7/2020): Former OHA CEO was not compensated for his keynote speech.</li> <li>Contract monitor is no longer employed with OHA.</li> </ul>





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

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes <sup>2</sup>
								interviewed by CLA	<ul style="list-style-type: none"> <li>CLA could not determine if Dr. Crabbe received compensation for the speech and if there was any financial interest at stake;</li> <li>CEO makes final decision on recommendations to BOT for Kūlia;</li> <li>Grant file missing: grant application, monitoring and eval reports, Grant Assessment Form, on-site monitoring report, Grant Closeout Report.</li> </ul> <p>Potential for personal benefit to the former CEO combined with missing documents are indicators of possible fraud, waste or abuse</p>	
4	Contract	Grants	K-57	3026 (05/04/2015-08/03/2016)	Akamai Foundation on behalf of Na‘i Aupuni	\$ 2,598,000.00	73	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p><b>Contract Purpose:</b> To facilitate election of delegates, election and referendum monitoring, a governance ‘Aha, and a referendum to ratify any recommendation of the delegates arising out of the ‘Aha</p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>Potential conflict of interest between Native Hawaiian Roll Commission Executive Director and his wife, who was a board member of Na‘i Aupuni, No disclosure in the grant file of potential conflict of interest</li> <li>Appearance of abuse of OHA’s disbursement process</li> </ul>	<ul style="list-style-type: none"> <li>Closed</li> <li>Specifics about this contract are protected by attorney-client privilege</li> </ul>





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

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes <sup>2</sup>
									Because all funds were disbursed and the election was canceled, the intended results of the grant were not recognized, which is an indication of waste of funds	
5	Contract	Grants	K-76	2785 (06/15/2012-07/15/2012)	‘Aha Kāne	\$ 200,000.00	75	Contract monitor no longer employed by OHA and was not interviewed by CLA	<b>Contract Purpose:</b> Grant for ‘Aha Kāne Conference 2012 <b>Observations:</b> <ul style="list-style-type: none"> <li>Grantee was founded by former OHA CEO before he was employed by OHA</li> <li>Documentation shows the former OHA CEO served as an advisory chair to ‘Aha Kāne at time it received grant</li> <li>Grant file contained no disclosure of this information</li> <li>Grant executed day prior to event so funds dispersed after event began</li> <li>Association between former OHA CEO and organization indicate possible conflict of interest in the awarding of this grant</li> </ul> <p>There is no evidence of a personal financial benefit to the former OHA CEO</p>	<ul style="list-style-type: none"> <li>Closed</li> <li>CLA found that "there is no evidence of a personal financial benefit" to the OHA CEO.</li> <li>Contract monitor is no longer employed with OHA.</li> <li>OHA Grant Review Report (10/10/12) and Contractor’s Final Report to OHA (08/24/12) both contain final budget</li> <li>Hawaii State Ethics Commission (HSEC) closed investigation with no administrative action</li> </ul>
6	Contract	Competitive Sealed	K-52	3007 (12/11/2014-12/10/2016)	WCIT Architecture	\$ 2,925,752.00	93	Contract monitor no longer	<b>Contract Purpose:</b> Contract for conceptual master plan and prepare for an RFP to select developer	<ul style="list-style-type: none"> <li>Closed</li> <li>Conceptual Master Plan was presented in Executive Session to Board on</li> </ul>





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

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes <sup>2</sup>
		Proposals (RFP)						employed by OHA and was not interviewed by CLA	<b>Observations:</b> <ul style="list-style-type: none"> <li>Deliverable(s) not provided to CLA, however, it may exist.</li> <li>Plans may have changed however rendering work performed under contract obsolete.</li> </ul> Raises concern for possible waste	11/4/2015 and remained confidential until July 2019 when presented to Board of Trustees in open session. OHA paid approximately \$1.86 million of the total contract. <ul style="list-style-type: none"> <li>Payment was for work relating to contract deliverables for the conceptual master plan, design guidelines and initial stages of EIS scoping meetings and draft EIS preparation.</li> </ul>
7	Contract	Competitive Sealed Proposals (RFP)	K-77	2847 (01/01/2013-09/30/2014)	Absolute Plus Advisors	\$ 185,000.00	94	Contract monitor no longer employed by OHA and was not interviewed by CLA	<b>Contract Purpose:</b> Provide investment advisory services <b>Observations:</b> <ul style="list-style-type: none"> <li>None of documents related to RFP were provided to CLA.</li> <li>No Purchase Requisition for original contract provided.</li> <li>Evidence of a deliverable was not provided.</li> <li>Backdating of contract amendment.</li> <li>Invoices approved past expiration of original contract and prior to amendment.</li> </ul> Lack of documentation raises concern that this contract was not procured properly, lack of evidence of a deliverable raises concern contract was not managed properly	<ul style="list-style-type: none"> <li>Closed</li> </ul> <b>Deliverable identified:</b> ARM Agendas indicate Absolute Plus Advisors Presented at these meetings: <ul style="list-style-type: none"> <li><b>1/23/2013</b> – presented: Summaries of Hawaii Direct Investments and Ending Market Value of 2012, Growth Asset of Sep. 2012, Short Term Liquidity Account</li> <li><b>7/10/2013</b> – presented: Quarter Portfolio Overview</li> <li><b>10/2/2013</b> – presented: Native Hawaiian Trust Fund 2013 Risk Management Evaluation</li> <li><b>4/16/2014</b> – presented: Native Hawaiian Trust Fund 4th Quarter 2013 Performance Review</li> <li><b>6/4/2014</b> – presented: Native Hawaiian Trust Fund Annual Review - hard copy of this report found</li> <li><b>7/9/2014</b> – presented: Native Hawaiian Trust Fund 1st Quarter 2014 Performance Review</li> <li><b>9/3/2014</b> – presented: Native Hawaiian Trust</li> </ul>





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

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





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

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes <sup>2</sup>
9	Contract	Professional Services	K-55	3022 (04/01/2015-03/31/2017)	Stryker Winer & Yokota Public Relations, Inc.	\$ 293,969.24	122	Contract monitor no longer employed by OHA and was not interviewed by CLA	<b>Contract Purpose:</b> Develop an Integrated Marketing Communications Plan  <b>Observations:</b> <ul style="list-style-type: none"> <li>Selection committee documentation not included in file.</li> <li>No verification documentation to confirm contract was awarded to first-ranked person.</li> <li>No Procurement Document Checklist.</li> </ul> <p>OHA ultimately never used a portion of the product produced by this vendor and paid for by OHA, which is an indication of possible waste</p>	<ul style="list-style-type: none"> <li>Closed</li> <li>OHA continued to use the integrated communication plan(s) created by Stryker Winer &amp; Yokota Public Relations under this contract.</li> <li>With the roll out of the Mana I Maui Ola, Strategic Plan 2020-2035, an updated communications plan will be developed with insights from previous contracted deliverables.</li> </ul>
10	Contract	Professional Services	K-56	3025 (09/07/2014-until services no longer needed)	Reed Smith LLP	\$ 200,000.00	124	Contract monitor no longer employed by OHA and was not interviewed by CLA	<b>Contract Purpose:</b> Provide legal services regarding Native Hawaiians  <b>Observations:</b> <ul style="list-style-type: none"> <li>Pro-bono work within the year after Ms. Nu‘uhiwa’s departure from OHA, then contracted under Reed Smith -- unsure if this pro-bono work was in exchange for receiving contract.</li> <li>Evidence that Professional Services Committee could not be impartial or remain independent.</li> <li>Documents suggest that the procurement process did not</li> </ul>	<ul style="list-style-type: none"> <li>Closed</li> <li>Contract monitor is no longer employed with OHA.</li> </ul>





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

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes <sup>2</sup>
									<p>occur in the proper order, suggesting OHA had already made a decision to hire Reed Smith prior to any of the procurement steps being undertaken for FY14-15</p> <ul style="list-style-type: none"> <li>• Inconsistent documentation in the procurement file.</li> <li>• No compliance documents from vendor.</li> </ul>	
11	Contract	Exempt Purchase	K-09	2721 (12/01/2011-06/30/2012)	The Kalaimoku Group LLC	\$ 50,000.00	152	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p><b>Contract Purpose:</b> Public relations and messaging services related to the proposed Kaka‘ako settlement</p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>• Appears that this contract should not have been executed as exempt contract.</li> <li>• Vendor was established in 2011, same year this contract was executed.</li> <li>• Effective date was before the time contract was executed by OHA.</li> <li>• Invoices dated six weeks apart.</li> <li>• Unknown whether OHA paid a fair price for the services, potential indication for waste.</li> <li>• Contractor was formed in the same year that the contract was executed and invoices are sequentially numbered,</li> </ul>	<ul style="list-style-type: none"> <li>• Closed</li> <li>• Contract monitor is no longer employed with OHA.</li> </ul>





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

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes <sup>2</sup>
									<p>indicates OHA may be (or was) its only customer/client. This could be an indication that the company was formed solely to provide services to OHA.</p> <p>Combined with possible inappropriate use of the exempt contract method, raises question of whether contract was handled properly, which could be an indication of favoritism to vendor.</p>	
12	Contract	Exempt Purchase	K-18	2857 (12/03/2012-09/30/2014)	Native Hawaiian Education Association	\$ 99,600.00	153	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p><b>Contract Purpose:</b> Hold 36 scholarship ‘aha</p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>• Appears that this contract should not have been processed as an exempt contract, but instead as a grant or sponsorship</li> <li>• OHA could not provide documentation to support NHEA provided documents or reports required in contract.</li> <li>• Contract executed after effective date.</li> <li>• Questions of whether full scope of contract and amendment was fulfilled.</li> </ul> <p>Combination of exempt procurement method and OHA’s inability to provide deliverables are an indication of possible waste and abuse.</p>	<ul style="list-style-type: none"> <li>• Closed</li> <li>• NHEA provided a 4/20/2013 Prezi report to OHA detailing the 18 scholarship aha held in FY13 with 3,308 people attending.</li> <li>• UH and OHA press releases, social media posts, fliers, promotional materials and KWO story suggest 18 aha were held between Nov. 2013 and January 2014</li> <li>• Contract monitor is no longer employed with OHA.</li> </ul>





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





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





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								OHA and was not interviewed by CLA	<b>Observations:</b> <ul style="list-style-type: none"> <li>Possible that this contract should not have been processed as an exempt contract.</li> <li>OHA did not provide evidence that lectures were requested by OHA or provided by Dr. Sai.</li> <li>Contract was executed by OHA on June 23, 2014, when effective date was May 1, 2014.</li> <li>Letter and memo were dated before the Purchase Order was approved and contract was executed.</li> </ul> <p>Use of procurement exemption raises the question whether this contract was handled properly and could be an indication of possible favoritism to this particular vendor</p>	of his memorandum dated, May 27, 2014, titled: <i>Memorandum for Ka Pouhana, CEO of the Office of Hawaiian Affairs regarding Hawaii as an Independent State and the Impact it has on the Office of Hawaiian Affairs.</i> ”
16	Contract	Exempt Purchase	K-54	3019 (01/05/2015 – until services no longer needed)	McCorriston Miller Mukai MacKinnon LLP	\$ 150,000.00	157	Contract monitor no longer employed by OHA and was not interviewed by CLA	<b>Contract Purpose:</b> Legal defense of OHA in <i>Ka Piko O Waimea v. OHA</i> <b>Observations:</b> <ul style="list-style-type: none"> <li>Processed as an exempt contract when it does not appear to qualify as an exempt procurement.</li> </ul> <p>Exempt procurement method removes ability to ensure contracts are awarded fairly and best value is obtained, and raises concerns of favoritism or conflicts of interest</p>	<ul style="list-style-type: none"> <li>Closed</li> </ul> <p>This contract pertained to the lawsuit captioned, <i>Ka Piko O Waimea v. Office of Hawaiian Affairs</i>. Insurance defense counsel is provided consistent with OHA's applicable insurance policy providing coverage for the lawsuit. The law firm was listed on the Choice of Counsel Endorsement to the policy and selected therefrom to provide legal representation and defense of OHA.</p>





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										HAR §3-120-4, Ex. A, No. 5. exempts the purchase of insurance, to include insurance broker services. OHA's insurance broker helps the agency obtain appropriate insurance coverage for OHA's assets and activities. For OHA's POL/EPL policy, the insurance carrier has an approved panel of counsel and/or the agency can obtain a Choice of Counsel endorsement.
17	Contract	Exempt Purchase	K-69	3072 (08/13/2015- until services no longer needed)	McCorriston Miller Mukai MacKinnon LLP	\$ 250,000.00	157	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p><b>Contract Purpose:</b> Legal defense of OHA <i>Akina, et al. v. State of Hawaii, et al.</i></p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>Processed as an exempt contract when it does not appear to qualify as an exempt procurement.</li> </ul> <p>Exempt procurement method removes ability to ensure contracts are awarded fairly and best value is obtained, and raises concerns of favoritism or conflicts of interest</p>	<ul style="list-style-type: none"> <li>Closed</li> </ul> <p>Under this contract, Contractor represented and defended OHA in the lawsuit captioned <i>Akina et al. v. The State of Hawai'i et al.</i>, bearing Case No. 1:15-cv-00322, filed in the United States District Court for the District of Hawai'i.</p> <p>The Contractor was selected because it was on the Choice of Counsel Endorsement to the policy, had performed satisfactory in the past, possessed the requisite qualifications, legal expertise, and capacity to render the services required to OHA and was familiar with the history and background of OHA.</p> <p>HAR § 3-120-4, Ex. A, No. 5. exempts the purchase of insurance, to include insurance broker services. OHA's insurance broker helps the agency obtain appropriate insurance coverage for OHA's assets and activities. For OHA's POL/EPL policy, the insurance carrier has an approved panel of counsel and/or the</p>





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										agency can obtain a Choice of Counsel endorsement.
18	Contract	Exempt Purchase	K-70	3073 (08/27/2015- until services no longer needed)	McCorriston Miller Mukai MacKinnon LLP	\$ 179,500.00	157	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p><b>Contract Purpose:</b> Legal Representation of OHA for mediation and litigation regarding Mauna Kea</p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>Processed as an exempt contract when it does not appear to qualify as an exempt procurement.</li> </ul> <p>Exempt procurement method removes ability to ensure contracts are awarded fairly and best value is obtained, and raises concerns of favoritism or conflicts of interest</p>	<ul style="list-style-type: none"> <li>Closed</li> </ul> <p>On August 27, 2015, pursuant to HRS 92-5(a)(4), the Board met in Executive Session to consult with its attorney re: questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities regarding the Board of Land and Natural Resources Rules for Mauna Kea. The disclosure of executive session minutes is subject to review and approval by the OHA Board counsel. Nevertheless, the Board discussed with its counsel, its powers, duties, privileges and liabilities regarding the State of Hawaii's proposed rules relating to Mauna Kea. Following this meeting, the McCorriston law firm was engaged to provide legal services to OHA, including but not limited to, a mediated effort to resolve existing disputes between OHA, the State of Hawaii, the University of Hawai'i and other interested parties relating to Mauna Kea.</p>
19	Contract	Exempt Purchase	K-73	3101 (01/15/2016- 07/08/2016)	Ayda Aukahi Austin Seabury	\$ 30,062.50	158	Contract monitor no longer employed by OHA and was not	<p><b>Contract Purpose:</b> Transcription and facilitation services</p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>Appears that should not have been processed as an exempt contract.</li> </ul>	<ul style="list-style-type: none"> <li>Closed</li> </ul> <p><b>Deliverable located:</b> 23 transcribed (including translating Hawaiian to English) interviews (totaling 1,400 pages) of individuals and at least one group discussion were submitted to OHA. Ms. Seabury's work under this contact</p>





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								interviewed by CLA	<ul style="list-style-type: none"> <li>Two payments made required Ms. Seabury to provide specific deliverables, which OHA did not provide -- no evidence that Seabury completed the work.</li> <li>Contract was executed after the effective date.</li> <li>Based on timing of interviews in the contract, it appears services were supposed to begin prior to when contract was executed.</li> <li>OHA did not receive competitive bids so it's unknown whether OHA paid a fair price because an exemption was used</li> </ul> <p>Combined with lack of deliverables led to red flag for possible fraud, waste, or abuse</p>	contributed to Chapter 4 of Mana Lāhui Kānaka book.
20	Contract	Exempt Purchase	K-75	3110 (03/08/2016-06/30/2016)	Raedeem M. Keahiolalo LLC	\$ 45,000.00	159	Contract monitor no longer employed by OHA and was not interviewed by CLA	<p><b>Contract Purpose:</b> Provide writing and editing services to the Kūkulu Hou Assessment Project</p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>Appears that contract should not have been processed as an exempt contract.</li> </ul> <p>OHA did not provide evidence of deliverables required by contract.</p>	<ul style="list-style-type: none"> <li>Closed</li> </ul> <p><b>Deliverable located:</b> Ms. Keahiolalo's work under this contract related to the editing (three full passes of line-by-line editing) of the Mana Lāhui Kānaka book. She is given editing credit on the cover of the book for her work under this contract.</p>





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21	Disbursements	CEO Sponsorships	D-09	26307 (04/20/2012)	University of Hawai‘i, Office of Research Services	\$ 30,000.00	173	CEO no longer employed by OHA and was not interviewed by CLA	<p><b>Disbursement Purpose:</b> Sponsor the GEAR UP Hawai‘i Public Awareness Campaign</p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>CEO sponsorship awards seem to have been split to avoid restrictions on maximum amount of CEO sponsorships.</li> <li>Split into two components; \$24,950 for grants in aid and \$5,050 for services on a fee basis.</li> </ul> <p>Raises the question of whether it was handled properly, which could be an indication of possible abuse of the grant award process to benefit the grantee.</p>	<ul style="list-style-type: none"> <li>Closed</li> <li>The grantee was University of Hawaii, which is a state entity. The grant arguably should have gone through the procurement process as an exempt contract with another state entity under §103D-102(b)(3).</li> <li>The Ad Hoc Committee on Grants and Sponsorships will be recommending further policy improvements.</li> </ul>
22	Disbursements	CEO Sponsorships	D-19	27638 (01/03/2013)	Supporting the Language of Kaua‘i	\$ 25,000.00	174	CEO no longer employed by OHA and was not interviewed by CLA	<p><b>Disbursement Purpose:</b> To help cover operational start-up costs</p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>Confidential business plan was not provided by OHA.</li> <li>Notes within the procurement document indicate that it was a "rush" request.</li> <li>Lack of documentation to support that the confidential business plan was properly reviewed and approved</li> </ul> <p>Raises question of whether it was handled properly, which could be an</p>	<ul style="list-style-type: none"> <li>OHA Board approved Action Item BOT #07-05, which approved and authorized the formation of a limited liability company, as subsidiary of Hi‘ilei Aloha LLC, to acquire the assets and operate Makaweli Poi Mill. BOT #07-05 indicates the purpose of purchasing the assets of the poi mill was "to preserve and promote Hawaiian culture and create economic opportunities for Native Hawaiians by encouraging taro farming and the production of high quality poi."</li> <li>The OHA Board received updates on poi mill operations from Hi‘ipoi on</li> </ul>





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									indication of possible abuse of the grant award process to benefit the grantee	<p>May 3, 2012 and August 2, 2012. From 2008 to 2012, poi mill operations netted a loss of almost \$450,000, according to OHA Board meeting minutes. On May 15, 2012, OHA announced in a press release that it would “transition ownership and management” of the mill to a “Kaua‘i community organization”. Over the next two days (May 16 and 17), OHA held a Board and Board community meetings on Kauai, during which the poi mill was a major topic of discussion with the community.</p> <ul style="list-style-type: none"><li>• On Dec. 26, 2012, OHA issued a press release stating that the agency was “transferring Makaweli Poi” to Supporting the Language of Kauai Inc (SLK). The Request for Check Issuance was submitted the same day as the press release and marked "rush" as noted by CLA. The press release stated that "OHA had previously been working with Ka Piko o Waimea on the transfer of Makaweli Poi since May, and recently began accepting business proposals from other nonprofit community groups."</li><li>• The press release said that ultimately OHA accepted the business plan of SLK, and would transfer the poi mill assets by the beginning of 2013 and would also "provide seed money to help with start-up costs" to SLK.</li></ul>





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										<ul style="list-style-type: none"> <li>The Ad Hoc Committee on Grants and Sponsorships will be recommending further policy improvements.</li> </ul>
23	Disbursements	CEO Sponsorships	D-30	30149 (05/19/2014)	Smithsonian National Museum of the American Indian	\$ 25,000.00	174	CEO no longer employed by OHA and was not interviewed by CLA	<b>Disbursement Purpose:</b> Sponsorship of Living Aloha Event honoring Sen. Daniel K. Inouye, May 2014 <b>Observations:</b> <ul style="list-style-type: none"> <li>OHA forms were not completed in chronological order.</li> <li>Duplicates of three documents in the file, indicating a simultaneous procurement and disbursement process was taking place.</li> </ul>	<ul style="list-style-type: none"> <li>Closed</li> <li>Individuals with knowledge about this disbursement are no longer employed with OHA.</li> <li>The Ad Hoc Committee on Grants and Sponsorships will be recommending further policy improvements.</li> </ul>
24	Disbursements	CEO Sponsorships	D-31	30190 (05/27/2014)	The Nature Conservancy	\$ 24,999.00	175	CEO no longer employed by OHA and was not interviewed by CLA	<b>Disbursement Purpose:</b> Sponsorship of the Marine Fellowship Program <b>Observations:</b> <ul style="list-style-type: none"> <li>OHA knew the purpose of the sponsorship was to support a programmatic service.</li> <li>CEO Sponsorships were intended to be used for one-day events. Sponsorship should have been submitted under a grant process for programmatic services, such as Community Grants or Kūlia Grants</li> <li>Sponsorship raises the question of whether it was handled properly, which could be an</li> </ul>	<ul style="list-style-type: none"> <li>Closed</li> <li>Sponsorship Guidelines for the Papahānaumokuākea Program were updated in 2015, addressing CLA observation. The Ad Hoc Committee on Grants and Sponsorships will be recommending further policy improvements.</li> </ul>





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





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





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





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#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes <sup>2</sup>
									<p>result OHA did not recover its \$600,000 investment in the venture.</p> <p>Highly risky investment with no return, loss of initial investment led to red flag for waste of funds and possibility of fraud.</p>	
29	Disbursements	Exempt Non-Grants Small Purchase	D-33	28949 (09/09/2013)	The Kalaimoku Group, LLC	\$ 28,115.17	195	<p>Individuals with knowledge about this disbursement are no longer employed by OHA and were not interviewed by CLA</p>	<p><b>Disbursement Purpose:</b> Produce Native Hawaiian Roll Commission Concert Series, August 31, 2013</p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>• Several inconsistencies re: dates of procurement documents. Invoice for the concert production was dated 19 days before the concert, with no explanation provided by OHA.</li> <li>• Purchase order was issued by OHA and dated nine days after the concert with no explanation for why it was created after services were rendered.</li> <li>• Check was issued same day as OHA prepared the Purchase Order, but the request for Check Issuance was dated three days before the Purchase Order was created.</li> <li>• CLA determined that this disbursement did not qualify as an exempt procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Closed</li> <li>• Individuals with knowledge about this disbursement are no longer employed with OHA.</li> </ul>





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

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes <sup>2</sup>
									Indicators that procurement was not handled properly which could indicate possible favoritism to this vendor	
30	Disbursements	Exempt Non-Grants Small Purchase	D-34	30921 (10/28/2014)	Hi‘ilei Aloha LLC	\$ 50,000.00	196	Individuals with knowledge about this disbursement are no longer employed by OHA and were not interviewed by CLA	<b>Disbursement Purpose:</b> To hire a grant writer for Hi‘ilei Aloha <b>Observations:</b> <ul style="list-style-type: none"> <li>No documentation that the grant writer position was advertised or filled.</li> <li>OHA did not provide any documentation to show that position was advertised or filled.</li> <li>OHA was unable to demonstrate the purpose of the disbursement met its intended use.</li> </ul> Indicator for possible fraud, waste or abuse.	<ul style="list-style-type: none"> <li>Action Item ARM/BAE 13-05, OHA’s FY14-FY15 Biennium Budget, indicates that these funds were for grant writers for Hi‘ilei Aloha’s Ho‘okahua Capacity Building Program.</li> <li>Hi‘ilei Aloha used these funds to purchase grant writing services from two grant writers.</li> </ul>
31	Disbursements	Exempt Non-Grants Small Purchase	D-47	30659 (08/29/2014)	Kualoa Ranch Hawaii, Inc.	\$ 9,198.58	196	Individuals with knowledge about this disbursement are no longer employed by OHA and were not interviewed by CLA	<b>Disbursement Purpose:</b> To rent facilities to entertain staff and their families at a tourist attraction <b>Observations:</b> <ul style="list-style-type: none"> <li>Used to rent facilities to entertain OHA staff and families, indication of possible use of public funds for entertainment and could be considered wasteful.</li> </ul>	<ul style="list-style-type: none"> <li>Closed</li> <li>Individuals with knowledge about this disbursement are no longer employed with OHA.</li> </ul>





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

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes <sup>2</sup>
									<ul style="list-style-type: none"> <li>HRS 103D may broadly apply because it prohibits unethical use of state funds.</li> <li>HRS 84 fair treatment statute may apply; CLA interpreted the statute to mean that no OHA employee can use their position to grant unwarranted privileges to others.</li> </ul> <p>Indicators of possible waste include lack of documentation to support that the activities undertaken qualified as an exempt disbursement.</p>	
32	Disbursements	Exempt Non-Grants Small Purchase	D-48	28834 (08/14/2013)	Wet ‘N’ Wild Hawaii	\$ 8,483.33	197	Individuals with knowledge about this disbursement are no longer employed by OHA and were not interviewed by CLA	<p><b>Disbursement Purpose:</b> To entertain OHA staff and their families at a water theme park</p> <p><b>Observations:</b></p> <ul style="list-style-type: none"> <li>Used to rent facilities to entertain OHA staff and families, indication of possible use of public funds for entertainment and could be considered wasteful.</li> <li>HRS 103D may broadly apply because it prohibits unethical use of state funds.</li> <li>HRS 84 fair treatment statute may apply; CLA interpreted the statute to mean that no OHA employee can use their position to grant unwarranted privileges to others.</li> </ul>	<ul style="list-style-type: none"> <li>Closed</li> <li>Individuals with knowledge about this disbursement are no longer employed with OHA.</li> </ul>





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

#	Category	Type	CLA Sample #	OHA Contract # / Check #	Vendor/Contractor/Grantee	Contract Amount with Amendments	Report Page	Contract Monitor	Contract Purpose Summarized CLA Observations	Notes <sup>2</sup>
									Indicators of possible waste include lack of documentation to support that the activities undertaken qualified as an exempt disbursement.	



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

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

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

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

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
1	Contract	Hi'ilei Aloha Contracts	LK-26		Peter Hanohano. Jr.	\$ 1,960.00	245
<b>CLA Observation (Summarized):</b> A \$500 payment was issued to vendor as a stipend that was not included in contract. Travel costs exceeded contract amount by \$100.68							

<sup>1</sup> Based on contract \$ (vs. disbursed \$)



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

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
<p><b>LLC Management:</b> The contract manager for this contract is no longer a Hi'ilei employee. Peter Hanohano, Ph.D<sup>2</sup>, was one of Hi'ilei's capacity-building managers and had recently left Hi'ilei's employment. Capacity-Building had a full schedule of workshops to conduct on various islands. Because of that, Peter offered to help, and Hi'ilei agreed to cover his travel costs. A contract was written based on estimated travel costs, which turned out to be \$100 more than estimated. Hi'ilei also provided Peter a \$500 stipend for his time. He spent several days teaching workshops and traveling on his own time. It would have cost much more to use a consultant. If Peter did not assist, some of the workshops would have had to have been canceled, which would inconvenience Hi'ilei clients and OHA beneficiaries.</p>							
2	Contract	Hi'ilei Aloha Contracts	LK-28		HAHCBED Hi Alliance	\$ 10,000.00	245
<p><b>CLA Observation (Summarized):</b> Payments to vendor exceeded contract amount by \$406 for out-of-pocket expenses that were invoiced to Hiilei Aloha but for which no receipt was provided</p>							
<p><b>LLC Management:</b> The contract manager for this contract is no longer a Hi'ilei employee. The Department of Hawaiian Home Lands (DHHL) contracted with Hi'ilei to do convention planning and to provide capacity-building services to homestead associations. Some of those services were contracted to Hawai'i Alliance for Community Based Economic Development (HACBED), a well-known nonprofit organization that focuses on community economic development. HACBED had been one of DHHL staff's preferred vendors. When services were contracted out, capacity-building staff did not require vendors to attach copies of receipts as long as the services were performed and verified. All services under this contract were performed and verified.</p>							

<sup>2</sup> Former Hi'ilei employee Peter Hanohano passed away on October 24, 2021.



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

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
3	Disbursements	Hi'ilei Aloha Disbursements	LD-03	003687	Lehua Poi Company	\$ 20,000.00	270

**CLA Observation (Summarized):** Purpose of disbursement is questionable since Hiilei Aloha was not involved with poi mill operations and Hiipoi had already transferred poi mill on 12/31/12. No indication in Hiilei Aloha's Fiscal Policies and Procedures manual that its purpose is to make loans to 3rd parties. \$20,000 loan was not repaid and eventually written off in Oct. 2015. Raises question of whether this disbursement adhered to mission and goals of Hiilei Aloha, which could indicate possible waste of funds. In addition, lack of documentation surrounding transaction and method of how handled are possible indicators of fraud, waste, abuse.

**LLC Management :** This and the next three transactions relate to Hi'ipoi LLC and Makaweli Poi Mill.

CLA questions whether this disbursement adhered to Hi'ilei's mission and goals. It absolutely was in line with Hi'ilei's mission to preserve Hawaiian culture and provide educational opportunities as outlined in detail below. CLA states the disbursement is questionable because Hi'ilei was not involved with poi mill operations. This is incorrect. Hi'ilei was very involved with poi mill operations from 2010 forward. Hi'ilei provided capacity-building assistance, grant writing assistance, and technical assistance onsite plus marketing, sales, and delivery support on O'ahu.

Following is the background information on reasons for acquiring the Poi Mill and details about Hi'ilei's mission.

In 2006, the owner of Makaweli Poi Mill (John Aana) approached OHA and asked OHA to buy the mill because he wanted to devote all of his time to taro farming. He agreed to double his taro production to help the poi mill become self-sustainable and profit-making. After much discussion, OHA Trustees agreed to buy the Poi Mill in 2006 with all Trustees voting to keep it in operation for the cultural and economic benefit of the westside Kaua'i community. This would preserve the making of Makaweli-style poi, which is thicker and more tart than other poi varieties, and is favored by Niihauans who live on the west side. There would also be economic benefit to the taro farmers of Waimea and Makaweli valleys. It was contemplated that the Poi Mill and surrounding taro lo'i would serve as education projects for students and the



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

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
							<p>community at large to learn Hawaiian culture and the practice of planting and harvesting taro and making Makaweli-style poi. All of these points are discussed at length in the Business Plan that was prepared to support the purchase of Makaweli Poi Mill.</p> <p>OHA Trustees approved purchasing the mill from Aana for \$185,000 and gave him a consulting contract in the amount of \$25,000 for the first year to help the mill succeed. Trustees created a nonprofit organization, Hi'ipoi LLC, to take ownership of the mill and manage it. Trustees formed another nonprofit organization, Hi'ilei Aloha LLC, as the parent company of Hi'ipoi.</p> <p>The mission of the parent company, Hi'ilei Aloha LLC, is:</p> <ul style="list-style-type: none"> <li>• To study the history and culture of the Hawaiian people, including ancestral lifestyles, traditions, customs, practices, values and beliefs including, by way of example, agricultural, farming, language, religion, economy, trade, and social practices.</li> <li>• To educate the Hawaiian people and all people on the history and culture of the Hawaiian people, including through educational models, demonstrations, employment opportunities, and scientific studies.</li> <li>• To educate the Hawaiian people and all people as to the plants, land, and water resources, and other wildlife and ecosystems endemic to the Hawaiian Islands along with their role in Hawaiian history, civilization and culture.</li> <li>• To educate, train, assist, and prepare Hawaiians for leadership in business and community affairs.</li> </ul> <p>The mission of Hi'ipoi LLC was:</p> <ul style="list-style-type: none"> <li>• To preserve, protect, enhance, develop and promote Hawaiian culture, customs and practices through the production of poi and/or other taro products and by supporting and encouraging the farming of taro in Makaweli Valley and surrounding communities.</li> <li>• To create educational and business opportunities for Hawaiians related to taro farming and production of poi and other taro products.</li> </ul>



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

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



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

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
							<p>SLK intended to contract with a Waimea business owner (Nākulu Arquette)<sup>3</sup> to run the Mill. Arquette had many years of experience of growing taro, making poi, and running a successful snack business. Part of the profits of the Mill would go to SLK for scholarships for its students.</p> <p>Hi'ipoi managers selected SLK as the community-based organization to take over the Mill. When they informed Ka Piko that they were proceeding to work with another community organization because Ka Piko had not produced a Business Plan, members of Ka Piko became enraged. They started a hostile media and community campaign against OHA, Hi'ilei, Hi'ipoi, and the managers. They undermined the success of the mill, calling for a boycott by taro farmers and employees, and spreading lies in the community about OHA, Hi'ilei, Hi'ipoi, SLK and Arquette. They eventually sued OHA, Hi'ilei Aloha LLC, and Hi'ipoi LLC, and lost the lawsuit.</p> <p>Through all of this, the goal still remained to help the Poi Mill survive and preserve it as a resource for the community as initially directed by OHA Trustees. Hi'ilei's capacity-building program helped the poi mill under SLK and Arquette many times the same way Hi'ilei helped any Native Hawaiian business or nonprofit organization that requested assistance. Under SLK/Arquette, the poi mill still continued to struggle financially and was still in danger of closing. Arquette eventually asked OHA for a loan, which the LLC Managers approved. The hostility from Ka Piko continued. The mill continued to struggle and eventually Arquette was not able to repay the loan. The LLC Managers approved write-off of the loan.</p> <p>Although the Mill was struggling financially, Arquette kept the mill running while he looked for someone else to take over. The Mill was producing poi, purchasing taro from farmers, and continuing the practice of making thick, tart Makaweli-style poi. OHA Trustees' original goal of preserving the Mill as a cultural and economic resource for the community was being achieved in spite of all the hostility.</p>

<sup>3</sup> Per Hawaii Business Express, Department of Commerce & Consumer Affairs, Business Registration Division, Lehua Poi Company LLC: Registration Date 12/21/2012 with Articles of Organization; Agent Nakulu Arquette, Waimea, Hawaii 96796; 101665 C5 Terminated; Annual Filings 12/31/2013 (for 2013), 7/13/2015 (for 2014), 2015 Delinquent; 7/28/2016 Articles of Termination; Another Lehua Poi Company LLC entry, 12869951 T8, listed as terminated; <https://hbe.hawaii.gov/documents/business.html?fileNumber=101665C5>; retrieved November 6, 2021.



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

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
4	Disbursements	Hi'ilei Aloha Disbursements	LD-05	004597	Supporting the Language of Kaua'i, Inc. (SLK) <sup>4</sup>	\$ 60,000.00	270
<p><b>CLA Observation (Summarized):</b> Lehua Poi Co. is an independent organization separate from Hiilei Aloha and OHA, yet Hiilei Aloha is providing it funding to stay in operation and subsidize its losses. Raises question of whether this disbursement adhered to mission and goals of Hiilei Aloha, which could be an indication of possible waster of funds. In addition, lack of documentation surrounding transaction and method of how handled are possible indicators of fraud, waste, abuse.</p>							
<p><b>LLC Management :</b> CLA states that assistance to SLK was outside of Hi'ilei Aloha's mission. But this is incorrect. It is absolutely part of Hi'ilei's mission to preserve Hawaiian culture and provide educational opportunities as outlined in detail above. In addition, Hi'ilei had a responsibility to find solutions to growing losses of sub-entity Hi'ipoi with the knowledge of OHA Trustees' initial goal to preserve the Mill as a cultural and economic resource for the community and admonition not to come back and ask for more funding.</p> <p>Arquette decided to stop managing the mill for SLK because of mounting financial losses and continual hostility from Ka Piko. Arquette looked for buyers of the business at \$125,000 to pay off his debts, including the above loan. Several buyers expressed an interest in the Mill but could not come up with financing.</p> <p>SLK identified a former taro farmer and current educator (Kaina Makua) who wanted to take over the mill, but he did not have the funds to buy it. Makua was an ideal candidate to run the mill because he was from the community, was an experienced taro farmer, had a Master's</p>							

<sup>4</sup> Registration date and Articles of Incorporation: 1/24/2006; Amendment 10/3/2006; Change in Directors/Officers 12/24/2007; Name Change 2/7/2008; Agent: Juli-Ann Aruda; 2007-2021 Annual Filings processed; <https://hbe.ehawaii.gov/documents/business.html?fileNumber=214546D2>, retrieved November 6, 2021



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

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
<p>degree in education, and had a strong background in Hawaiian language and culture. With his experience and knowledge, he had a Business Plan to help the Mill become self-sustaining by using both nonprofit cultural approaches and for-profit business approaches.</p> <p>SLK asked OHA and Hi'ipoi LLC for financial assistance to help transfer management of the Mill from Arquette to Makua. This would cover some of Arquette's losses and provide Makua with start-up funds. As part of its capacity-building program, Hi'ilei provided the funding. The goal was still to keep the Mill open and preserve it as a resource for the community as initially directed by OHA Trustees. The Mill was turned over to Makua without any exchange of funds between Arquette and Makua<sup>5</sup>.</p> <p>Once Makua took over management of the Mill, Hi'ilei continued to provide capacity-building assistance to the Mill by helping with grant writing, strategic planning, and training their in-house grant writer. Their grant writer became very successful, writing grants jointly at first with Hi'ilei staff and eventually identifying grant opportunities and writing grant applications on her own.</p>							
5	Disbursements	Hi'ilei Aloha Disbursements	LD-22	004494	Commercial Dehydrator Systems, Inc.	\$ 13,367.00	270
<p><b>CLA Observation (Summarized):</b> \$13,367 purchase of commercial dehydrator system for poi mill made four days prior to Hiipoi's transfer of poi mill. According to Hiilei Aloha, purchase of dehydrator was a verbal agreement between Dr. Crabbe and Lehua Poi Company during negotiations to transfer poi mill. Raises question of whether the disbursement adhered to the mission and goals of Hiilei Aloha which could be an indication of possible waste of funds.</p>							

<sup>5</sup> Aloha Aina Poi Company, LLC registered, Articles of Incorporation: 3/10/2015; Annual Filings Processed 2016-2021; Trade Name Registered 11/17/2017, expires 11/16/2022—AA Equipment Rental; Agent Name: Kaina Makua, Waimea, Hawaii; <https://hbe.hawaii.gov/documents/business.html?fileNumber=127321C5>, retrieved November 6, 2021.



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

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
<p><b>LLC Management:</b> CLA states that the purchase of a commercial dehydrator system for the Mill was outside of Hi'ilei Aloha's mission. But this is incorrect. It is absolutely part of Hi'ilei's mission to preserve Hawaiian culture, provide educational opportunities, and assist and prepare Native Hawaiians for leadership in business, as outlined in detail above.</p> <p>In addition, OHA Trustees approved funding for Hi'ilei's capacity-building program to help Native Hawaiian nonprofit organizations and businesses succeed. The mission of Hi'ilei's capacity-building program is to "identify, promote, develop, and support culturally-appropriate, sustainable opportunities that benefit Native Hawaiians."</p> <p>In order for the poi mill to be successful, it needed to sell more products other than poi and sell those products on islands other than Kaua'i. The population of Kaua'i was not big enough to sustain the poi mill only on sales of poi. Because the goal was still OHA Trustees' original goal of keeping the Mill open and preserving it as a cultural and economic resource for the community, LLC Managers stayed involved to help the Mill succeed. One of the ways to help was to purchase a dehydrator so the Mill could expand its product line by making taro flour. If Hi'ipoi still owned the Mill, OHA or Hi'ilei would have assisted in ways like this without hesitation.</p> <p>Hi'ilei had already assisted the poi mill over the years by helping to develop, package, and sell new products such as Taro Chunks and kūlolo. Hi'ilei explored bottling options with Kōloa Rum to package poi as a baby food. Hi'ilei brought in the Agriculture Incubator Program at the UH College of Tropical Agriculture (CTAHR) to help analyze the business and provide advice. Hi'ilei helped the mill obtain clients on O'ahu, which included all of the Foodland stores and Times Supermarkets and other potentially big clients such as Young's Market. Hi'ilei helped the Poi Mill deliver its products on O'ahu by picking up shipments at Aloha Air Cargo and delivering to 20+ stops around the island.</p>							



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

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
6	Disbursements	Hi'ipoi <sup>6</sup> Disbursements	LD-21	001058	Supporting the Language of Kaua'i, Inc.	\$ 10,000.00	280
<p><b>CLA Observation (Summarized):</b> SLK is an independent organization separate from Hiilei Aloha and OHA, yet Hiilei Aloha continued to fund the operation of poi mill after it was transferred. Because there were no policies or procedures for Hiipoi, CLA is unable to determine a process was established for awarding grants to support poi production. Further, appears grant was actually funded by OHA. There was no documentation to support that the grant was reviewed and approved through OHA's standard grant process (including HRS § 10-7 and OHA Grants SOP), which indicates that this payment may have been structured to avoid OHA's grant policies and procedures by using Hiipoi as a conduit to make grant payments to SLK. Lack of documentation surrounding transaction, method in which transaction was handled and possible personal relationships between Dr. Crabbe, Mr. Perry and Mr Arquette are possible red flags of fraud, waste, abuse.</p>							
<p><b>LLC Management :</b> CLA implies that SLK's status as an independent organization separate from OHA and Hi'ilei would make this grant inappropriate. However, that is incorrect. CLA overlooks OHA's mission to better the conditions of Native Hawaiians; Hi'ilei's mission to preserve and educate on Hawaiian cultural practices; and the capacity-building program's mission to help Native Hawaiian businesses as outlined in detail above. This disbursement to SLK was for the same purposes: to help the Mill survive and preserve it as a cultural and economic resource for the community, as initially directed by OHA Trustees when the Mill was first acquired.</p> <p>If the relationship between Crabbe, Perry, and Arquette is only that they know each other in the Hawaiian community and sit on the same nonprofit board(s), that displays a lack of knowledge and needs to be reconsidered. In the small community of Hawai'i, many people know each other and many people sit on the same boards. The Hawaiian community is even smaller, with a population of less than 300,000 living in Hawai'i. People are bound to know each other. That alone should not be a basis for presuming a conflict of interest, fraud, waste, or abuse. There should be evidence before inflammatory statements such as this are made.</p>							

<sup>6</sup> Dissolved in 2017.



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

#	Category	Type	CLA Sample #	LLC Contract # / Check #	Vendor, Contractor, Grantee	Contract Amount with Amendments	Report Page - Start
<p><u>IN SUMMARY</u>, it is important to note that the poi mill is finally successful. With the resources that OHA, Hi'ipoi, and Hi'ilei provided to SLK, Arquette, and Makua, the poi mill is finally self- sustaining. With Makua's nonprofit cultural model and for-profit business model, the Poi Mill is finally succeeding.</p> <p>OHA Trustees' original goal has been achieved: preservation of the Mill as a cultural and economic resource for the westside Kaua'i community.</p> <p>If Hi'ipoi LLC had retained ownership of the Mill, OHA and Hi'ilei would have put all of these resources into the Mill, without hesitation, to make it successful. The fact that ownership was under SLK, a nonprofit community-based organization, does not remove OHA's responsibility to better the conditions of Native Hawaiians, nor does it change the mission of Hi'ilei Aloha LLC to help preserve Hawaiian culture and practices; to educate Native Hawaiians and other people on Hawaiian culture and practices; to educate, train, assist and prepare Hawaiians for leadership in business and community affairs; and to help Native Hawaiian businesses succeed.</p> <p>OHA, Hi'ilei Aloha LLC, and Hi'ipoi LLC should be commended for enduring the struggles of owning a Poi Mill, a difficult business anywhere, and persevering to find a methodology that would work. It took courage to constantly consider other possibilities in the face of hostility. Today the Mill is surviving and has been preserved as a cultural and economic resource for the community.</p>							



OHA PARTIALLY IMPLEMENTED (8)		
ITEM No	REC No	SUMMARY
1, 2	31, 35A	<p><b>Executive Office, Organization Wide, Contract Management:</b> Once a good or service has been procured through the Procurement Services Program (PSP), the Program (e.g. Land, Community Engagement, Research) is responsible for contract administration. PSP is not responsible for maintaining a record of the deliverables submitted by the vendor or for keeping a record of the deliverable in the contract file. The Program communicates and works directly with the contractor or vendor to ensure the deliverables are met, received, and/or otherwise maintained. An organization wide process for contract administration will be developed and implemented that complements and is integrated with OHA's Oracle Fusion processes.</p> <p>Due to the reorganization, organization wide contract management is contingent on sufficient resourcing for compliance functions to be designed, implemented and monitored.</p> <p><b>Targeted Implementation Date: June 2022</b></p>
Q3 (MARCH 2022 <sup>1</sup> )		
Q4 (JUNE 2022 <sup>2</sup> )		
3	47B	<p><b>Resource Financial Management Assets:</b> Financial Services Program (FSP) and Procurement Services Program (PSP): The updated FSP and PSP SOP were refreshed in February 2021. Further revisions to reflect the automation of our processes and advancements achieved with the Oracle Fusion Contract Module (implemented in November 2020), remote working process changes due to COVID-19 vs. legacy paper processes, and new leadership are top of mind in the up-coming relook at the FSP and PSP SOP. Vacancy of the Chief Financial Officer position (since January 2019 to October 2020), Controller (since January 2021), Accounting Manager and Accountant (since May 2021) and Accounting Assistant (since July 2021) have hampered fiscal activities and prompted 3<sup>rd</sup> party services for basic functions. Fiscal and Procurement Procedures Manual(s) will be updated again, no</p>

<sup>1</sup> Reported no later than April 30th

<sup>2</sup> Reported no later than July 31st



OHA PARTIALLY IMPLEMENTED (8)		
ITEM NO	REC NO	SUMMARY
		later than the end of the fiscal year. <b>Targeted Implementation Date: June 2022</b>
	<b>Q3 (MARCH 2022)</b>	
	<b>Q4 (JUNE 2022-)</b>	
<b>4</b>	<b>55</b>	<p><b>Records Management Program:</b> OHA Administration completed the Records Management Redesign (RMR) Project in November 2020, which effected a systematic, agency-wide review and update to OHA's records management policies and procedures that was tailored to the unique records produced by each OHA program. An updated Records Management policy, a Records Custodian List based upon completed records custodian designation forms, an updated OHA Record Retention Schedule, and RMR training and training materials were developed and implemented. Digital document retention systems remain operational for many programs and may be further expanded with the Oracle Fusion contract module, which could serve as a future digital repository for agency documents.</p> <p><b>Targeted Implementation Date: December 2022 for Digital Document Repository</b></p>
	<b>Q3 (MARCH 2022)</b>	
	<b>Q4 (JUNE 2022-)</b>	
	<b>Q1 (SEPTEMBER 2022)</b>	
	<b>Q2 (DECEMBER 2022-)</b>	
<b>5</b>	<b>57</b>	<p><b>Board of Trustees:</b> On August 1, 2017, the Board approved the appointment of members to an Ad Hoc Committee on Grants and Scholarships to review and</p>



OHA PARTIALLY IMPLEMENTED (8)		
ITEM NO	REC NO	SUMMARY
		<p>address Grants, including Kūlia Initiatives, Sponsorships, and the Trustee Sponsorship and Annual Allowance Fund (TSAAF). Via Action Item BOT #18-01, on 2/27/2018 a moratorium on Trustee Sponsorship and Allowance Fund and CEO Sponsorships. Subsequently via Action Item RM #19-03, 2<sup>nd</sup> reading approved on 5/2/2019 the Trustee Protocol Allowance program was approved by the Board. The remaining subjects of BOT and CEO sponsorships remain under review by the Ad Hoc Committee.</p> <p><b>Targeted Implementation Date: June 2023</b></p>
6	60	<p><b>Board of Trustees:</b> On August 1, 2017, the Board approved the appointment of members to an Ad Hoc Committee on Grants and Scholarships to review and address Grants, including Kūlia Initiatives, Sponsorships, and the Trustee Sponsorship and Annual Allowance Fund (TSAAF).</p> <p>Administration is in the process of developing new organization wide Sponsorship processes, including processing of sponsorships formerly identified as "CEO Sponsorships" now known as "Kaiāulu Sponsorships". The new process includes: 1) Board approval of overall Sponsorship biennium budget as an authorization control; 2) Aggregation of all Sponsorships throughout the organization; and 3) A single, consistent central processing function (i.e., Grants Program) regardless of the budget origination point, program or line of business. All sponsorship process activities of planning, solicitation, application, review, recommendation, contracting, monitoring &amp; close out and evaluation will involve other areas of OHA (e.g., planning, marketing, awarding announcement, monitoring, evaluation), but the overall process is to be managed by the Grants Program, resulting in more standardized processing. The developed processes will be proposed to the Ad Hoc Committee for further consideration and action.</p> <p><b>Targeted Implementation Date: June 2023</b></p>
Q4 (JUNE 2022-)		REPORTED TOGETHER
Q2 (DECEMBER 2022-)		REPORTED TOGETHER
Q4 (JUNE 2023-)		REPORTED TOGETHER



OHA PARTIALLY IMPLEMENTED (8)		
ITEM NO	REC NO	SUMMARY
7	68A	<p><b>Procurement Services Program (PSP):</b> Addresses item number (3) Statement of Completed Travel Form is submitted within the deadline: OHA initiated the Business Travel Process project team to help develop an efficient travel process for OHA Trustees and staff. Through the project management process, the project team addressed inefficiencies in the current travel process and provided for clear accountability to the travel policy and procedures. The Statement of Completed Travel Form and Business Travel Process is in place. The Delegation of Authorities has been drafted and requires formal approval. The implementation of the revised delegations will tighten the processes further.</p> <p><b>Targeted Implementation Date: June 2022</b></p>
Q3 (MARCH 2022)		
Q4 (JUNE 2022-)		
8	69	<p><b>Procurement Services Program (PSP):</b> OHA initiated the OHA Business Travel Process project team to help develop an efficient travel process for OHA Trustees and staff. Through the project management process, the project team plans to, among other things, address inefficiencies in the current travel process and to provide for clear accountability to the travel policy and procedures.</p> <p>A Business Travel Process (BTP) pilot, as part of the business travel function, within Procurement, including the related system, was launched in March 2020, about the time the organization, closed the office and transitioned to telework due to COVID-19. Systems and processes are in place and in use for essential travel (e.g., Board, operations). Pilot p-card processing and process changes for the Board suite were implemented in early 2021 and October 2021, respectively.</p> <p>With the reorganization, the travel function will move from the Procurement Program to Operations unit. New procedures and related changes in the system, including delegations of authority need to be designed, implemented, and monitored. Accordingly, the final implementation is dependent on the staffing, training, and implementation of operations processes.</p> <p><b>Targeted Implementation Date: June 2022</b></p>





**Appendix E**  
**Recommendations Implementation Plan Monitoring and Reporting Dashboard**  
**November 2021**

OHA PARTIALLY IMPLEMENTED (8)		
ITEM NO	REC NO	SUMMARY
Q3 (MARCH 2022)		
Q4 (JUNE 2022-)		
End of Table		



# **Follow-Up on Recommendations from Report No. 18-08, *Audit of the Office of Hawaiian Affairs’ Competitive Grants and Report on the Implementation of 2013 Audit Recommendations***

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

**Report No. 21-10**  
August 2021



**OFFICE OF THE AUDITOR**  
STATE OF HAWAI‘I





## OFFICE OF THE AUDITOR STATE OF HAWAII

### Constitutional Mandate

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

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

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

### Our Mission

*To improve government through independent and objective analyses.*

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

### Our Work

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

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

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

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





PHOTO: OFFICE OF THE AUDITOR

## Follow-Up on Recommendations from Report No. 18-08, *Audit of the Office of Hawaiian Affairs' Competitive Grants and Report on the Implementation of 2013 Audit Recommendations*

Section 23-7.5, Hawai'i Revised Statutes, requires the Auditor to report to the Legislature annually on each audit recommendation more than one year old that has not been implemented by the audited department or agency. We follow up on recommendations in two ways. First, annually, we ask agencies to report the status of their implementation of our audit recommendations. We compile agencies' self-reported implementation status in a consolidated report. Second, we conduct an "active" follow-up two to three years after issuance of the audit report containing the recommendations where we, independently, assess the agency's progress in implementing each recommendation and issue a separate follow-up report. This report presents the results of our follow-up on the Office of Hawaiian Affairs' implementation of the 11 audit recommendations made in Report No. 18-08, *Audit of the Office of Hawaiian Affairs' Competitive Grants and Report on the Implementation of 2013 Audit Recommendations*.

**We found the Office of Hawaiian Affairs has implemented 10 and partially implemented 1 of the 11 recommendations made in our report.**



## The Office of Hawaiian Affairs

The Office of Hawaiian Affairs (OHA) is a unique state agency. Established by the State Constitution, independent of the executive branch, its primary responsibility is to better the conditions for Native Hawaiians. OHA is the principal agency responsible for the performance, development, and coordination of programs and activities relating to Native Hawaiians. OHA's other purposes include assessing the policies and practices of other state agencies that impact the Hawaiian community and conducting advocacy efforts for its Hawaiian beneficiaries.

Hawai'i's constitution requires that OHA be governed by a Board of Trustees (Board) comprised of at least nine members chosen by the State's electorate for staggered four-year terms. The Board is led by a chairperson and a vice chairperson. OHA Trustees have fiduciary responsibilities, including a duty of prudence (to exercise reasonable care, skill, and caution); a duty of loyalty (to act solely in the best interests of beneficiaries); a duty of impartiality (to be impartial with respect to the various beneficiaries, in consideration of the diverse interests of present and future beneficiaries); and a duty with respect to co-Trustees (using reasonable care to prevent co-Trustees from committing a breach of trust and to obtain redress if a breach occurs).

The Chief Executive Officer (CEO) of OHA is appointed by a majority of the Board and leads OHA's Administration. The CEO is assisted by a Chief Operating Officer (COO) and the directors of five divisions – Advocacy, Community Engagement, Research, Resource Management: Financial Assets, and Resource Management: Land Assets. At present, OHA's Administration consists of its CEO, COO, Chief Financial Officer, Human Resources Director, Senior Legal Counsel, and the directors of Advocacy, Community Engagement, Research, Resource Management: Land Assets, and Systems Office. Once the positions are permanently filled, the Information Technology director and Operations manager will be included as part of OHA's Administration.



## Why we did the audit in 2018

In 2018, we conducted a performance audit of OHA pursuant to Sections 10-14.55 and 23-7.5, Hawai‘i Revised Statutes (HRS).<sup>1</sup> We issued two reports about funding mechanisms used by OHA to support organizations and individuals; Report No. 18-03 evaluated OHA policies and actions regarding use of its non-competitive grants (Kūlia Initiatives and CEO Sponsorships) and the use of its Fiscal Reserve and Trustee Allowances; and Report No. 18-08 evaluated OHA policies and actions regarding its competitive grants. A follow-up report on OHA’s implementation of the audit recommendations contained in Report No. 18-03 is being issued separately.

## What we found in 2018

In Report No. 18-08, *Audit of the Office of Hawaiian Affairs’ Competitive Grants and Report on the Implementation of 2013 Audit Recommendations*, we focused on OHA’s use of grants to support Native Hawaiian programs and services. We found that while the policies and procedures for OHA’s competitively awarded grants were for the most part defined, there were shortcomings in the way awarded grants were monitored and evaluated. Section 10-17, HRS, requires OHA to monitor and evaluate every grant to ensure compliance with the purpose and intent of the grant, and to determine whether the intended results were achieved.

At the time of our audit, OHA’s Grants Program Standard Operating Procedures (Grants SOP) manual described four funding resources that involved competitive and non-competitive processes, including:

GRANT NAME	GRANT PROCESS	DESCRIPTION
<b>‘Ahahui Grants</b>	Competitive	Provide support to eligible organizations hosting community events. Events are typically single occurrence events open to the larger community.
<b>Community Grants</b>	Competitive	Provide support for programmatic services over a two-year period, awarded through a competitive grants process.

<sup>1</sup> Section 10-14.55, HRS, requires the Auditor to conduct an audit of OHA at least every four years; the report was our seventh audit pursuant to this mandate.



GRANT NAME	GRANT PROCESS	DESCRIPTION
<b>Kūlia Initiatives</b>	Non-Competitive	Provide support for programmatic services or projects requested outside of the formal grant application process. Initiated by an OHA Trustee or the Administration, grants are awarded through a process involving administrative review and Board approval. There is no solicitation process for Kūlia Initiatives.
<b>CEO Sponsorships</b>	Non-Competitive	Provide support to community organizations for events or projects. Grants are awarded through an administrative review process outside of OHA's formal grant application process. There is no solicitation process for CEO Sponsorships.

OHA's 'Ahahui and Community Grants involved a solicitation process that notified the public of available grant funding opportunities and details of eligibility criteria. These grants, awarded through a competitive process, made up 35 percent of OHA's total grant spending; non-competitive grants, such as OHA's Kūlia Initiatives and CEO Sponsorships, accounted for the rest. (OHA's Kūlia Initiatives and CEO Sponsorships were awarded under a non-competitive administrative review process and were addressed in Report No. 18-03.)

In Report No. 18-08, we found that OHA did not consistently meet the statutory requirements to monitor and evaluate 'Ahahui Grants and mostly met monitoring and evaluation requirements for Community Grants.

We also found the program primarily responsible for administering grants, the Transitional Assistance Program (TAP)<sup>2</sup>, followed the policies and procedures for the planning, solicitation, application, review, and recommendation phases for the 'Ahahui and Community Grants process cycles, but that a standard operating procedures manual for 'Ahahui Grants did not include steps for monitoring and evaluating grants that had been awarded. For example, we found that TAP did not track if grantees were in compliance with grant requirements or evaluate whether they were in good standing and eligible for future OHA grants.

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<sup>2</sup> TAP is now known as the Grants Program.



## What we found in 2021

In response to Report No. 18-08, OHA instituted specific policies and actions related to its use of ‘Ahahui Grants and Community Grants.

### ‘Ahahui and Community Grants

Report No. 18-08, *Audit of the Office of Hawaiian Affairs’ Competitive Grants and Report on the Implementation of 2013 Audit Recommendations*, reviewed OHA policies and actions regarding its use of ‘Ahahui and Community Grants. These types of grants are awarded through a *competitive* process, which involves a solicitation process that provides notice to the public of available grant funding opportunities and details of eligibility criteria. As reported in Report No. 18-08, the competitive grants process includes planning, solicitation, eligibility, application, review, recommendation, contracting, award processing, monitoring, reporting, closeout, and evaluation. As noted in our earlier report, state law (Section 10-17, HRS) requires OHA to monitor and evaluate every grant to ensure compliance with the purpose and intent of the grant, and to determine whether the intended results were achieved.

Following Report No. 18-08, OHA revised its Grants SOP. As part of that process, a Grant Agreement used in the awarding of ‘Ahahui and Community Grants was revised and now includes mandated performance requirements. The Grant Agreement also now includes a certification the grantee is in compliance with Section 10-17, HRS, as well as applicable federal, state, and county laws and has obtained licenses and permits required to conduct grant activities and provide grant services. OHA also revised the grant solicitations process to require that applicants sign a Board Governance Certification Form stating the organization has bylaws or policies that govern how business is conducted. The bylaws or policies must include provisions addressing conflicts of interest and the organization’s compliance with Section 10-17(c)(2), HRS. An assessment component was also added to the grant closeout process that considers the grant’s benefit to the Hawaiian community, alignment to OHA’s “vision and strategic result,” and recognition and benefits to OHA. According to OHA, assessment responses are used to determine whether an organization may receive future funding.

In 2019, OHA developed and implemented an information management system to ensure grants are monitored and evaluated consistently. OHA’s Grants Portal serves as an electronic filing system for grant solicitations, applications, awarded contracts, and grantee reporting documents; documents are tracked throughout the granting process, enabling OHA to electronically track pre-award, award, and post-award documents. The system also serves as a repository for

## Definition of Terms

**WE DEEM** recommendations:

### Implemented

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

### Partially Implemented

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

### Not Implemented

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

### Not Implemented - N/A

where circumstances changed to make a recommendation not applicable; and

### Not Implemented - Disagree

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



## 'Ahahui and Community Grants

'Ahahui Grants are awarded to eligible organizations hosting one-time community events that are determined to align with OHA's vision and strategic plan; provide significant benefits to the Native Hawaiian community; and offer OHA public relations, recognition benefits, and community engagement opportunities.

Community Grants are for programmatic services over a two-year period, and are awarded to organizations across the state to fund projects that align with OHA's strategic priorities.

email communications and required grant documents, enabling OHA to verify the receipt of necessary documents. The system provides real time status updates that verify grant assessment and grant monitoring and that grant reports are completed and submitted as required. The portal enables OHA to generate reports for each grant on a real-time dashboard that also serves as a checklist for each grant. According to OHA, program and monitoring reports ensure that performance requirements and grant deficiencies are documented and that identified corrective actions are implemented.

The Grants Portal is accessible through the OHA Grants Program webpage on the agency's website. Activities including online grant applications, evaluations, monitoring, and reporting are available to users.

A Grants Management System Administrator manages the portal for long-term grants record-keeping and provides training on the portal to the public through meetings, presentations, and direct communication via phone, email, and in-person.

According to OHA, "Program Improvement Standard Operating Procedures" (Program SOP) as of March 2021, serve as "a general guide to the evaluation procedures for grants and other contracts, programs, and projects" funded by OHA. The document goes on to state "the purpose of Program Improvement is to provide administrative and programmatic findings and recommendations" necessary "to ensure contracts, programs, and projects are properly executed and implemented in accordance with the terms and conditions stated in the contract or grant agreement, and to identify outputs, outcomes, and impact" on both OHA and its beneficiaries. According to the procedures, evaluations include a review of all information available in a file concerning a contract and may include orientation meetings with the grantee and the performance of "exploratory analyses" to determine the feasibility of future contracts. Responsible personnel—termed "program improvement staff"—are required by OHA procedures to develop a list of contracts targeted for evaluation. They are also required to develop findings regarding whether contract outputs and outcomes are achieved, as well as develop recommendations regarding those findings. Electronic copies of the evaluation report are distributed to OHA's Grants Division and the Board. The evaluation report is also posted on OHA's website. Upon completion of a grant, it is the responsibility of OHA's Program Improvement Program (PIP) to perform grant evaluations.



## Recommendations and their status

Our follow-up efforts were limited to reviewing and reporting the implementation status of our audit recommendations. We did not explore new issues or revisit old ones that did not relate to the original recommendations. The following details the audit recommendations made, and the current implementation status of each recommendation based on our review of information and documents provided by OHA, and other publicly available information.

**Exhibit 1**  
**Audit Recommendations by Status**



Source: Office of the Auditor



## Recommendation 1a

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

**Implemented**

### Comments

In response to Report No. 18-08, *Audit of the Office of Hawaiian Affairs' Competitive Grants and Report on the Implementation of 2013 Audit Recommendations*, OHA's Grants Program SOP were revised to include mandated performance requirements. OHA's Grant Agreement now includes a certification the grantee is in compliance with Section 10-17, HRS, as well as applicable federal, state, and county laws and has obtained licenses and permits required to conduct grant activities and provide grant services. Additionally, OHA's grant solicitation process now requires applicants to sign a Board Governance Certification Form stating the organization has bylaws or policies that govern how business is conducted, including conflicts of interest and the organization's compliance with Section 10-17(c)(2), HRS.

## Recommendation 1b

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

**Implemented**

### Comments

Grants are now monitored and evaluated through the OHA Grants Portal.

According to OHA, it has developed and implemented an information management system that ensures grants are monitored and evaluated consistently. OHA's Grants Portal serves as an electronic filing system for grant solicitations, applications, awarded contracts, and grantee reporting documents; documents are tracked throughout the granting process, enabling OHA to electronically track pre-award, award, and post-award documents. The system also serves as a repository for



email communications and required grant documents, enabling OHA to verify the receipt of necessary documents. The system provides real time status updates that verify grant assessment and grant monitoring. Grant reports are completed and submitted as required. The portal enables OHA to generate reports for each grant on a real time dashboard that serves as a checklist for each grant. According to OHA, program and monitoring reports ensure that performance requirements and grant deficiencies are documented and that identified corrective actions are implemented. At the end of each quarter, the Grants Program staff issues reports to the Administration and other OHA divisions for their reconciliation and reporting.

The Grants Portal is accessible through the OHA Grants Program webpage on the agency's website. Activities including online grant applications, evaluations, monitoring, and reporting are available to users. OHA's Grants Management System Administrator manages the portal for long-term grants record-keeping and provides training on the portal to the public through meetings, presentations, and direct communication via phone, email, and in-person.

## Recommendation 2a

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

**Implemented**

### Comments

Grants SOP now include policies and procedures ensuring grants are consistently monitored and reviewed.

Information about agreement terms and conditions, required grant documents, and performance measures is housed in OHA's information management system. According to OHA, the Grants Portal also serves as a repository for email communications and required grant documents, enabling OHA to verify the receipt of necessary documents. The system provides real time status updates that verify grant assessment and grant monitoring. Grant reports are completed and submitted as required. The portal enables OHA to generate reports for each grant on a real time dashboard that serves as a checklist for each grant.



Grants SOP require staff to complete a Quarterly Grant Assessment Report that addresses whether the key activities are being completed as described in the grant and contract; whether the grantee is on track to meet outcomes; and whether there are major issues or challenges that may negatively impact project implementation. The report requires a manager's certification stating that the information in the quarterly report is true and accurate.

### Recommendation 2b

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

#### Implemented

#### Comments

Grants SOP now include policies and procedures ensuring grants are consistently monitored and evaluated to determine whether 'Ahahui Grants events meet criteria and should be funded in the future. Grants SOP were revised to include, among other things, reviews of Attendance Report Forms completed by OHA staff and Final Report Forms completed by grantees to determine whether it is worthwhile for OHA to consider funding the event again in the future. OHA's Attendance Report Form is completed by staff in the close-out phase. The report now includes an assessment of the event including the event's impact and benefit to Hawaiians, OHA recognition at the event, and whether it is worthwhile for OHA to consider funding the event in the future.

### Recommendation 2c

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

#### Implemented

#### Comments

Grants SOP now include policies and procedures ensuring grants are consistently monitored and evaluated to determine whether 'Ahahui Grants events met criteria and should be funded in the future. The



Grants Program now coordinates the administration of ‘Ahahui Grants with OHA Community Outreach Program staff to ensure ‘Ahahui Grant-funded events are attended by OHA personnel who monitor and assess events to confirm that grants are used consistent with the purpose and intent of the grant, and that the grants have achieved expected results. OHA uses an Excel spreadsheet to identify and track the event’s attendance by OHA’s Community Outreach Program staff. Attendance Report Forms and Closeout Report Forms are required, and Grants SOP have been revised to ensure staff reports are submitted by established deadlines; specifically, two email notifications to the Grant Monitor are required - the first notification is sent seven days prior to the deadline, and the second notification is sent one day after the due date. The Grant Manager and assigned staff also receive notifications and can follow-up with OHA staff assigned to monitor the grant as needed.

Grants SOP have been revised to include, among other things, reviews of Attendance Report Forms completed by OHA staff and Final Report Forms completed by grantees. OHA’s Attendance Report Form is completed by staff in the post-award phase. The report now includes an assessment of the event, including the event’s impact and benefit to Hawaiians, OHA recognition at the event, and whether it warrants future funding.

Grants are monitored through the Grants Portal which tracks pre-award, award, and post-award documents. Program and monitoring reports help to ensure that performance requirements and grant deficiencies are documented and that identified corrective actions are implemented. The Grants Portal is accessible through the OHA Grants Program webpage on the agency’s website.

## Recommendation 2d

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

**Implemented**

### Comments

Grants SOP now include policies and procedures clarifying and documenting the responsibilities and processes for monitoring and evaluating all ‘Ahahui Grants. According to OHA, policies and procedures were updated as part of that process.



According to OHA, the Grants Program now administers competitive and non-competitive programs and contracts and is structured as follows:

- In accordance with OHA statutory and management directives, the Grants Program Manager directs grant policies and procedures, supervises Grants Program staff to ensure the coordination of grant programs, processes, and contracts are strategically aligned, and oversees the implementation of quality assurance function, control, and activities.
- The Lead Grants Specialist conducts and provides management oversight for desktop and on-site monitoring for program performance and grant compliance, assists the Grants Program Manager by facilitating workflow among other OHA programs, and manages Grants Program staff as assigned by the Grants Program Manager.
- The Grants Specialist plans and develops solicitations; coordinates the grant application review process, including evaluation of eligibility and other program requirements; prepares grant recommendations; drafts grant agreements; monitors contract compliance, including performance assessments, site visits, and document reviews; processes payments in accordance with grant agreement(s); and serves as the principal liaison between grantees and OHA.

‘Ahahui Grants are reviewed and approved by the CEO; Joint Committees of Beneficiary Advocacy and Empowerment, and Assets and Resource Management; and the Board.

Grants SOP revised procedures now assign the grant monitoring responsibility to Grants Program and Community Outreach staff, who coordinate to ensure OHA staff attend and monitor ‘Ahahui events. According to OHA, the purpose of grant monitoring, which consists of both desktop and on-site monitoring, is to assess the progress of the grantee’s performance and expenditures to determine if terms and conditions of the grant agreement are met; ensure that the grant is implemented in a timely manner in compliance with all grant agreement requirements; identify noncompliance with grant agreement specifications; develop and implement actions to reinforce, improve, correct, or supplement grantee performance, as appropriate; and identify technical assistance needs and provide proactive support.

Upon completion of a grant, it is the responsibility of OHA’s Program Improvement Program to perform grant evaluations. For OHA, grant evaluations are summative in nature and generally are not scheduled



until the grant has been fully disbursed and closed out. PIP reviews all information available in the file concerning the contract; performs comprehensive evaluations that may include orientation meetings and visits to the grantee offices; performs exploratory analyses to determine the feasibility of a future contract; develops a listing of contracts targeted for an evaluation; and develops findings and recommendations. A Program Improvement Manager distributes the final report to the Board and OHA's Grants Division. A copy of the report is also posted on OHA's website and is accessible by the public.

## Recommendation 2e

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

### Implemented

#### Comments

OHA has implemented an information management system to ensure grants are monitored and evaluated consistently. The Grants Portal serves as an electronic filing system for grant solicitations, applications, awarded contracts, and grantee reporting documents; documents are tracked throughout the granting process, enabling OHA to electronically track pre-award, award, and post-award documents. The system also serves as a repository for email communications and required grant documents. The system provides real time status updates that verify grant assessments, grant monitoring, and grant reports are completed and submitted as required. The portal enables OHA to generate reports for each grant on a real-time dashboard that serves as a checklist for each grant. According to OHA, program and monitoring reports ensure that performance requirements and grant deficiencies are documented and that identified corrective actions are implemented. OHA's Grants Portal is accessible through the OHA Grants Program webpage on the agency's website.

Grants SOP were revised to include reviews of Attendance Report Forms and Final Report Forms.



### Recommendation 3a

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

#### Partially Implemented

##### Comments

Grants SOP now include policies and procedures ensuring grants are consistently monitored and evaluated. Community grants are also monitored through OHA's Grants Portal which serves as an electronic filing system for grant solicitations, applications, awarded contracts, and grantee reporting documents; documents are tracked throughout the granting process, enabling OHA to electronically track pre-award, award, and post-award documents.

Grants SOP require staff complete a Quarterly Grant Assessment Report. Staff are required to address whether key activities are being completed as described in the grant and contract, whether the grantee is on track to meet the outcomes, and whether there are major issues or challenges that are negatively impacting project implementation. The report requires a manager's certification stating that the information in the quarterly report is true and accurate.

Grants SOP were also revised to include reviews of Attendance Report Forms and Final Report Forms. OHA's Attendance Report Form is completed by staff in the close-out phase. The report now includes an assessment of the event, including the event's impact and benefit to Hawaiians, OHA's recognition at the event, and whether it is worthwhile for OHA to consider funding this event again in the future.

Community Grants are awarded for a term of two years. According to OHA, all Quarterly Reports, Grant Assessments and the grantee's Final Report Form are considered by the Grants Program Specialist when completing OHA's Closeout Report to determine the grantee's final eligibility status for future OHA grant applications. However, any Closeout Reports for Community Grants awarded in October 2019 cannot be completed until the grants end in late 2021. Because grantees and OHA have not had an opportunity to complete required reports, we deem this recommendation to be partially implemented.



### Recommendation 3b

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

**Implemented**

#### Comments

Grants SOP were revised to include policies and procedures ensuring grants are consistently monitored and evaluated. According to OHA, the purpose of on-site monitoring is to provide a more in-depth review of the grantee's program and to address grant issues and concerns. It is recommended for all grants as determined by the Grants Program Manager and is required if the Grants Program Manager determines that the grant may be at risk for failure or there are discrepancies that require an on-site visit. Any area of noncompliance may be considered, including complaints by participants, grantee failure to meet performance expectations on over half of the critical performance measures without corrective action implemented, and concerns regarding expenditures that have not been addressed by the grantee.

The on-site monitoring process includes, but is not limited to, scheduling and conducting on-site visits with the grantee that include program observation, site tours, and interviews with staff and participants to determine compliance, as well as preparing a report. The report is reviewed and signed by the Grants Program Manager and sent to the grantee. The Grants Program Specialist provides technical assistance and/or corrective action assistance to support grantees' compliance with grant agreement terms and conditions.

For virtual monitoring visits, OHA includes a meeting agenda that requests a virtual tour of the grantee's facility, discussion about the grantee's compliance with grant agreement terms and conditions, and staff interviews. The Grants Program Specialist conducts weekly meetings that incorporate tracking of on-site and virtual monitoring visits.



### Recommendation 3c

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

#### Implemented

#### Comments

Grants SOP were revised to include policies and procedures clarifying and documenting the responsibilities and processes for monitoring and evaluating all Community Grants and updating existing policies and procedures, as necessary.

Section 10-17, HRS, requires OHA to monitor and evaluate every grant to ensure compliance with the purpose and intent of the grant, and to determine whether the intended results were achieved. For OHA, grants administration includes the following functions and related procedures: planning, solicitation, application, review, recommendation, contracting, monitoring, and evaluation for each grant program.

The Grants Program administers competitive and non-competitive programs and contracts and is structured as follows:

- In accordance with OHA statutory and management directives, the Grants Program Manager directs grant policies and procedures, supervises Grants Program staff to ensure the coordination of grant programs, processes, and contracts are strategically aligned, and oversees the implementation of quality assurance function, control, and activities.
- The Lead Grants Specialist conducts and provides management oversight for desktop and on-site monitoring for program performance and grant compliance, assists the Grants Program Manager by facilitating workflow among other OHA programs, and manages Grants Program staff as assigned by the Grants Program Manager.
- The Grants Specialist plans and develops solicitations; coordinates the grant application review process, including evaluation of eligibility and other program requirements; prepares grant recommendations; drafts grant agreements; monitors contract compliance, including performance assessments, site visits, and document reviews; processes payments in accordance with grant agreement(s); and serves as the principal liaison between grantees and OHA.



Community Grants are reviewed and approved by the CEO; Joint Committees of Beneficiary Advocacy and Empowerment, and Assets Resource Management; and the Board.

Grants are monitored through the Grants Portal which tracks pre-award, award, and post-award documents.

Grants SOP have been revised and now assign the grant monitoring responsibility to Grants Program and Community Outreach staff, who coordinate to ensure OHA staff attend and monitor events. According to OHA, the purpose of grant monitoring, which consists of both desktop and on-site monitoring, is to assess the progress of the grantee's performance and expenditures to determine if terms and conditions of the grant agreement are met; ensure that the grant is implemented in a timely manner in compliance with all grant agreement requirements; identify noncompliance with grant agreement specifications; develop and implement actions to reinforce, improve, correct, or supplement grantee performance, as appropriate; and identify technical assistance needs and provide proactive support.

Upon completion of a grant, it is the responsibility of OHA's PIP to perform grant evaluations. For OHA, grant evaluations are summative in nature and generally are not scheduled until the grant has been fully disbursed and closed out. PIP reviews all information available in the file concerning the contract; performs comprehensive evaluations that may include orientation meetings and visits to the grantee offices; performs exploratory analyses to determine the feasibility of a future contract; develops a listing of contracts targeted for an evaluation; and develops findings and recommendations. The Program Improvement Manager distributes the final report to the Board and OHA's Grants Division. A copy of the report is also posted on OHA's website and is accessible by the public.

### Recommendation 3d

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

**Implemented**

#### Comments

OHA has implemented an information management system to ensure grants are monitored and evaluated consistently. OHA's Grants Portal serves as an electronic filing system for grant solicitations,



applications, awarded contracts, and grantee reporting documents throughout the granting process, enabling OHA to electronically track pre-award, award, and post-award documents. The system also serves as a repository for email communications and required grant documents, enabling OHA to verify the receipt of necessary documents, and provides real time status updates that verify grant assessments, grant monitoring, and grant reports are completed and submitted as required. The portal enables OHA to generate reports for each grant on the real-time dashboard that serves as a checklist for each grant. Program and monitoring reports also ensure that performance requirements and grant deficiencies are documented and that identified corrective actions are implemented. OHA's Grants Portal is accessible through the OHA Grants Program webpage on the agency's website.



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

March 28, 2019

VIA E-MAIL: [lao.auditors@hawaii.gov](mailto:lao.auditors@hawaii.gov)  
and U.S. MAIL, FIRST CLASS

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

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

Dear Mr. Kondo,

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

## **I. Background**

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

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



In addressing the recommendations and formulating our responses, OHA engaged in the following review and engagement activities: 1) Reviewed the requirements of Hawaii Revised Statutes, Chapter 10. Office of Hawaiian Affairs, § 10-3, § 10-4 and particularly § 10-17. Grants; conditions and qualifications; 2) Reviewed Reports No 18-03 and related Report No. 18-08, issued in June 2018<sup>2</sup>; 3) Reviewed current and updated standard operating procedures; and 4) Engaged in discussions with Grants Department management regarding the changes in processes implemented since the issuance of Reports No. 18-03 and 18-08.

## **II. Permitted Interaction Group**

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

## **III. Quality Assurance Function<sup>3</sup>**

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

The QA function will be implemented via a Senior Internal Auditor (SIA) position that is anticipated to be launched in the new fiscal year beginning July 1, 2019 and included in the FY 20-21 Biennium Budget. The Grants Department<sup>4</sup> (formerly known as the Transitional Assistance

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

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

<sup>4</sup> Throughout this document, the terms “Grants Department” and “Transitional Assistance Program”, if used, refers to the same functional OHA unit.



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

#### IV. Summary Internal Control Framework & Implementation

Framing OHA's responses in Appendix A is its overall internal control framework<sup>5</sup> for the organization modeled after the COSO framework.

##### What Does COSO Stand For?

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



**Figure 1. COSO Framework**

##### What Is The COSO Framework?

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

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

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

##### **1. Control Environment**

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

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



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

**2. *Risk Assessment***

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

**3. *Control Activities***

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

**4. *Information and Communication***

- Quality of Information
- Effectiveness of Communication

**5. *Monitoring***

- Ongoing Monitoring
- Separate Evaluations
- Reporting Deficiencies

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

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



## V. Updates re: Grants Processes

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

1. Completed Standard Operating Procedures;
2. In the process of implementing an information system to track grant status and project deliverables, including retaining copies of e-mails, correspondence, performance reports and evaluations and alerts monitoring staff when reports due; can monitor grant staff performance, assists grants management staff in tracking delinquent annual and final reports to ensure grant deliverables are received; and flags the approval of new awards to grantees that miss deliverable.<sup>6</sup> Upgrades to and implementation of enhanced functionality to the existing information system (i.e., Foundant Grants Database) is in process and projected to be fully implemented no later than June 30, 2019 for the new cycle (e.g., Kūlia, Community, 'Ahahui); and,



Figure 2. Grants Process Phases

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

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

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

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

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



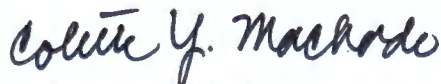
Audit Recommendation Status	Implemented	Partially Implemented	Total
<b>Board of Trustees</b>	1e, 2a, 2b, 2c, 2d, 4c,	1a, 1b, 1c, 1d, 1f, 1g, 3a, 3b, 3c, 3d, 3e, 3f, 4a, 4b, 4d, 5a, 5b, 5c, 5d, 5e, 5f	27
<b># of recs</b>	<b>6</b>	<b>21</b>	<b>27</b>
<b>Administration</b>	4b	1a, 1b, 2a, 2b, 3a, 3b, 4a,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

## VII. Conclusion

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

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

Me ka ha'aha'a,



Colette Y. Machado  
 Chair, Board of Trustees



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

CM/KC:rg

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

Attachment B: List of Available Sources and References



**Attachment B: List of Available Sources and References**

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



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

**OHA Board of Trustees**  
**Recommendation No. 1.a.**

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

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



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

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

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

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

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

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



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

**OHA Board of Trustees**  
**Recommendation No. 1.b.**

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

**Status (Select One):**

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

**Dated:**

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

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

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

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



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

**OHA Board of Trustees**  
**Recommendation No. 1.c.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



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

**OHA Board of Trustees**  
**Recommendation No. 1.d.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



**OHA Board of Trustees**  
**Recommendation No. 1.d. (Continuation Pages)**

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

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

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

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

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



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



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

**OHA Board of Trustees**  
**Recommendation No. 1.e.**

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

**Status (Select One):**

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

**Dated:**

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

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

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

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

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



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

**OHA Board of Trustees**  
**Recommendation No. 1.f.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



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

**OHA Board of Trustees**  
**Recommendation No. 1.g.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



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

**OHA Board of Trustees**  
**Recommendation No. 2.a.**

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

**Status (Select One):**

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

**Dated:**

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

**OHA Board of Trustees**  
**Recommendation No. 2.b.**

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

**Status (Select One):**

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

**Dated:**

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

**OHA Board of Trustees**  
**Recommendation No. 2.c.**

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

**Status (Select One):**

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

**Dated:**

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

**OHA Board of Trustees**  
**Recommendation No. 2.d.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	
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**OHA Board of Trustees**  
**Recommendation No. 2.d. (Continuation Page)**

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

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



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

**OHA Board of Trustees**  
**Recommendation No. 3.a.**

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

**Status (Select One):**

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

**Dated:**

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

**OHA Board of Trustees**  
**Recommendation No. 3.b.**

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

**Status (Select One):**

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

**Dated:**

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

**OHA Board of Trustees**  
**Recommendation No. 3.c.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



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

**OHA Board of Trustees**  
**Recommendation No. 3.d.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



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

**OHA Board of Trustees**  
**Recommendation No. 3.e.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



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

**OHA Board of Trustees**  
**Recommendation No. 3.f.**

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

**Status (Select One):**

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

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

**OHA Board of Trustees**  
**Recommendation No. 4.a.**

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

**Status (Select One):**

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

**Dated:** \_\_\_\_\_

Estimated Date of Completion:	



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

**OHA Board of Trustees**  
**Recommendation No. 4.b.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



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

**OHA Board of Trustees**  
**Recommendation No. 4.c.**

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

**Status (Select One):**

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

**Dated:** \_\_\_\_\_

Estimated Date of Completion:	
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**OHA Board of Trustees**  
**Recommendation No. 4.c. (Continuation Page)**

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

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



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

**OHA Board of Trustees**  
**Recommendation No. 4.d.**

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

**Status (Select One):**

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

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Estimated Date of Completion:	
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**OHA Board of Trustees**  
**Recommendation No. 4.d. (Continuation Page)**

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

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

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



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

**OHA Board of Trustees**  
**Recommendation No. 5.a.**

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

**Status (Select One):**

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

**Dated:** \_\_\_\_\_

Estimated Date of Completion:	



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

**OHA Board of Trustees**  
**Recommendation No. 5.b.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



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

**OHA Board of Trustees**  
**Recommendation No. 5.c.**

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

**Status (Select One):**

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

**Dated:**

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

**OHA Board of Trustees**  
**Recommendation No. 5.d.**

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

**Status (Select One):**

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

**Dated:**

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

**OHA Board of Trustees**  
**Recommendation No. 5.e.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



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

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



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

**OHA Board of Trustees**  
**Recommendation No. 5.f.**

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

**Status (Select One):**

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

**Dated:** \_\_\_\_\_

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

## **OHA Administration**

### **Recommendation No. 1.a.**

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

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	
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**OHA Administration**  
**Recommendation No. 1.a. (Continuation Page)**

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

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



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

**OHA Administration**  
**Recommendation No. 1.b.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	
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**OHA Administration**  
**Recommendation No. 1.b. (Continuation Page)**

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

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

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



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

## **OHA Administration**

### **Recommendation No. 2.a.**

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

**Status (Select One):**

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

**Dated:** \_\_\_\_\_

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

**OHA Administration**  
**Recommendation No. 2.b.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	
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**OHA Administration**  
**Recommendation No. 2.b. (Continuation Page)**

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

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

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



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

**OHA Administration**  
**Recommendation No. 3.a.**

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

**Status (Select One):**

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

**Dated:** \_\_\_\_\_

Estimated Date of Completion:	



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

**OHA Administration**  
**Recommendation No. 3.b.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



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

## **OHA Administration**

### **Recommendation No. 4.a.**

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

**Status (Select One):**

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

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

**OHA Administration**  
**Recommendation No. 4.b.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



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

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

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



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

## **OHA Administration**

### **Recommendation No. 5.a.**

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

**Status (Select One):**

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

**Dated:** \_\_\_\_\_

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

**OHA Administration**  
**Recommendation No. 5.b.**

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

**Status (Select One):**

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

**Dated:** \_\_\_\_\_

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

**OHA Administration**  
**Recommendation No. 5.c.**

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

**Status (Select One):**

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

**Dated:**

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

**OHA Administration**  
**Recommendation No. 5.d.**

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

**Status (Select One):**

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

**Dated:**

Estimated Date of Completion:	



# Report on the Implementation of State Auditor's Recommendations 2015 – 2019

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

**Report No. 21-11**  
October 2021



**OFFICE OF THE AUDITOR**  
STATE OF HAWAII





## OFFICE OF THE AUDITOR STATE OF HAWAII

### Constitutional Mandate

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

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

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

### Our Mission

To improve government through independent and objective analyses.

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

### Our Work

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

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

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

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



## Foreword

This is a report on the follow-up reviews of state departments and agencies' implementation of audit recommendations contained in audits issued in calendar years 2015–2019. We conducted the follow-ups pursuant to Section 23-7.5, Hawai'i Revised Statutes, which requires the Auditor to report to the Legislature on each recommendation that the Auditor has made that is more than one year old and that has not been implemented by the audited agency.

We wish to express our appreciation for the cooperation and assistance extended to us by the various audited agencies and others whom we contacted during the course of the follow-up review.

Leslie H. Kondo  
State Auditor



11/2021 Note: Page on the original report is blank with report header only.



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PHOTO: OFFICE OF THE AUDITOR

## Status of Implementation of Audit Recommendations from Reports Issued 2015 – 2019

*Section 23-7.5, Hawai‘i Revised Statutes, requires the Auditor to report to the Legislature annually on each audit recommendation more than one year old that has not been implemented by the audited agency. Our office follows up on recommendations in two ways. First, on an annual basis, we send requests to the agencies for status of implementation of our recommendations and details on steps taken toward implementation. Second, we conduct an active follow-up two to three years after issuance of the audit report containing recommendations and issue a separate follow-up report. Here, we report the latest status on the implementation of recommendations made in our reports issued from 2015 to 2019.*

### Introduction

**E**VERY YEAR, we follow up on recommendations made in our audit reports. We ask agencies to provide us with the status of their implementation of the recommendations made as part of our audit starting a year after the report was issued. After two or three years, we conduct a more rigorous follow-up review. Those reviews, which we refer to as “active reviews,” include interviewing



## Definition of Terms

**WE DEEM** recommendations:

### Implemented

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

### Partially Implemented

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

### Not Implemented

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

### Not Implemented - N/A

where circumstances changed to make a recommendation not applicable; and

### Not Implemented - Disagree

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

selected personnel from the agency and examining the agency's relevant policies, procedures, records, and documents to assess whether action on recommendations has been taken. Our efforts are limited to the reviewing and reporting on an agency's implementation of recommendations made in the original audit report. We do not explore new issues or revisit issues from the report that are unrelated to our original recommendations.

From 2015 to 2019, we made 241 audit recommendations. Based on information self-reported by the agencies and information from active reviews, 209 of those recommendations have been partially or fully implemented.

We based our scope and methodology on the United States Government Accountability Office – formerly the General Accounting Office – (GAO) guidelines, published in *How to Get Action on Audit Recommendations* (1991), as well as the *Government Auditing Standards* and Hawai'i Revised Statutes (HRS), Section 23-7.5.

According to the GAO, saving tax dollars, improving programs and operations, and providing better service to the public represent audit work's "bottom line." Recommendations are the vehicles by which these objectives are sought. However, it is action on recommendations – not the recommendations themselves – that helps government work better. Effective follow-up is essential to realizing the full benefits of audit work.

## Audit Recommendations Implementation Reports Issued 2015 – 2019

### Determining progress

The rate of progress of a recommendation's implementation depends on the type of recommendation. While some fall fully within the purview of an audited agency and can be addressed relatively quickly, others may deal with complex problems, involve multiple agencies, or require legislative action, resulting in a longer implementation period. We recognize ample time should be afforded to agencies implementing recommendations for a follow-up system to be useful and relevant.

With those observations in mind, we have determined an "active" follow-up effort, where we review and assess an agency's efforts to implement our recommendations, is most effective and relevant if conducted two to three years after publication of an audit report. Too short of an interval between audit report and follow-up might not give agencies enough time



to implement; too long might allow agencies to lose valuable personnel and institutional knowledge needed to implement change. This is consistent with the GAO's experience that action on recommendations usually occurs in the first 3 years after the recommendation is made.

Our current policy is to conduct follow-ups on recommendations for a five-year period after issuance of the report. We have determined that, after this time, further action on recommendations is unlikely. At that point, a new audit may be more appropriate.

On the following pages are our summaries of the most recent status for recommendations from reports issued in the last five years. In many cases, the latest status is based on the agencies' responses to our formal requests for an updated status of implementation of our recommendations.

It is important to stress that, unlike our "active" follow-up reports, the agencies' responses to our requests for updates are just that – status as reported by the agencies themselves. Reporting of these responses is not based on an independent assessment by our office. However, the responses do represent the most recent status available to us.

Copies of our reports, including active follow-up reports, are available on our website at <https://www.auditor.hawaii.gov/>.



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## Audit Recommendations Implementation Dashboard









No. 15-07	<b>Research Corporation of the University of Hawai'i</b> Audit of the Research Corporation of the University of Hawai'i	 11 recommendations
No. 15-09	<b>Department of Health</b> Procurement Examination of the Department of Health: Lack of Procurement Controls Exposes Health Department to Waste and Abuse	 6 recommendations
No. 15-14	<b>Hawai'i State Public Charter Schools Commission</b> Study of Public Charter Schools' Governing Boards	 8 recommendations
No. 15-18	<b>Department of Transportation</b> Audit of the Department of Transportation's Energy Performance Contracts: Improved Oversight is Needed to Ensure Savings	 11 recommendations
No. 15-20	<b>Department of Human Services</b> Audit of the Department of Human Services' KOLEA System: \$155 Million KOLEA Project Does Not Achieve ACA Goals	 14 recommendations
No. 16-01	<b>Enterprise Technology Services</b> Report on Selected Executive Branch Departments' Information Technology Expenditures	 5 recommendations
No. 16-08	<b>Department of Taxation / Department of Business, Economic Development and Tourism</b> Audit of Hawai'i's Motion Picture, Digital Media, and Film Production Income Tax Credit	 9 recommendations
No. 17-05	<b>Hawai'i Department of Agriculture</b> Audit of Hawai'i Department of Agriculture's Plant Quarantine Branch	 7 recommendations
No. 17-14	<b>Department of Health</b> Audit of the Disease Outbreak Control Division of the Department of Health	 5 recommendations
No. 18-01	<b>Department of Business, Economic Development and Tourism</b> Audit of the Hawai'i State Energy Office	 9 recommendations
No. 18-03	<b>Office of Hawaiian Affairs</b> Audit of the Office of Hawaiian Affairs	 39 recommendations

 Implemented  Partially Implemented  Not Implemented  Not Implemented - N/A  Not Implemented - Disagree

Source: Office of the Auditor



## Audit Recommendations Implementation Dashboard

No. 18-04	<b>Hawai'i Tourism Authority</b> Audit of the Hawai'i Tourism Authority		27 recommendations
No. 18-05	<b>Public Utilities Commission</b> Audit of the Public Utilities Commission		12 recommendations
No. 18-08	<b>Office of Hawaiian Affairs</b> Audit of the Office of Hawaiian Affairs' Competitive Grants		11 recommendations
No. 18-09	<b>Department of the Attorney General</b> Audit of the Department of the Attorney General's Asset Forfeiture Program		7 recommendations
No. 18-18	<b>Department of Health</b> Audit of the Office of Health Care Assurance's Adult Residential Care Homes Program		9 recommendations
No. 19-01	<b>Department of Land and Natural Resources</b> Audit of the Department of Land and Natural Resources' Land Conservation Fund		12 recommendations
No. 19-12	<b>Department of Land and Natural Resources</b> Audit of the Department of Land and Natural Resources' Special Land and Development Fund		17 recommendations
No. 19-13	<b>Department of Education</b> Audit of the Department of Education's Administration of School Impact Fees		22 recommendations

 Implemented
  Partially Implemented
  Not Implemented
  Not Implemented - N/A
  Not Implemented - Disagree

Source: Office of the Auditor





PHOTO: OFFICE OF HAWAIIAN AFFAIRS

## REPORT NO. 18-03 *Audit of the Office of Hawaiian Affairs*

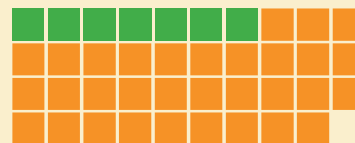
Number of Recommendations: **39**

Number of Recommendations  
Partially or Fully Implemented: **39**

Percent Partially or Fully  
Implemented: **100%**

### Audit Recommendations by Status

In Report No. 18-03, we made a total of 39 recommendations to the agency.



- Implemented
- Partially Implemented
- Not Implemented
- Not Implemented - N/A
- Not Implemented - Disagree

Source: Office of the Auditor

**IN REPORT NO. 18-03, *Audit of the Office of Hawaiian Affairs*,** we found spending on non-competitive Kūlia Initiatives was nearly double what the Office of Hawaiian Affairs (OHA) spent on closely vetted, competitive grants and the Fiscal Reserve lacked a clear policy guiding its use and had been spent down rapidly. We reported CEO Sponsorships were subject to minimal oversight and were often, despite written guidelines, approved based on personal discretion. We also reported rules governing Trustee Allowances were broad and arbitrarily enforced, leading to many instances of questionable spending.

In 2019, we issued a formal request for information to OHA on the status of audit recommendations from Report No. 18-03.

The agency reported that all of our recommendations have been at least partially implemented.

An active follow-up report will be issued later this year.

The following is a list of recommendations made and a chronological summary of our follow-up efforts. Any findings by the Office of the Auditor are highlighted in yellow.



Recommendation	Status of Recommendation
<p>(OHA Board of Trustees, 1.a.) OHA Board of Trustees should, in general, require trustees and trustee staff to attend regular training that includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>i. Fiduciary duties and other responsibilities of trustees;</li> <li>ii. State Ethics Code, Chapter 84, HRS;</li> <li>iii. Sunshine Law, part I of Chapter 92, HRS; and</li> <li>iv. Uniform Information Practices Act (Modified), Chapter 92F, HRS.</li> </ul>	<p>2019: OHA reports <b>Partially Implemented</b></p> <p>Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 1.b.) OHA Board of Trustees should, in general, ensure that OHA policies and procedures, applicable to trustees and the Administration, align and are consistent with OHA's mission, trustees' fiduciary duties, and State laws.</p>	<p>2019: OHA reports <b>Partially Implemented</b></p> <p>Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 1.c.) OHA Board of Trustees should, in general, develop a clearly defined process by which trustees must hold each other individually accountable for actions that are inconsistent with their collective fiduciary duties and responsibilities to trust beneficiaries and for violations of State laws.</p>	<p>2019: OHA reports <b>Partially Implemented</b></p> <p>Self-reported March 28, 2019.</p>
<p>(OHA Board of Trustees, 1.d.) OHA Board of Trustees should, in general, provide greater transparency into OHA's administration of trust assets, including OHA's fiscal year budgets and actual expenditures, specific information regarding the Grants, Sponsorships, and other funding awarded by OHA, OHA's investment portfolio holdings and returns, and expenditures by trustees using Trustee Allowances. Consider posting such information on OHA's website or some other similarly accessible public portal.</p>	<p>2019: OHA reports <b>Partially Implemented</b></p> <p>Self-reported March 28, 2019.</p>



Recommendation	Status of Recommendation
(OHA Board of Trustees, 1.e.) OHA Board of Trustees should, in general, consider requiring board approval of all Grants, Sponsorships, and other funding awarded by OHA and/or that use Native Hawaiian Trust Fund assets.	<b>2019: OHA reports</b> <b>Implemented</b> Self-reported March 28, 2019.
(OHA Board of Trustees, 1.f.) OHA Board of Trustees should, in general, require the Administration to develop a master list of all OHA Grants, Sponsorships, and other funding awarded, including the name of the individual, group, or organization receiving the funds, the amount of the award, and the approving or granting entity within OHA (such as the board, CEO, or line of business).	<b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.
(OHA Board of Trustees, 1.g.) OHA Board of Trustees should, in general, consider developing policies regarding the maximum number and maximum total dollar amounts of Grants, Sponsorships, and other funding awarded to the same individual, group, or organization during a fiscal year or other determined period.	<b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.
(OHA Board of Trustees, 2.a.) OHA Board of Trustees should, with respect to Kūlia Initiatives, determine and clearly define the purpose of Kūlia Initiatives.	<b>2019: OHA reports</b> <b>Implemented</b> Self-reported March 28, 2019.
(OHA Board of Trustees, 2.b.) OHA Board of Trustees should, with respect to Kūlia Initiatives, review, update, and amend policies related to Kūlia Initiatives, as needed, to align with the defined purposes of Kūlia Initiatives. Such policies and procedures should clearly describe the types of spending for which Kūlia Initiatives are appropriate (as opposed to the purposes of other OHA funding support mechanisms, such as Community and ‘Ahahui Grants).	<b>2019: OHA reports</b> <b>Implemented</b> Self-reported March 28, 2019.



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Recommendation	Status of Recommendation
(OHA Board of Trustees, 3.d.) OHA Board of Trustees should, with respect to the Fiscal Reserve, work with the administration, including OHA's Investment Management staff, to determine and obtain the financial information necessary for the board to assess the short- and long-term impacts to the Native Hawaiian Trust Fund when considering use of the Fiscal Reserve.	<b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.
(OHA Board of Trustees, 3.e.) OHA Board of Trustees should, with respect to the Fiscal Reserve, for each action item considering use of the Fiscal Reserve, ensure the Administration clearly includes the specific information as required by the Fiscal Reserve Guidelines and necessary for the board's decision-making.	<b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.
(OHA Board of Trustees, 3.f.) OHA Board of Trustees should, with respect to the Fiscal Reserve, ensure that the purpose and use of the Fiscal Reserve aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustees' fiduciary duties; and (d) State laws.	<b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.
(OHA Board of Trustees, 4.a.) OHA Board of Trustees should, with respect to CEO Sponsorships, determine and clearly define the purpose of CEO Sponsorships.	<b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.
(OHA Board of Trustees, 4.b.) OHA Board of Trustees should, with respect to CEO Sponsorships, review, update, and amend policies and procedures related to CEO Sponsorships, as needed, to align with the defined purpose of CEO Sponsorships. Such policies and procedures should clearly describe the circumstances in and purposes for which CEO Sponsorships can be used.	<b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.



44 Report No. 21-11 / October 2021



Recommendation	Status of Recommendation
<b>(OHA Board of Trustees, 5.c.) OHA Board of Trustees should, with respect to Trustee Allowances, work with the Administration to more clearly define procedures related to the use and administration of Trustee Allowances.</b>	<b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.
<b>(OHA Board of Trustees, 5.d.) OHA Board of Trustees should, with respect to Trustee Allowances, require trustees to seek reimbursement of expenses; do not disburse the total amount of Trustee Allowances to trustees at the beginning of the fiscal year or otherwise advance any funds to trustees.</b>	<b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.
<b>(OHA Board of Trustees, 5.e.) OHA Board of Trustees should, with respect to Trustee Allowances, review and amend, as needed, the sanctions established in the Code of Conduct for violations of Trustee Allowance policies and procedures and establish a process to ensure enforcement of sanctions to appropriately address such violations.</b>	<b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.
<b>(OHA Board of Trustees, 5.f.) OHA Board of Trustees should, with respect to Trustee Allowances, ensure that the purpose and use of Trustee Allowances aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustees' fiduciary duties; and (d) State laws.</b>	<b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.



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Recommendation	Status of Recommendation
<p>(OHA Administration, 1.a.) OHA Administration should, in general, require the Administration to attend regular training that includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>i. Fiduciary duties and other responsibilities of trustees;</li> <li>ii. State Ethics Code, Chapter 84, HRS;</li> <li>iii. Sunshine Law, part I of Chapter 92, HRS: and</li> <li>iv. Uniform Information Practices Act (Modified), Chapter 92F, HRS.</li> </ul>	<p><b>2019: OHA reports</b> Partially Implemented</p> <p>Self-reported March 28, 2019.</p>
<p>(OHA Administration, 1.b.) OHA Administration should, in general, support trustees in performing their fiduciary duties and other responsibilities by, among other things, providing financial documents and other information in a timely manner as requested by individual trustees.</p>	<p><b>2019: OHA reports</b> Partially Implemented</p> <p>Self-reported March 28, 2019.</p>
<p>(OHA Administration, 2.a.) OHA Administration should, with respect to Kūlia Initiatives, ensure that the board and the Administration adhere to and comply with the board-adopted policies and procedures for Kūlia Initiatives.</p>	<p><b>2019: OHA reports</b> Partially Implemented</p> <p>Self-reported March 28, 2019.</p>
<p>(OHA Administration, 2.b.) OHA Administration should, with respect to Kūlia Initiatives, ensure that OHA's use of Kūlia Initiatives aligns and is consistent with: (a) OHA's mission; (b) OHA's policies and procedures; (c) trustees' fiduciary duties; and (d) State laws.</p>	<p><b>2019: OHA reports</b> Partially Implemented</p> <p>Self-reported March 28, 2019.</p>
<p>(OHA Administration, 3.a.) OHA Administration should, with respect to the Fiscal Reserve, ensure each proposed use of the Fiscal Reserve is consistent with the Fiscal Reserve Guidelines and the board-stated purpose of the Fiscal Reserve.</p>	<p><b>2019: OHA reports</b> Partially Implemented</p> <p>Self-reported March 28, 2019.</p>



Recommendation	Status of Recommendation
<p>(OHA Administration, 3.b.) OHA Administration should, with respect to the Fiscal Reserve, for each requested use of the Fiscal Reserve, provide the board with specific information and recommendations as to whether the board's or the Administration's proposed use of the Fiscal Reserve is consistent with the Fiscal Reserve Guidelines and the purpose of the Fiscal Reserve. Such information may include, but is not limited to, specific financial information regarding the Native Hawaiian Trust Fund balance, projected revenue for the fiscal year, and impact to the Native Hawaiian Trust Fund resulting from the requested use of the Fiscal Reserve.</p>	<p><b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Administration, 4.a.) OHA Administration should, with respect to CEO Sponsorships, adhere to Grants Staff recommendations regarding the Administration's requests to fund CEO Sponsorships.</p>	<p><b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Administration, 4.b.) OHA Administration should, with respect to CEO Sponsorships, if the Administration is allowed to adjust the budget to fund Sponsorships, obtain board approval before doing so, and provide the board with specific information about the proposed funding request to inform trustees' decision-making.</p>	<p><b>2019: OHA reports</b> <b>Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Administration, 5.a.) OHA Administration should, with respect to Trustee Allowances, monitor and review trustees' use of Trustee Allowances and ensure expenditures using Trustee Allowances comply with the Trustee Allowances policy.</p>	<p><b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.</p>



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Recommendation	Status of Recommendation
<p>(OHA Administration, 5.b.) OHA Administration should, with respect to <b>Trustee Allowances</b>, establish procedures to more clearly define the Administration's role and procedures for administering and monitoring the use of Trustee Allowances.</p>	<p><b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Administration, 5.c.) OHA Administration should, with respect to <b>Trustee Allowances</b>, report to the board the specific expenditures approved and reimbursed to each trustee using Trustee Allowances.</p>	<p><b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.</p>
<p>(OHA Administration, 5.d.) OHA Administration should, with respect to <b>Trustee Allowances</b>, create a formal appeal process for trustees to request a second determination of whether they are entitled to reimbursement of expenses using Trustee Allowances, for instance, through staff whose regular duties do not involve review and approval of Trustee Allowances.</p>	<p><b>2019: OHA reports</b> <b>Partially Implemented</b> Self-reported March 28, 2019.</p>



PHONE (808) 594-1888

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

August 30, 2019

VIA E-MAIL: [lao.auditors@hawaii.gov](mailto:lao.auditors@hawaii.gov)  
and U.S. MAIL, FIRST CLASS

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

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

Dear Mr. Kondo,

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

We understand the audit of OHA was conducted pursuant to Sections 10-14.55 and 23-7.5, Hawai'i Revised Statutes (HRS). Section 10-14.55 requires the Office of the Auditor to conduct an audit of the OHA at least every four years. Section 23-7.5 requires the Auditor to report to the Legislature, annually, on each audit recommendation more than one year old that has not been implemented by the audited agency. For this audit, the objectives were to: (1) Evaluate OHA policies and actions regarding use of its Fiscal Reserve, Grants, and Trustee Allowances; (2) Report on the status of OHA's implementation of our recommendations contained in Report No. 13-07, *Audit of the Office of Hawaiian Affairs and Report on the Implementation of State Auditor's 2009 OHA Recommendations*; and (3) Make recommendations as appropriate.

---

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



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

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

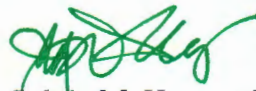
As we noted in our March 2019 correspondence re: Report No. 18-03, we understand that we still have much work to do to and the OHA has been intently working to align policy, procedure and practice from governance to operational matters. OHA continues to make necessary improvements to our overall administration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

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

Me ka ha'aha'a,



Colette Y. Machado  
Chair, Board of Trustees



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

:SH

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

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



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

**Recommendation No. 1.a.**

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

**Status (Select One):**

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

**Dated:** 8/20/19

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



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

**Recommendation No. 1.b.**

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

**Status (Select One):**

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

**Dated:** 8/20/19

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



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

**Recommendation No. 2.a.**

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

**Status (Select One):**

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

**Dated:** 8/20/19

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



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

**Recommendation No. 2.b.**

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

**Status (Select One):**

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

**Dated:** 8/20/19

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



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

**Recommendation No. 2.c.**

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

**Status (Select One):**

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

**Dated:** 8/20/19

Estimated Date of Completion: July 1, 2019

**Responsible Department:** Grants Program (formerly Transitional Assistance Program)

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

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

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

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



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

**Recommendation No. 2.d.**

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

**Status (Select One):**

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

**Dated:** 8/20/19

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



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

**Recommendation No. 2.e.**

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

**Status (Select One):**

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

**Dated:** 8/20/19

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

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



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

**Recommendation No. 3.a.**

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

**Status (Select One):**

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

**Dated:** 8/20/19

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



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

**Recommendation No. 3.b.**

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

**Status (Select One):**

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

**Dated:** 8/20/19

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



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

**Recommendation No. 3.c.**

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

**Status (Select One):**

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

**Dated:** 8/20/19

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



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

**Recommendation No. 3.d.**

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

**Status (Select One):**

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

**Dated:** 8/20/19

Estimated Date of Completion: July 1, 2019

Responsible Department: Grants Program (formerly Transitional Assistance Program)

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




**OFFICE OF HAWAIIAN AFFAIRS**  
Action Item


**BOARD OF TRUSTEES**


**September 16, 2021**

**BOT #21-11**

**Action Item Issue:** Accept and Implement the Recommendations in the OHA Ad Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLC’s Contract and Disbursement Review” Report

<b>Co-Prepared by:</b>	 <hr/> Trustee Keola Lindsey, Chair Ad Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLCs Contract and Disbursement Review”	Sep 12, 2021 <hr/> Date
------------------------	--	----------------------------

<b>Co-Prepared by:</b>	 <hr/> Trustee Luana Alapa, Vice Chair Ad Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLCs Contract and Disbursement Review”	Sep 13, 2021 <hr/> Date
------------------------	---	----------------------------

<b>Reviewed by:</b>	 <hr/> Carmen Hulu Lindsey, Chair Ke Kauhuhu o ke Kaupoku, Board of Trustees	Sep 13, 2021 <hr/> Date
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**Action Item BOT #21-11: Accept and Implement the Recommendations in the OHA Ad Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLC’s Contract and Disbursement Review” Report**

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**I. Proposed Action**

Accept and implement the recommendations in the OHA Ad Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLC’s Contract and Disbursement Review” Report, Attachment 1.

**II. Issue**

Whether or not the Board of Trustees (BOT) will accept and implement the recommendations in the OHA Ad Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLC’s Contract and Disbursement Review” Report, Attachment 1.

**III. Discussion<sup>1</sup>**

On July 1, 2021, the Board of Trustees (BOT) approved an Ad-Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLCs Contract and Disbursement Review” (the Committee). Committee members approved by the BOT were:

- Trustee Keola Lindsey (Committee Chair)
- Trustee Luana Alapa
- BOT Chief of Staff Colin Kippen
- Chief Operating Officer Casey Brown

The BOT approved scope of the Committee was to:

- Review Act 29’s (2021) provisions contained in Section 9 and Section 11 (Attachment 2);
- Review Act 37’s (2019) provisions relating to conducting a financial and management audit of the OHA;
- Determine an appropriate scope of work given the time and budget constraints set by the legislature in Section 11 of Act 29 (2021) as well as by OHA’s by-laws and personnel policies and relevant State and Federal laws; and
- Review the findings of OHA’s contracted for December 4, 2019 CLA Report; and
- Propose a plan, timeline, scope of services, and budget to hire an auditor or other third-party business or other professional as necessary to perform the defined scope of services in a timely and ethical fashion consistent with OHA’s existing by-laws and personnel policies as well as with relevant State and Federal laws, subject to approval by the BOT.

The Committee held meetings on July 19<sup>th</sup>, July 26<sup>th</sup>, August 5<sup>th</sup>, August 9<sup>th</sup> and August 17<sup>th</sup>. These meetings were held and the recommendations contained in this report were developed in accordance with BOT Governing Documents applicable to Ad-Hoc Committees.

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<sup>1</sup> From Attachment 1



**Action Item BOT #21-11: Accept and Implement the Recommendations in the OHA Ad Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLC’s Contract and Disbursement Review” Report**

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**IV. Recommendations of the Committee<sup>2</sup>**

The Committee achieved consensus on the following recommendations to complete the scope of work approved by the BOT:

1. **Plan:** The follow up directed by Act 29 specific to existing information in the 2019 CLA report should be conducted via **an OHA contract with an independent third party vendor.**
2. **Timeline:** The estimated term of this contract should be **four months;**
3. **Scope of Services:**  
**to competitively procure and engage a professional services firm that has experience in forensic services<sup>3</sup> to conduct a follow up contract and disbursement review of the CLA<sup>4</sup> – OHA & LLC’s Contract and Disbursement Review Report, dated December 4, 2019, specifically on 38 test items flagged for possible fraud, waste and abuse. The purpose of this RFP is to hire a professional services firm to determine, for each of the 38 red flag issues, whether cause to a reasonable certainty exists to believe that fraud, waste, or abuse or some combination of each of these three classifications, exists. Offerors must have experience with forensic, accounting, audit and related type engagements utilizing standards in accordance with the Statement on Standards for Forensic Services, established by the American Institute of Certified Public Accountants (AICPA) Council, Forensic and Valuation Services Executive Committee, which provides guidance and establishes enforceable standards for members performing certain forensic and valuation services; and**
4. **Budget:** **\$200,000 for the hiring of an independent professional services firm that has experience in forensic services to conduct a follow up contract and disbursement review as set forth in the scope of services.**

**V. Funding Source**

Appropriated general funds (FY2022) in the amount of \$200,000 from Act 29 (2021) will be used to implement this recommendation, see Attachment 2, Gov. Msg. No. 1129.

“SECTION 11. Provided that of the general funds appropriated for beneficiary advocacy (OHA175), the sum of \$200,000 for fiscal year 2021-2022 shall be expended to conduct or contract or a follow-up contract and disbursement review of the CLA – OHA & LLCs Contract and Disbursement Review – Report, dated December 4, 2019.”

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<sup>2</sup> From Attachment 1

<sup>3</sup> For Request for Proposal (RFP) purposes, the term *forensic* is defined as “used in, or suitable to, courts of law or public debate”. Forensic accounting services generally involve the application of specialized knowledge and investigative skills by a member to collect, analyze, and evaluate certain evidential matter and to interpret and communicate findings (forensic services). Statement on Standards for Forensic Services No. 1, retrieved July 13, 2021 <https://future.aicpa.org/resources/download/statement-on-standards-for-forensic-services>

<sup>4</sup> As the report of the previous contractor CliftonLarsonAllen (CLA) is the subject of the follow up review, CLA is not eligible to respond to this RFP.



**Action Item BOT #21-11: Accept and Implement the Recommendations in the OHA Ad Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLC’s Contract and Disbursement Review” Report**

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**VI. Recommended Action**

Accept and implement the recommendations in the OHA Ad Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLC’s Contract and Disbursement Review” Report, Attachment 1.

**VII. Reference Document - Posted on the OHA website via Financial Transparency Quick Link**

The OHA & LLCs Contract and Disbursement Review report, dated December 4, 2019 is available in its entirety on the OHA website, see link below:

<https://www.oha.org/oha-llcs-contract-and-disbursement-review/>

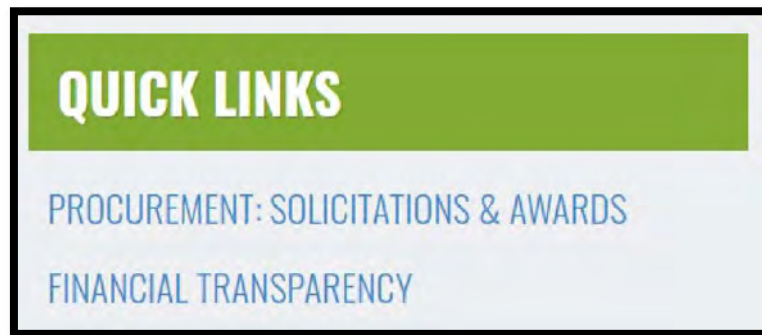


Image 1 – Quick Links on the OHA Website, Financial Transparency>



Image 2 – Financial Transparency Link, OHA & LLCs Contract and Disbursement Review documents

**VIII. Attachments**

**1 – OHA Ad Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLC’s Contract and Disbursement Review” Report**

**2 – Gov. Msg. No. 1129 re: HB204 SD2 CD1 RELATING TO THE BUDGET OF THE OFFICE OF HAWAIIAN AFFAIRS ACT 29(21), May 28, 2021**



Office of Hawaiian Affairs  
Meeting of the Board of Trustees  
September 8, 2021  
10:00 A.M.

**V. New Business**

- A. Report of the OHA Ad Hoc Committee and Permitted Interaction Group to determine the scope of the Contract and Disbursement Review of the CLA Audit Report dated December 4, 2019 pursuant to Section 11 of Act 29 (2021) and to provide a process to address and comply with those requirements to the Board of Trustees. Pursuant to HRS S 92-2.5(b)(1)(B). *No discussion***



Attachment 1

OHA Ad-Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLCs Contract and Disbursement Review” Report

August 19, 2021

Page 1 of 4

## **OHA Ad-Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLCs Contract and Disbursement Review” Report**

### **Background**

On July 1, 2021, the Board of Trustees (BOT) approved an Ad-Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLCs Contract and Disbursement Review” (the Committee). Committee members approved by the BOT were:

- Trustee Keola Lindsey (Committee Chair)
- Trustee Luana Alapa
- BOT Chief of Staff Colin Kippen
- Chief Operating Officer Casey Brown

The BOT approved scope of the Committee was to:

- Review Act 29’s (2021) provisions contained in Section 9 and Section 11;
- Review Act 37’s (2019) provisions relating to conducting a financial and management audit of the OHA;
- Determine an appropriate scope of work given the time and budget constraints set by the legislature in Section 11 of Act 29 (2021) as well as by OHA’s by-laws and personnel policies and relevant State and Federal laws; and
- Review the findings of OHA’s contracted for December 4, 2019 CLA Report; and
- Propose a plan, timeline, scope of services, and budget to hire an auditor or other third-party business or other professional as necessary to perform the defined scope of services in a timely and ethical fashion consistent with OHA’s existing by-laws and personnel policies as well as with relevant State and Federal laws, subject to approval by the BOT.

The Committee held meetings on July 19<sup>th</sup>, July 26<sup>th</sup>, August 5<sup>th</sup>, August 9<sup>th</sup> and August 17<sup>th</sup>. These meetings were held and the recommendations contained in this report were developed in accordance with BOT Governing Documents applicable to Ad-Hoc Committees.

### **Act 37 (Session Laws of Hawaii 2019) and Act 29 (Session Laws of Hawaii 2021)**

The Committee’s review of Section 9 of Act 29 confirmed that it amended Act 37 by eliminating the requirement for the State Auditor to conduct a financial and management of OHA and provisioned the release of general funds to OHA appropriated for fiscal year 2020-2021 upon receipt of the CLA Report by the Legislature.



Attachment 1

OHA Ad-Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLCs Contract and Disbursement Review” Report

August 19, 2021

Page 2 of 4

Section 11 of Act 29 states:

*Provided that of the general funds appropriated for beneficiary advocacy (OHA175), the sum of \$200,000 for fiscal year 2021-2022 shall be expended to conduct or contract for a follow-up contract and disbursement review of the CLA – OHA & LLCs Contract and Disbursement Review – Report, dated December 4, 2019.*

The Committee’s discussion on the above section confirmed four significant points directly related to the BOT approved scope of the Committee:

1. The directed follow up is specific to existing information contained in the 2019 CLA Report;
2. Section 11 of Act 29 is silent as to whether this follow up should be conducted by OHA “in-house” or by contracting with an independent third party. The Committee discussed this issue at length in all of its meetings, and was of the consensus opinion that this follow up review should be conducted by an independent third party and not by OHA employees or staff. The Committee reached this conclusion based upon a concern that a review by an independent third party is required to enhance the credibility, accountability, and transparency of the OHA in answering and responding to the 38 red flags highlighted in the CLA Report and in responding to the mandate of the Legislature requiring OHA to review and follow up on this CLA report as set forth in Section 11 of Act 29;
3. \$200,000 has been appropriated by the Legislature for this follow-up review;
4. The Act is silent on establishing a deadline for OHA to complete this mandated review. The Committee considered this matter, and was of the unanimous view that this review should be completed as soon as possible because the longer OHA delays in responding to the CLA report and fulfilling the mandate of the Legislature as expressed in Section 11 of Act 29 the less credibility the OHA will be perceived to have with regard to this CLA follow up. Again, the committee noted that a paramount goal is to enhance the credibility, accountability, and transparency of the OHA in responding to and completing this follow up by an independent third party in the upmost of good faith as quickly as possible; and
5. The Act is silent on what to do with this follow up review when it is completed. The Committee was of the unanimous view that the completed report should be received by the Board at which point it will become a public document.



Attachment 1

OHA Ad-Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLCs Contract and Disbursement Review” Report

August 19, 2021

Page 3 of 4

### **Review of the 2019 CLA Report .**

The Committee reviewed and discussed the CLA report, focusing on the 38 transactions- 32 in OHA and 6 in OHA LLCs- flagged in the CLA Report for having a “potential” for fraud waste and abuse. The Committee concluded that determining whether cause to a reasonable certainty exists to believe that a finding of fraud, waste, or abuse, or some combination of all three, exists for each of these 38 flagged transactions is the recommended scope of follow up required by Section 11 of Act 29.

### **OHA’s by-laws and personnel policies and relevant State and Federal laws**

In completing the scope of work approved by the BOT, the Committee was of the opinion that the future RFP, the ensuing contract negotiations with and the selection of the third party vendor, and the management of this contract by OHA must be in compliance with OHA’s by-laws and personnel policies and relevant State and Federal laws. The Committee was of the opinion that OHA Administration and Corporate Counsel should be involved as necessary to ensure that OHA’s by laws, personnel policies, and relevant State and Federal laws are adhered to and followed by the third party vendor in its performance and completion of its duties under this proposed contract.

### **Recommendations of the Committee**

The Committee achieved consensus on the following recommendations to complete the scope of work approved by the BOT:

1. Plan: The follow up directed by Act 29 specific to existing information in the 2019 CLA report should be conducted via **an OHA contract with an independent third party vendor;**
2. Timeline: The estimated term of this contact should be **four months;**
3. Scope of Services:  
**to competitively procure and engage a professional services firm that has experience in forensic services<sup>1</sup> to conduct a follow up contract and**

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<sup>1</sup> For RFP purposes, the term *forensic* is defined as “used in, or suitable to, courts of law or public debate”. Forensic accounting services generally involve the application of specialized knowledge and investigative skills by a member to collect, analyze, and evaluate certain evidential matter and to interpret and communicate findings (forensic services). Statement on Standards for Forensic Services No. 1, retrieved July 13, 2021 <https://future.aicpa.org/resources/download/statement-on-standards-for-forensic-services>



Attachment 1

OHA Ad-Hoc Committee on the CliftonLarsonAllen (CLA) Report entitled “OHA & LLCs Contract and Disbursement Review” Report

August 19, 2021

Page 4 of 4

**disbursement review of the CLA<sup>2</sup> – OHA & LLC’s Contract and Disbursement Review Report, dated December 4, 2019, specifically on 38 test items flagged for possible fraud, waste and abuse. The purpose of this RFP is to hire a professional services firm to determine, for each of the 38 red flag issues, whether cause to a reasonable certainty exists to believe that fraud, waste, or abuse or some combination of each of these three classifications, exists. Offerors must have experience with forensic, accounting, audit and related type engagements utilizing standards in accordance with the Statement on Standards for Forensic Services, established by the American Institute of Certified Public Accountants (AICPA) Council, Forensic and Valuation Services Executive Committee, which provides guidance and establishes enforceable standards for members performing certain forensic and valuation services; and**

4. Budget: **\$200,000 for the hiring of an independent professional services firm that has experience in forensic services to conduct a follow up contract and disbursement review as set forth in the scope of services.**

### **Conclusion**

With the transmittal of this report to the BOT Chair, the BOT assigned task is completed and the term of the Committee is expired.

Mahalo.

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<sup>2</sup> As the report of the previous contractor CliftonLarsonAllen (CLA) is the subject of the follow up review, CLA is not eligible to respond to this RFP.





**GOV. MSG. NO. 1129**

EXECUTIVE CHAMBERS  
HONOLULU

DAVID Y. IGE  
GOVERNOR

May 28, 2021

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Thirty First State Legislature  
State Capitol, Room 409  
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,  
Speaker and Members of the  
House of Representatives  
Thirty First State Legislature  
State Capitol, Room 431  
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on May 28, 2021, the following bill was signed into law:

HB204 SD2 CD1

RELATING TO THE BUDGET OF THE OFFICE  
OF HAWAIIAN AFFAIRS  
**ACT 29(21)**

Sincerely,

A handwritten signature in black ink that reads "David Y. Ige".

DAVID Y. IGE  
Governor, State of Hawai'i



**MAY 28 2021**

**ORIGINAL**

ATTACHMENT 12

on

HOUSE OF REPRESENTATIVES  
THIRTY-FIRST LEGISLATURE, 2021  
STATE OF HAWAII

**ACT 29**

H.B. NO. 204  
S.D. 2  
C.D. 1

# A BILL FOR AN ACT

RELATING TO THE BUDGET OF THE OFFICE OF HAWAIIAN AFFAIRS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

## PART I. GENERAL PROVISIONS

2       SECTION 1.   SHORT TITLE.   This Act shall be known and may  
3   be cited as the Office of Hawaiian Affairs Appropriations Act of  
4   2021.

5       SECTION 2.  DEFINITIONS.  As used in this Act, unless the  
6 context otherwise requires:

7 "Means of financing" or "MOF" means the source from which  
8 funds are appropriated or authorized to be expended for the  
9 programs and projects specified in this Act. All appropriations  
10 are followed by letter symbols. These letter symbols, where  
11 used, shall mean the following:

12 A General funds

13 T Trust funds

14 "Position ceiling" means the maximum number of permanent  
15 and temporary full-time equivalent positions authorized for a  
16 particular program during a specified period or periods, as  
17 denoted by an asterisk (\*) for permanent full-time equivalent

HB204 CD1





1 positions and a pound sign (#) for temporary full-time  
2 equivalent positions.

3 "Program ID" means the unique identifier for the specific  
4 program and consists of OHA, the abbreviation for the office of  
5 Hawaiian affairs, followed by the organization number for the  
6 program.

7 **PART II. PROGRAM APPROPRIATIONS**

8 SECTION 3. APPROPRIATIONS. The following sums, or so much  
9 thereof as may be sufficient to accomplish the purposes and  
10 programs designated herein, are appropriated or authorized from  
11 the means of financing specified to the office of Hawaiian  
12 affairs for the fiscal biennium beginning July 1, 2021, and  
13 ending June 30, 2023. The total expenditures and the number of  
14 positions in each fiscal year of the biennium shall not exceed  
15 the sums and the numbers indicated for each fiscal year, except  
16 as provided elsewhere in this Act, or as provided by general  
17 law.





H.B. NO. 204  
S.D. 2  
C.D. 1

## PROGRAM APPROPRIATIONS

ITEM NO.	PROG. ID.	PROGRAM	EXPENDING AGENCY	APPROPRIATIONS			
				FISCAL YEAR 2021-2022	M O F	FISCAL YEAR 2022-2023	M O F
1		Hawaiian Affairs					
2	1.	OHA150 - OFFICE OF THE TRUSTEES					
3				0.47*		0.47*	
4		OPERATING	OHA	0A		0A	
5				4.53*		4.53*	
6			OHA	275,687T		275,687T	
7							
8	2.	OHA160 - ADMINISTRATION					
9				5.03*		5.03*	
10		OPERATING	OHA	0A		0A	
11				31.97*		31.97*	
12			OHA	2,861,727T		2,861,727T	
13							
14	3.	OHA175 - BENEFICIARY ADVOCACY					
15				1.47*		1.47*	
16		OPERATING	OHA	2,254,400A		2,254,400A	
17				18.53*		18.53*	
18			OHA	3,292,290T		3,292,290T	
19							





### PART III. PROGRAM PROVISIONS

SECTION 4. Provided that the general fund appropriations in part II of this Act shall be expended by the Office of Hawaiian Affairs.

SECTION 5. Provided that of the funds appropriated for beneficiary advocacy (OHA175), the sum of \$500,000 in general funds and \$500,000 in trust funds for fiscal year 2021-2022 and the same sums for fiscal year 2022-2023 shall be expended for office of Hawaiian affairs beneficiaries for occupancy ready housing needs.

SECTION 6. Provided that of the funds appropriated for beneficiary advocacy (OHA175), the sum of \$415,000 in general funds and \$415,000 in trust funds for fiscal year 2021-2022 and the same sums for fiscal year 2022-2023 shall be expended to provide for social services, including referral services and case management, to at-risk Office of Hawaiian Affairs beneficiaries to immediately address unexpected crises; provided further that program activities shall be designed with an overall objective to provide financial assistance to improve stability during emergency situations; and provided further that notwithstanding section 10-17(e), Hawaii Revised Statutes, any





1 funds expended for the purposes of this section shall be in  
2 accordance with chapter 103D or 103F, Hawaii Revised Statutes,  
3 or a competitive grants process, as appropriate.

4 SECTION 7. Provided that of the funds appropriated for  
5 beneficiary advocacy (OHA175), the sum of \$615,000 in general  
6 funds and \$615,000 in trust funds for fiscal year 2021-2022 and  
7 the same sums for fiscal year 2022-2023 shall be expended to  
8 provide for educational improvement programs for native Hawaiian  
9 students; provided further that program activities shall be  
10 designed to help native Hawaiian students succeed academically;  
11 and provided further that notwithstanding section 10-17(e),  
12 Hawaii Revised Statutes, any expenditures for the purposes of  
13 this section shall be in accordance with chapter 103D or 103F,  
14 Hawaii Revised Statutes, or a competitive grants process, as  
15 appropriate.

16 SECTION 8. Provided that of the funds appropriated for  
17 beneficiary advocacy (OHA175), the sum of \$524,400 in general  
18 funds and \$524,400 in trust funds for fiscal year 2021-2022 and  
19 the same sums for fiscal year 2022-2023 shall be expended to  
20 provide for legal services and legal representation to Office of  
21 Hawaiian Affairs beneficiaries for:





1           (1) The assertion and defense of quiet title actions;  
 2           (2) Assistance with ahupuaa and kuleana tenant rights,  
 3                 including rights of access and rights to water;  
 4           (3) Land title assistance, including review of title  
 5                 and genealogy;  
 6           (4) Preservation of traditional and customary  
 7                 practices;  
 8           (5) Protection of culturally significant places;  
 9           (6) Preservation of native Hawaiian land trust  
 10                 entitlements; and  
 11 provided further that notwithstanding section 10-17(e), Hawaii  
 12 Revised Statutes, any funds expended for the purposes of this  
 13 section shall be made in accordance with chapter 103D or 103F,  
 14 Hawaii Revised Statutes, as appropriate.

15                           **PART IV. RELEASE OF PRIOR FUNDS**

16           SECTION 9. Act 37, Session Laws of Hawaii 2019, is amended  
 17 by amending section 8 to read as follows:

18           "SECTION 8. ~~[(a) Provided that of the trust funds~~  
 19 ~~appropriated in part II of this Act, the sum of \$500,000 for~~  
 20 ~~fiscal year 2019-2020 shall be expended for the costs for the~~





~~auditor to conduct or contract for a financial and management  
audit of the Office of Hawaiian Affairs.~~

~~The auditor shall submit a report of the findings and  
recommendations of the audit to the legislature, governor, and  
the chairperson of the board of trustees of the office of  
Hawaiian affairs no later than twenty days prior to the  
convening of the regular session of 2020.~~

~~(b)]~~ Provided that the general funds appropriated for  
fiscal year 2020-2021 pursuant to part II of this Act shall not  
be released to the Office of Hawaiian Affairs until after the  
[audit report required by subsection (a)] CLA - OHA & LLCs  
Contract and Disbursement Review - Report, dated December 4,  
2019, is received by the legislature."

SECTION 10. The general funds appropriated for fiscal year  
2020-2021 pursuant to part II of Act 37, Session Laws of Hawaii  
2019, shall not lapse at the end of the fiscal year for which  
the appropriation is made; provided that all moneys from the  
appropriation that are unencumbered as of June 30, 2022, shall  
lapse as of that date.

SECTION 11. Provided that of the general funds  
appropriated for beneficiary advocacy (OHA175), the sum of





1 \$200,000 for fiscal year 2021-2022 shall be expended to conduct  
2 or contract for a follow-up contract and disbursement review of  
3 the CLA - OHA & LLCs Contract and Disbursement Review - Report,  
4 dated December 4, 2019.

5 **PART V. MISCELLANEOUS PROVISIONS AND EFFECTIVE DATE**

6 **SECTION 12.** Provided that whenever necessary, the board of  
7 trustees of the Office of Hawaiian Affairs or the board's  
8 designee may transfer sufficient funds and positions between  
9 programs for operating purposes; provided further that these  
10 transfers shall be consistent with legislative intent; and  
11 provided further that the Office of Hawaiian Affairs shall  
12 submit a report to the legislature of all uses of this authority  
13 for the previous twelve month period from December 1 to November  
14 30, no later than twenty days prior to the convening of the  
15 regular sessions of 2022 and 2023.

16 **SECTION 13.** If any provision of this Act, or the  
17 application thereto to any person or circumstance, is held  
18 invalid, the invalidity does not affect other provisions or  
19 applications of the Act that can be given effect without the  
20 invalid provision or application, and to this end the provisions  
21 of this Act are severable. If any portion of a specific





# H.B. NO. 204 S.D. 2 C.D. 1

1 appropriation is held to be invalid for any reason, the  
2 remaining portion shall be expended to fulfill the objective of  
3 that appropriation to the extent possible.

4 SECTION 14. If manifest clerical, typographical, or other  
5 mechanical errors are found in this Act, the board of trustees  
6 of the Office of Hawaiian Affairs may correct these errors. All  
7 changes made pursuant to this section shall be reported to the  
8 legislature at its next session.

9 SECTION 15. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11 SECTION 16. This Act shall take effect on July 1, 2021;  
12 provided that sections 9 and 10 of this Act shall take effect  
13 retroactive to June 30, 2021.

APPROVED this 28 day of MAY, 2021



GOVERNOR OF THE STATE OF HAWAII





HB No. 204, SD 2, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: April 27, 2021  
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-First Legislature of the State of Hawaii, Regular Session of 2021.



Scott K. Saiki  
Speaker  
House of Representatives



Brian L. Takeshita  
Chief Clerk  
House of Representatives

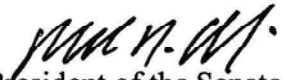


H.B. No. 204, S.D. 2, C.D. 1

**THE SENATE OF THE STATE OF HAWAI‘I**

Date: April 27, 2021  
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Thirty-First Legislature of the State of Hawai‘i, Regular Session of 2021.

  
President of the Senate

  
Clerk of the Senate





State of Hawai‘i

**REQUEST FOR PROPOSALS**  
**RFP NO. BOT-2022-009**

**FOLLOW UP CONTRACT AND DISBURSEMENT REVIEW  
OF THE CLA – OHA & LLCs CONTRACT AND  
DISBURSEMENT REVIEW REPORT  
DATED DECEMBER 4, 2019**

ISSUED DATE: 10/8/21

DUE DATE: 11/8/2021 2:00 p.m. HST

The Office of Hawaiian Affairs  
560 N. Nimitz Highway, Suite 200  
Honolulu, Hawai‘i 96817

***Notice to Interested Parties:*** Offerors interested in submitting a proposal are encouraged to register your company by completing the Registration Form and submitting it to the OHA’s RFP Coordinator via email at [proposals@oha.org](mailto:proposals@oha.org). See Attachment 2 – RFP Registration Form.



## Notice to Offerors

(Chapter 103D, Hawai‘i Revised Statutes)

### REQUEST FOR PROPOSAL (hereinafter “RFP”) No. BOT-2022-009

Notice is hereby given that pursuant to Chapter 103D, Hawaii Revised Statutes, as amended, (hereinafter “HRS”), the Office of Hawaiian Affairs (hereinafter “OHA”) will be accepting proposals from qualified forensic professional services firms to conduct a follow up contract and disbursement review of the CLA<sup>1</sup> report – OHA & LLC’s Contract and Disbursement Review Report, dated December 4, 2019, specifically on 38 items flagged for possible fraud, waste, and abuse. Offerors must have experience with forensic, accounting, audit, and related type engagements utilizing standards in accordance with the Statement on Standards for Forensic Services, established by the American Institute of Certified Public Accountants (AICPA) Council, Forensic and Valuation Services Executive Committee, which provides guidance and establishes enforceable standards for members performing certain forensic and valuation services.

This RFP may be downloaded from either the State Procurement Office (hereinafter “SPO”) website at <https://hands.ehawaii.gov/hands/opportunities> or the OHA website at [www.oha.org/solicitations](http://www.oha.org/solicitations) beginning October 8, 2021. Proposals shall be submitted via email to [proposals@oha.org](mailto:proposals@oha.org) by no later than 2:00 p.m. Hawaii Standard Time (hereinafter “HST”), November 8, 2021. The official time will be that which the email is received by the OHA.

The OHA reserves the right to reject any and all proposals and to accept any proposal in whole or in part when in the best interest of the OHA and the State. Questions relating to this solicitation will be directed to the RFP Coordinator, Mr. Christopher Stanley, Procurement Manager, at [proposals@oha.org](mailto:proposals@oha.org).

OFFICE OF HAWAIIAN AFFAIRS  
Carmen Hulu Lindsey  
Chair of the Board of Trustees  
Chief Procurement Officer

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<sup>1</sup> As the report of the previous contractor CliftonLarsonAllen (CLA) is the subject of the follow up review, CLA is not eligible to respond to this RFP.



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## Section 1 – Administrative Overview

### I. Authority

Established under Article XII of the Constitution of the State of Hawai‘i and Chapter 10 of the Hawai‘i Revised Statutes (HRS), the OHA is a semi-autonomous public agency of the State of Hawai‘i, with the legal mandate of bettering the conditions of Native Hawaiians. The OHA’s mission is “To mālama (protect) Hawaii’s people, environmental resources, and trust assets toward ensuring the perpetuation of the culture, enhancement of lifestyle, and protection of Native Hawaiian entitlements while enabling the building of a strong and healthy Hawaiian people and Lāhui recognized nationally and internationally.

The OHA seeks to competitively procure and engage a professional services firm that has experiences in forensic services<sup>2</sup> to conduct a follow up contract and disbursement review of the CLA<sup>3</sup> report – OHA & LLC’s Contract and Disbursement Review Report, dated December 4, 2019, specifically on 38 items flagged for possible fraud, waste, and abuse. The purpose of this RFP is to hire a professional services firm to determine, for each of the 38 red flag issues, whether cause to a reasonable certainty exists to believe that fraud, waste, or abuse or some combination of each of these three classifications, exists. Offerors must have experience with forensic, accounting, audit, and related type engagements utilizing standards in accordance with the Statement on Standards for Forensic Services, established by the American Institute of Certified Public Accountants (AICPA) Council, Forensic and Valuation Services Executive Committee, which provides guidance and establishes enforceable standards for members performing certain forensic and valuation services.

A determination has been made that the OHA is unable to secure these services through a low bid process. Factors included in the determination are: 1) price is not the primary consideration in determining an award; 2) the resulting contract may need to be other than a fixed price type; 3) the specifications for the services cannot be sufficiently described through low bid process; 4) oral or written discussion need to be conducted with Offerors concerning their proposals; 5) Offerors may need to revise their proposal, including price; and 6) the award needs to be based on a comparative evaluation in order to determine the most advantageous offering to the OHA. To that end, a low bid process is not practicable.

This RFP is issued under the provisions of Chapter 103D, HRS, as amended, and its companion administrative rules. Offerors are charged with presumptive knowledge of

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<sup>2</sup> For RFP purposes, the term *forensic* is defined as “used in, or suitable to, courts of law or public debate”. Forensic accounting services generally involve the application of specialized knowledge and investigative skills by a member to collect, analyze, and evaluate certain evidential matter and to interpret and communicate findings (forensic services). Statement on Standards for Forensic Services No. 1, retrieved July 13, 2021

<https://future.aicpa.org/resources/download/statement-on-standards-for-forensic-services>

<sup>3</sup> As the report of the previous contractor CliftonLarsonAllen (CLA) is the subject of the follow up review, CLA is not eligible to respond to this RFP.



all requirements of the cited authorities. Submission of a valid executed proposal by any Offeror will constitute admission of such knowledge on the part of such Offeror.

## II. RFP Organization

This RFP is organized into five (5) sections:

Section 1: Administrative Overview – Provides Offeror with an overview of the procurement and contracting process.

Section 2: Scope of Services – Provides Offeror with a general description of the tasks to be performed, delineates Offeror's responsibilities, and defines deliverables as applicable.

Section 3: Proposal Form and Instruction – Describes the required format and content for the proposal.

Section 4: Proposal Evaluation & Award – Describes how proposals will be evaluated.

Section 5: Attachments

## III. Contracting Office

The Contracting Office is responsible for overseeing the procurement and issuing the contract resulting from this RFP. The Contracting Office is:

Office of Hawaiian Affairs  
Procurement Services Program  
560 North Nimitz Highway, Suite 200  
Honolulu, Hawai'i 96817 Telephone: 594-1888

The RFP Coordinator or his designated representative is listed below:

Christopher Stanley  
Office of Hawaiian Affairs  
Procurement Services Program  
560 North Nimitz Highway, Suite 200  
Honolulu, Hawai'i 96817  
Email: chriss@oha.org

The OHA reserves the right to change the RFP Coordinator without prior written notice.

The designated Contract Administrator under this contract is identified as:

Carmen Hulu Lindsey, Chair  
Board of Trustees  
Office of Hawaiian Affairs



560 North Nimitz Highway, Suite 200  
Honolulu, Hawai‘i 96817

Any changes to the OHA’s Contract Administrator or his designated representative will be provided in writing to the Offeror. The OHA reserves the right to make the changes to the OHA’s Contract Administrator.

Once the successful Offeror has received the Notice to Proceed, all communications regarding approvals, reports, and requests shall be directed to the OHA’s Contract Administrator.

#### IV. Terms and Acronyms

BAFO	Best and Final Offer
BOT	Board of Trustees of the Office of Hawaiian Affairs
CEO	OHA Chief Executive Officer
COGS	Certificate of Good Standing
CPO	OHA Chief Procurement Officer
DCCA	Department of Commerce and Consumer Affairs
FY	Fiscal Year
GET	General Excise Tax
HAR	Hawai‘i Administrative Rules
HCE	Hawai‘i Compliance Express
HRS	Hawai‘i Revised Statutes
HST	Hawai‘i Standard Time
Kūkākūkā	Discussion
LLC	Limited Liability Corporation
Offeror	All persons who submit a proposal in response to this Request For Proposal No. BOT-2022-009
OHA	Office of Hawaiian Affairs
Personnel	All persons engaged in performing the work covered by the contract will be considered employees of the Offeror
RFP	Request for Proposals
SPO	State Procurement Office
STATE	State of Hawai‘i, including its department, agencies, and political subdivisions
TMK	Tax Map Key
USPS	United States Postal Service



## V. Procurement Timeline

<b><u>Activity</u></b>	<b><u>Scheduled Dates</u></b>
Release of Request for Proposals	10/8/2021
Virtual Information Meeting	By 10/22/2021
Due Date to Submit Questions	10/22/2021
OHA's Response to Questions	10/25/2021
Proposals Due Date/Time	11/8/2021
Evaluations	November-December, 2021
Presentations (TBD)	TBD
Notice of Award	December 2021
Contract Start Date	December 2021

The OHA reserves the right to amend or revise the Procurement Timeline without prior written notice when it is in the best interest of the OHA. The Timeline represents the OHA's best estimate of the schedule that will be followed. All times indicated are HST. If a component of this Timeline is delayed, the rest of the Timeline may be shifted accordingly.

## VI. Virtual Information Meeting

Due to COVID-19, we will be offering a virtual informational meeting scheduled Friday, October 22, 2021 at 2:00 p.m. HST. The OHA requests that all Offerors who plan to attend the virtual information meeting please submit the RFP Registration Form no later than Monday, October 18, 2021, so we may confirm your attendance.

## VII. Submission of Questions

Offerors may submit questions to the RFP Coordinator at [proposals@oha.org](mailto:proposals@oha.org). The deadline for submission of written questions is provided in the Procurement Timeline, above. All written questions will be responded to in an addendum to this RFP and posted to the OHA's website and the SPO website no later than the date of "OHA's Response to Questions."

The only official position of the OHA is that which is stated in writing and issued in this RFP and/or as addenda to this RFP. No other means of communication, whether oral or written, will be construed as a formal or official response/statement and may not be relied upon as such.

## VIII. Submission of Sealed Proposal

A. Form/Formats. Proposal forms and formats such as for the price proposal are included in Section 5 - Attachments to this RFP.



- B. Proposal Submittal. Proposals must be submitted via email to [proposals@oha.org](mailto:proposals@oha.org) by the date and time designated in the Procurement Timeline for this RFP. Any proposals received after the designated date and time will be rejected.
- C. Pre-opening Modification or Withdrawal. All proposals may be modified or withdrawn prior to the deadline for submittal by written notice to modify or withdraw the proposal. All requests for modification will be sealed, accompanied by the actual modification to the proposals, and signed by an authorized signatory.

The written request must be submitted to [proposals@oha.org](mailto:proposals@oha.org). Modifications and/or withdrawals will be clearly marked as such and must be received by OHA no later than 2:00 p.m. HST, November 8, 2021.

- D. Wages and Labor Law Compliance. Prior to entering into a contract in excess of \$25,000, the successful Offeror will certify that it complies with section 103-55, HRS, as amended, entitled “Wages, hours, and working condition of employees of contractors performing services.” Section 103-55, HRS, provides that the services to be performed will be performed by employees paid at wages not less than wages paid to public officers and employees for similar work. Offerors are further advised that in the event of an increase in wages for public employees performing similar work during the period of the contract, the OFFEROR will be obligated to provide such increased wages.

Offerors will complete and submit the attached Wage Certificate certifying that the services required will be performed pursuant to section 103-55, HRS. See Attachment 5 – Wage Certificate.

The Offeror will be further obligated to notify his/her employees performing work under the contract regarding the provisions of section 103-55, HRS, and current wage rates for public employees performing similar work. The Offeror may meet this obligation by posting a written notice to this effect in the Offeror’s place of business in an area accessible to all employees.

Offerors are strongly encouraged to account for salary increases as posted by the State of Hawai‘i Department of Human Resources Development (hereinafter “DHRD”). The OHA will consider requests for increases as a result of wage increases to public officers and employees during the contract period or any option period that is not published. At the release of this solicitation, the effective wages through January 1, 2021 for state employees performing similar work have been published by the DHRD.

If wages increase after the execution of the contract, the Offeror may request an increase in contract price in order to correspondingly increase the wages of the Offeror’s employees performing the work, including any increase in costs for benefits required by law that are automatically increased as a result of increased wages, such as federal old-age benefits, workers’ compensation, temporary disability insurance, unemployment insurance, and prepaid health insurance.



The Offeror will not be paid for any reimbursement of retroactive pay negotiated by the State. The Offeror's request for the increase must meet the following criteria:

1. At the time of the offer, if the Offeror's hourly wage rate is greater than the prevailing State wage, the Offeror's requests for increase will not be considered.
2. At the time of the request, the Offeror must or must have provided documentation to show that it is in compliance with section 103-55, HRS (i.e., its employees are being paid no less than the known wage rates of a State position). Documentation will include the employee's payroll records and a statement that the employees are being utilized for this contract.
3. Request for an increase must be made in writing to the OHA on a timely basis as follows:
  - a. Request for increase for the initial contract period must be made as soon as practicable after the State wage agreements are made public. Approved requests will be retroactive to the date of increase for the State employees with adequate documentation that the Offeror provided its employees a wage increase.
  - b. To obtain the current wage information, download the information from the Department of Human Resources Development's website at the following address:

<https://dhrd.hawaii.gov/state-employees/classification-and-compensation/>

It is the sole responsibility of the Offeror to comply with section 103-55, HRS, as applicable.

- E. Confidential Information.** If an Offeror believes that any portion of a proposal contains information that should be withheld from public disclosure as confidential, the Offeror will request in writing nondisclosure of such information and provide justification to support the designation of confidentiality. Such information will accompany the proposal, be clearly marked, and will be readily separable from the proposal documents to facilitate the eventual public inspection of the non-confidential section of the proposal documents. Note the price and the provisions of the minimum required services are not considered confidential and will not be withheld.

Offerors who choose to identify portions of their proposal as confidential will be responsible to ensure that the minimum services are not included. The OHA will not make any determination of confidentiality for the Offeror.

If the proposal is marked confidential in its entirety, the OHA Procurement Services Program will not make a determination of confidentiality and will refer any request for information to OHA Corporate Counsel and/or the State's Office of Information Practices.



F. Exceptions. Offerors will list any exceptions taken to the terms, conditions, specifications, or other requirements listed herein. Offerors must reference the RFP section where the exception is taken and provide a description of the exception taken and any proposed alternative. The OHA will retain the right to grant exceptions to discretionary policies. Request for exceptions from State, Federal, or local laws will not be approved.

IX. Discussions with Offerors Prior to Proposal Submissions

Discussion may be conducted with the Offeror to promote understanding of the OHA's requirements.

X. Opening of Proposals

The date and time recorded for the receipt of any proposals by the OHA, any modification to proposals, and withdrawals of proposals will be the date and time of receipt of the email by the OHA. All documents received will be held in a secure place by the OHA and will not be examined for evaluation purposes until the submittal deadline. The procurement file will be open to public inspection after a contract has been awarded and executed by all parties. Proposals will not be opened at a public proposal opening.

XI. Additional Materials and Documentation

Proposal samples or descriptive literature should not be submitted unless specifically requested within the RFP. Offerors may include up to five (5) pages of documentation, literature, samples, or brochures of related services which demonstrate experience to related services.

XII. RFP Amendments

The OHA reserves the right to amend this RFP at any time prior to the proposal submission deadline. Offerors will be notified of the availability of amendments through verbal or written communications. All amendments to this RFP will be posted to the SPO website <https://hands.ehawaii.gov/hands/admin/search> and to the OHA website [www.oaha.org/solicitations](http://www.oaha.org/solicitations).

XIII. Additional Terms and Conditions

The Offeror shall be bound by the confidentiality requirements of the contract. Offeror personnel performing work under the contract shall be required to sign confidentiality agreements that prohibit the disclosure of non-public information received from the OHA.

The OHA further reserves the right to add terms and conditions during contract negotiations and discussions. These terms and conditions may be applicable to the scope of the RFP and will not affect the proposal evaluation.



#### XIV. Intellectual Property Rights

The OHA reserves the right to unlimited, irrevocable, worldwide, perpetual, royalty-free, non-exclusive licenses to use, modify, reproduce, perform, release, display, create derivative works from the workpapers, work product(s), and to disclose the work product(s), and to transfer the intellectual property to third parties for publish in part or in whole, any information derived from the work for the OHA's purposes.

The OHA understands that the information obtained from these efforts is the sole property of the OHA, and that any use of this information must be approved by the OHA, and that any information and all materials used to complete the project will be returned to the OHA.

#### XV. Cancellation of the Request for Proposals

The RFP may be canceled and any or all proposals rejected in whole or in part, without liability to the OHA, when it is determined to be in the best interest of the OHA.

#### XVI. Costs for Proposal Preparation and Verification

Any costs incurred by the Offeror in preparing or submitting a proposal are the Offeror's sole responsibility. Any cost incurred by the Offeror prior to the execution of a contract is not eligible for reimbursement.

Costs incurred in connection with the review, inspection and verification of information provided in the RFP will be the Offeror's sole responsibility.

Offerors must ensure that the OHA is provided with the written authorization(s) necessary to verify the information provided in the Offeror's proposal.

#### XVII. Mistakes in Proposals

While Offerors are bound by their proposals, circumstances may arise where a correction or withdrawal of a proposal is proper. An obvious mistake in a proposal may be corrected, withdrawn, or waived by the Offeror to the extent that it does not conflict with the best interests of the OHA or to the fair treatment of other Offerors. Mistakes in proposals will be handled as provided for in Section 3-122, HAR.

#### XVIII. Rejection of Proposals

The OHA reserves the right to consider as acceptable and responsive only those proposals submitted in accordance with all requirements set forth in this RFP and which demonstrate an understanding of the problems involved and comply with the service specifications. Any proposal offering any other set of terms and conditions contradictory to those included in this RFP may be rejected without further notice.

A proposal may be automatically rejected for any one or more of the following reasons:



1. Cancellation of solicitations and rejection of offers (HAR §3-122-95);
2. Cancellation of solicitation (HAR §3-122-96);
3. Rejection of offers (HAR §3-122-97);
4. Reporting of anti-competitive practices (HAR §3-122-191 to §3-122-196);
5. Rejection for inadequate accounting system (HRS §103D-314(2));
6. Late proposals (HAR §3-122-16.08);
7. Proposal not responsive (HAR §3-122-97); or
8. Offer not responsible (HAR §3-122-108 to HAR §3-122-112).

#### XIX. Notice of Award

Any contract arising out of this solicitation is subject to the approval by the OHA BOT Chair as to content, the OHA Corporate Counsel as to form, and subject to the availability of funding.

The successful Offeror will receive a Notice of Award which will indicate that the Offeror has been selected to provide the services under this RFP.

No work is to be undertaken by the Offeror prior to the contract commencement date. The OHA is not liable for any work, contract, costs, expenses, loss of profits, or any damage whatsoever incurred by the Offeror prior to the contract commencement date as specified in the contract.

Pursuant to section 3-122-112, HAR, Responsibility of Offeror, the Offeror will produce documents to the Procurement Officer to demonstrate compliance with this section.

The Offeror receiving the award will be required to enter into a formal written contract with the OHA. The General Conditions of the contract are attached, and minimum service specification are included herein. See Attachment 7 – General Terms and Conditions.

#### XX. Protests

Pursuant to sections 103D-701, HRS, as amended, and 3-126-4 HAR, an actual or prospective Offeror who is aggrieved in connection with the solicitation or award of a contract may submit a protest. An actual or prospective Offeror may protest the solicitation or award of services only for a serious violation of procurement policies and operational procedures. Only the following matters may be protested:

1. A state purchasing agency's failure to follow procedures established by Chapter 103D, HRS, as amended.
2. A state purchasing agency's failure to follow any statute established by Chapter 103D, HRS, as amended.
3. A state purchasing agency's failure to follow any procedure, requirement, or evaluation criterion in a request for proposals issued by the state purchasing agency.



The Notice of Protest shall be emailed to [proposals@oha.org](mailto:proposals@oha.org) conducting the protested procurement and the Procurement Officer who is conducting the procurement as indicated below within five (5) working days after the aggrieved person knows or should have known of the facts giving rise thereto.

Provided that a protest based upon the content of the solicitation will be submitted in writing prior to the date set for receipt of offers, a protest of an award or proposed award will be submitted within five (5) days after the posting of award of the contract. Deliveries from other than USPS will be considered hand deliveries and considered submitted on the date of actual receipt by the OHA. Any notice of award letter(s), resulting from this solicitation will be posted on the Procurement Reporting System on the State Procurement Office website at <https://hands.ehawaii.gov/hands/opportunities> and the OHA website at [www.oha.org/solicitations](http://www.oha.org/solicitations).

Head of Purchasing Agency	Procurement Manager
Name: Sylvia M. Hussey, Ed.D.	Name: Christopher Stanley
Title: Chief Executive Officer	Title: Procurement Manager
Address: Office of Hawaiian Affairs 560 North Nimitz Highway, Suite 200 Honolulu, Hawai'i 96817	Address: Office of Hawaiian Affairs 560 North Nimitz Highway, Suite 200 Honolulu, Hawai'i 96817

#### XXI. Availability of Funds

The award of a contract and any allowed renewal or extension thereof, are subject to the availability and allotment of the OHA funds, State, and/or Federal funds.

#### XXII. Monitoring and Evaluation

The Offeror's Performance under the contract will be monitored and evaluated by the OHA Contract Administrator or his/her designated representative, the OHA Compliance and Contract Management function, and/or other designated representatives.

Failure to comply with all material terms of the contract may be cause for suspension or termination as provided in the General Conditions. The Offeror may be required to submit additional written reports, including a corrective action plan, in response to monitoring conducted by the OHA. These additional reports will not be considered a change to the scope of work and will continue for a duration of time as deemed necessary by the OHA.

#### XXIII. General and Special Conditions of Contract

The General Conditions that will be imposed contractually are included as an attachment. See Attachment 7 – General Terms and Conditions.

Special Conditions may be imposed by the OHA. The OHA reserves the right to make appropriate modifications to the quantity of items or reporting requirements contingent upon unforeseen conditions.



## XXIV. Cost Principles

The OHA will utilize standard cost principles from section 3-123, HAR, which are available on the SPO website. Nothing in this section will be construed to create an exemption from any cost principle arising under State and Federal laws.

## XXV. Campaign Contributions by State and County Contractor Prohibited

If awarded a contract in response to this solicitation, the Offeror agrees to comply with Section 11-355, HRS, which states that campaign contributions and campaign solicitations are prohibited from a State and County government contractor at any time between the execution of the contract through the completion of the contract if the contract is paid with funds appropriated by the legislative body.

(END OF SECTION)



## Section 2 – Scope of Services

### I. Information

#### A. Overview and Background

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

The OHA is the sole member of two LLCs, Hi`ilei Aloha LLC ( “Hi`ilei Aloha”) and Ho`okele Pono LLC (“Ho`okele Pono”). Hi`ilei Aloha is the sole member of two limited liability companies Hi`ipaka LLC (“Hi`ipaka”) and Hi`ikualono LLC (“Hi`ikualono”). In January 2008, Hi`ilei Aloha created Hi`ipoi LLC, a Hawaii limited liability company, as a sub-entity whose primary purpose was to foster cultural, educational, and business opportunities related to taro farming and the production of poi and taro products, primarily in West Kauai. Hi`ipoi was dissolved in 2017. Ho`okele Pono is the sole member of a single limited liability company Ho`okipaipai LLC (“Ho`okipaipai”). On May 30, 2019, via Action Item RM #19-08, the Board approved, adopted, and ratified the: 1) Resolutions of the Board of Trustees Office of Hawaiian Affairs; 2) Articles of Termination and Plans of Dissolution, and 3) LLC Manager Position Description as sole member of two limited liability companies, Hi`ilei Aloha LLC and Ho`okele Pono LLC.

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

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

<sup>4</sup> Committee on Resource Management Committee Report dated December 4, 2019



The BOT approved the action at its meeting on December 5, 2019 and the report by Administration, discussed below, is in response to that December 2019 action and directive. The action and related approved/received at the December 5, 2019 meeting is hereinafter identified as the “CLA December 2019 Report”. Image 1 below of the Table of Contents for the CLA December 2019 Report is provided.

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## B. DRAFT OHA & LLCs Contract and Disbursement Review, Recommendations Implementation Report

In preparing the response to the Committee on Resources Management directive, in addressing the recommendations<sup>5</sup> provided by CLA (Recommendations), Administration

<sup>5</sup> Refers to 73-OHA, 30-LLC and 7-BOT recommendations, collectively “Recommendations”



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

In addition to addressing the CLA Recommendations, Administration also focused on transactions flagged by CLA as possible fraud, waste, and abuse in both the OHA and the LLCs. Appendices C and D reflect Administration's comments and notes to the 32 and 6 items flagged for OHA and the LLCs, respectively. Administration did not render a determinative opinion as to whether any of the 38 items constituted fraud, waste, or abuse. **These 38 items are now the subject matter and scope of this RFP.**

At the January 22, 2020 meeting of the Committee on Resource Management on January 22, 2020, Administration presented the report including:

# **1. Activities Completed by CLA – Review, Analyses, Observations, and Recommendations<sup>6</sup>**

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

In the final report, CLA provided both observations and recommendations for the OHA and the LLCs separately. For the OHA: Seventy-three (73) recommendations based on the results of contracts and financial disbursements testing as well as measures concerning the internal controls in place to ensure the integrity of the performance indicators in the OHA annual report to the BOT; and six (6) recommendations pertaining to the BOT's general oversight and governance of the OHA and the LLCs. CLA also made thirty (30) recommendations based on the results of contracts and financial disbursements testing as well as measures concerning the internal controls in place to ensure the integrity of the performance indicators in the LLC's Quarterly reports to the BOT. In addition, the CLA Report strongly encouraged the Trustees to delegate to the OHA's Administration the development of a "Recommendations Implementation Plan".

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<sup>6</sup> CLA report, p 18  
Scope of Services  
RFP No. BOT-2022-009



## 2. Fraud, Waste and Abuse

Administration noted the CLA Report definitions of fraud<sup>7</sup>, waste<sup>8</sup>, and abuse<sup>9</sup> in responding to the observations, recommendations, and implementation plan. In addition, there are two limitations<sup>10</sup> that should be noted, CLA's procedures were designed to: 1) Detect and identify possible fraud, waste, and abuse; however, CLA cannot provide absolute assurance that all instances of possible fraud, waste, and abuse were identified; and 2) Detect red flags of fraud and transactions that appeared questionable. The CLA Report noted, **"However, if during the performance of our services other matters had come to our attention suggesting possible financial improprieties and/or irregularities, we would have communicated such matters to the Resource Management Committee of the Office of Hawaiian Affairs."**<sup>11</sup> [emphasis added] To Administration's knowledge, no such communication was made to the Resource Management Committee.

## 3. Recommendations Implementation Plan Development Activities

In preparing the Recommendations Implementation Plan ("RIP") response to the Committee on Resources Management directive, Administration addressed the recommendations<sup>12</sup> provided by CLA (Recommendations), Administration completed the following: 1) Reviewed in detail, the related testing criteria, methodology, results and observations; 2) Compared the recommendations to policy, procedure, and practice actions taken by the organization since FY2016; 3) Contacted prior employees, vendors, and other stakeholders, reviewed internal systems and sources and located documents and deliverables that CLA noted were not available at the time of field work; 4) Assessed implementation status (e.g., full, partial); 5) Determined corrective action and related implementation actions; and 6) Designed implementation, monitoring, and reporting activities.

In addition to addressing the CLA Recommendations, the OHA Administration also

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<sup>7</sup> "A type of illegal act involving the obtaining of something of value through willful misrepresentation. Whether an act is, in fact, fraud is a determination to be made through the judicial or other adjudicative system and is beyond the auditor's professional responsibility."---CLA Report, page 24.

<sup>8</sup> "Involves not receiving reasonable value for money in connection with any government funded activities due to an inappropriate act or omission by actors with control over or access to government resources (e.g., executive, judicial, or legislative branch employees, grantees, or other recipients). Importantly, waste goes beyond fraud and abuse and most waste does not involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight."---CLA Report, page 24

<sup>9</sup> "Involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or others of an immediate or close family member or business associate. Abuse does not necessarily involve fraud, violation of laws, regulations, or provisions of a contract or grant agreement."---CLA Report, page 24.

<sup>10</sup> CLA Report, page 28

<sup>11</sup> CLA Report, Page 2

<sup>12</sup> Refers to 73-OHA, 30-LLC and 7-BOT recommendations, collectively "Recommendations"



focused on transactions flagged by CLA as possible fraud, waste, and abuse in both the OHA and the LLCs. Appendices C and D of the RIP reflect Administration's comments and notes to the 32 and 6 items flagged for OHA and the LLCs, respectively. These 38 flagged transactions are the focus of this RFP.

#### **4. Responses by LLCs Leadership**

Implementation responses to the 30 Recommendations and six (6) test items flagged for possible fraud, waste, and abuse, were provided by LLC Management (e.g., Chief Operating Officer, Executive Director). Administration reviewed and discussed the LLC implementation plan responses (e.g., implemented, partially implemented, not implemented) and included LLC Management in the recommendations and implementation, quarterly monitoring, and reporting responsibilities. No determinative findings of whether fraud, waste, or abuse existed were made by the Administration relating to the 6 LLC items referenced above in Appendix D and it is the OHA's position that Appendix D is not determinative nor dispositive of whether fraud, waste, or abuse or some combination of these three are deemed to exist. Determining whether cause to a reasonable certainty exists to believe that a finding of fraud, waste, or abuse or a combination of some or all of these three exists for each of these 6 flagged transaction is part of the focus of this RFP.

#### **5. CLA Report to the Committee on Resource Management, Dated December 4, 2019**

The CLA report to the Committee on Resource Management, dated December 4, 2019 (CLA Report), was incorporated in and used as a basis for the RIP. Restating of certain sections of the CLA Report verbatim was done when deemed by Administration to be important for context, clarity, and emphasis.

#### **6. Reporting and Monitoring of Recommendations Implementation Plan**

Administration developed a CLA Report Recommendations Implementation Plan dashboard that was to be used to report the progress of the implementation at Appendix E (of the RIP). At the time of the report to the CRM, January 2020, Administration planned to update the dashboard and report to the CRM on a quarterly basis - no later than April 30, 2020 for the third quarter ending March 31, 2020; and no later than July 31, 2020 for the fourth quarter and fiscal year ending June 30, 2020. Administration also anticipated at the time that all Recommendations would be addressed no later than fiscal year ending June 30, 2020, with the exception of OHA Recommendation #55 related to a records management system, implementation activities which were scheduled for completion by June 30, 2021.

#### **7. Impact of COVID-19**

In March of 2020, in response to COVID-19 related emergency proclamations and other public health requirements, the OHA closed its offices and transitioned to telework being mindful of health and safety matters for employees and beneficiaries, while mitigating service interruptions to beneficiaries and the Lāhui. While the OHA planned to return to its physical worksites gradually in July 2021, updates to the RIP would be needed and should be done prior to the Contractor's start of fieldwork.



## C. Documents

The following reference documents are publically available to enable the provision of a comprehensive response to the RFP:

1. CLA – OHA & LLCs Contract and Disbursement Review Report, dated December 4, 2019

<https://www.oha.org/oha-llcs-contract-and-disbursement-review/>

2. DRAFT OHA & LLCs Contract and Disbursement Review, Recommendations Implementation Report, dated January 2020, presented to the Committee on Resource Management on January 22, 2020

<https://19of32x2yl33s8o4xza0gf14-wpengine.netdna-ssl.com/wp-content/uploads/20200122-RM-Electronic-Folder.pdf>

### APPENDICES

- A Implementation Plan for 73 OHA Recommendations
  - B Implementation Plan for 30 LLCs Recommendations
  - C OHA Addressing Possible Fraud Waste Abuse Flagged Test Items (32)
  - D LLCs Addressing Possible Fraud Waste Flagged Test Items (6)
  - E Recommendations Implementation Plan Monitoring and Reporting Dashboard
  - F 3.28.19 OHA Response to Audit Report 18-03 Status of Implementation
  - G 8.30.19 OHA Response to Audit Report 18-08 Status of Implementation
3. Committee Minutes from the January 22, 2020 Committee on Resource Management Meeting,  
<https://19of32x2yl33s8o4xza0gf14-wpengine.netdna-ssl.com/wp-content/uploads/APPROVED-2020-0122-FINAL-RM-MINUTES-FULL2.pdf>
  4. Report No. 18-08, June 2018, Audit of the Office of Hawaiian Affairs' Competitive Grants and Report on the Implementation of 2013 Audit Recommendations,  
<http://files.hawaii.gov/auditor/Reports/2018/18-08.pdf>
  5. Report No. 18-03, February 2018, Audit of the Office of Hawaiian Affairs, A Report to the Governor and the Legislature of the State of Hawaii,



<http://files.hawaii.gov/auditor/Reports/2018/18-03.pdf>

#### D. Funding Source and Period of Availability

Consistent with State of Hawaii Act 29 (2021), Section 11 outlined the following, “Provided that of the general funds appropriated for beneficiary advocacy (OHA175), the sum of \$200,000 for fiscal year 2021-2022 shall be expended to conduct or contract for a follow up contract and disbursement review of the CLA – OHA & LLCs Contract and Disbursement Review Report, dated December 4, 2019.” Funds are subject to the Act 29 (2021) general funds appropriation of \$200,000 for fiscal year 2021-2022. Funding and period of availability may change upon written notice by the OHA.

It is understood that the contract will not be binding unless the OHA can document that there is an available and unexpended appropriation or balance of an appropriation over and above all outstanding contracts sufficient to cover the amount required by the contract. Any contract entered into as a result of this RFP is binding only to the extent that funds are certified as available and allocated and received by the OHA. The availability of funds in excess of the amount certified as available is contingent upon Board approved resourcing.

It has been determined that there are sufficient general funds to pay for the entirety of this contract and no extensions or additions are to be made available from the OHA. Pursuant to Chapter 103D-315, HRS, as amended, the OHA reserves the right to cancel the contract; and nothing in this RFP shall be interpreted to mean that the OHA shall be liable to pay for services provided.

## II. General Requirements

### A. Qualifying Requirements

1. The Offeror will comply with section HRS §103D-601, as amended, entitled “Cost Principles Rules Required.”
2. The Offeror must have no outstanding balances owing to the OHA. Exception may be granted by the CEO of the OHA for debts recently acquired and for debts for which a repayment plan has been approved by the CEO of the OHA.
3. Offerors are advised that if awarded a contract, the successful Offeror must furnish proof of compliance with the requirements of Section 103D-310, HRS, and §3-122-112, HAR.
  - a. Chapter 237, General Excise Tax Law;
  - b. Chapter 383, Hawai‘i Employment Security Law;
  - c. Chapter 386, Workers’ Compensation Law;
  - d. Chapter 392, Temporary Disability Insurance;
  - e. Chapter 393, Prepaid Health Care Act; and



- f. Certificate of Good Standing (hereinafter “COGS”) for entities doing business in the State.
4. Be registered and incorporated or organized under the laws of the State of Hawai‘i (hereinafter “Hawai‘i business”).

The Offeror must be one of the following:

- a. Hawai‘i business: A business entity referred to as a “Hawai‘i business” is registered and incorporated or organized under the laws of the State of Hawai‘i. As evidence of compliance, the Offeror will submit a CERTIFICATE OF GOOD STANDING issued by the Department of Commerce and Consumer Affairs Business Registration Division (hereinafter “DCCA”). A Hawai‘i business doing business as a sole proprietorship is not required to register with the DCCA, and therefore not required to submit the certificate. An Offeror’s status as sole proprietor or other business entity and its business street address will be used to confirm that the Offeror is a Hawai‘i business.
- b. Compliant non-Hawai‘i business: A business entity referred to as a “compliant non-Hawai‘i business,” is not incorporated or organized under the laws of the State of Hawai‘i, but is registered to do business in the State. As evidence of compliance, the Offeror will submit a CERTIFICATE OF GOOD STANDING.
5. Business Office

The Offeror must have, at a minimum, a telephone number and electronic mail address from which it conducts business and be accessible by telephone from 8:00 a.m. to 5:00 p.m. HST, for meetings, teleconferences, video conferences, concerns, or requests that need immediate attention. An answering service is not acceptable. An office location, telephone number and electronic mail address must be identified in the Offerors’ proposal.

6. Certificate of Eligibility

The Offeror must demonstrate compliance with the following:

- a. Tax Clearance Form A-6;
- b. Department of Labor and Industrial Relation, Applications for Certificate of Compliance Form LIR#27; and
- c. Certificate of Good Standing issued by the DCCA and the Hawaii Compliance Express (hereinafter “HCE”), which allows businesses to register online through a simple wizard interface at:

<https://vendors.ehawaii.gov/hce/splash/welcome.html>

The HCE provides the applicant with a “Certificate of Vendor Compliance” with current compliance status as of the issuance date, accepted for both contracting purposes and final payment. Businesses that elect to use the



new HCE services will be required to pay an annual fee of \$12.00 to the Hawai'i Information Consortium, LLC (hereinafter "HIC").

## 7. Indemnification

The Offeror must agree to defend, indemnify, and hold harmless the State of Hawai'i, the OHA, its elected and appointed officials, officers, agents, and employees, from and against all liability, loss, damage, cost, and expense, including attorneys' fees, and all claims, suits, and demands arising out of or resulting from the acts or omission of the Offeror or the Offeror's officers, employees, agents, or subcontractors.

## 8. Insurance Requirements

To be eligible for award, the Offeror agrees to acquire insurance from an insurance carrier or carriers licensed to conduct business. Within fifteen (15) days prior to the contract start date, the successful Offeror must furnish to the Contracting Office a valid certificate(s) of insurance as evidence of the existence of the following insurance coverage in the amount not less than the amounts specified. The insurance must be maintained in full force and effect throughout the entire performance period. Failure to maintain the required insurance shall be considered a material default of the contract.

<u>Coverage</u>	<u>Limits</u>
Commercial General Liability (including personal injury, death, and property damage)	\$2,000,000 per occurrence; \$2,000,000 general aggregate per policy year; \$2,000,000 product and completed operations aggregate limit per policy year.
Personal and Advertising Injury	\$1,000,000 each occurrence.
Umbrella Liability	\$2,000,000 aggregate
Automobile Insurance covering all owned, non-owned, and hired automobiles	Bodily injury liability limits of \$1,000,000 each person and \$1,000,000 per accident; property damage liability limits of \$1,000,000 per accident. Or \$2,000,000 combined single limit.
Workers Compensation as required by laws of the State of Hawai'i	Insurance to include Employer's Liability. Such coverage shall apply to all employees of the CONTRACTOR and (in case any sub-contractor fails to provide adequate similar protection for all its employees) to all employees of sub-contractors
Professional Liability (Errors and Omissions)	\$1,000,000 per claim \$2,000,000 annual aggregate



- a. The State of Hawai‘i, the OHA, its elected and appointed officials, employees, and volunteers shall be named added as additional insured with respect to occurrences during or in connection with the performance of this contract. Before the effective date of this contract, the Offeror agrees to provide the OHA with certificate(s) of insurance necessary to satisfy the OHA that the insurance provision of this contract have been complied with and to keep such certificate(s) on deposit with the OHA during the entire term of this contract. The minimum insurance required shall be in full compliance with the Hawai‘i Insurance Code throughout the entire term of the contract, including supplemental contracts, and shall be written by a company authorized to do business in the State of Hawai‘i and rated no less than an AM Best rating of A- VIII. The Offeror and its carriers agree to waive their rights of subrogation with respect to any claims covered, or which should have been covered, by valid and collectible insurance, including any deductibles or self-insurance maintained thereunder. Upon request by the OHA, the Offeror shall furnish a copy of the policy or policies that satisfy the insurance requirements of this contract.
- b. Failure of the Offeror to provide and keep in force such insurance shall be regarded as a material default under this contract, entitling the OHA to exercise any or all the remedies provided in this contract for default of the Offeror.
- c. The procuring of such required policy or policies of insurance shall not be construed to limit the Offeror’s liability hereunder or to fulfill the indemnification provisions and requirements of this contract. Notwithstanding said policy or policies of insurance, the Offeror shall be obliged for the full and total amount of damage, injury, or loss cause by negligence or neglect connected with this contract.
- d. To satisfy the minimum coverage limits required by this contract, the Successful Offeror may use an umbrella policy in addition to the mandatory insurance policies (e.g, general liability insurance, automobile Insurance, andworkers’ compensation) provided that the OHA approves, and the umbrella policy follows the underlying coverage forms.
- e. The Offeror shall notify the OHA in writing of any cancellation or substantive change in insurance at least thirty (30) calendar days prior to the effective date of such cancellation or change.
- f. The OHA is a self-insured semi-autonomous state agency. The Offeror’s insurance shall be primary. Any insurance maintained by the State of Hawai‘i and the OHA shall apply in excess of, and shall not contribute to insurance provided by the Offeror.
- g. Other Additional Insurance

The Offeror may, at its own expense, obtain additional insurance coverage for further protection subject to the OHA’s approval. Request for approval will



include a description of the additional insurance coverage, the amount of the premium, and justification for additional insurance.

9. Minority/Women Business Participation (hereinafter “MBE/WBE”)

Whenever possible, the Offeror awarded the contract agrees to subcontract with minority owned business enterprises and/or women owned business enterprises certified as such as recognized.

10. Using Best Effort to Fulfill Minority/Women Business Participation

In the event that the OHA has reasonable belief that the Offeror will not use its best efforts to meet the MBE/WBE participation goal, the OHA reserves the right to cancel the contract in whole or in part. Best efforts may be established by demonstrating that the Offeror already is or is working towards being certified as an MBE/WBE or has contracted or solicited bid/quotes from subcontractors that are certified as MBE/WBE through the Small Business Administration.

11. The Offeror cannot be CliftonLarsonAllen LLP.

B. Type of Contract

1. The successful Offeror will be required to execute a contract for deliverables (e.g., reports, analyses) based on competitive sealed proposals, including hours and rates by professional service classification (e.g., partner, manager, association, consultant, analyst). No profit or administrative mark-up will be allowed on project reimbursable expenses, including, without limitation, postage, supplies, and travel. Travel cost parameters are provided below and Offeror’s should respond accordingly.

Subsequent to the award and within ten (10) days after the prescribed forms are presented for signature, the successful Offeror will execute and deliver to the OHA a contract in such number of copies as required by the OHA.

The successful Offeror will be required to enter into a formal written contract with the OHA in accordance with the laws, rules and regulations of the State of Hawai‘i. The stated requirement appearing elsewhere in this RFP will be incorporated and will become part of the terms and conditions of the contract.

By submission of a proposal, the Offeror warrants and represents that they have read and are familiar with the contractual and service requirements set forth in the RFP and its attachments, the provisions of which are expressly incorporated into this RFP by reference.

All proposals will become the property of the OHA. The successful Offeror’s proposal will be incorporated in the resulting contract by reference.



## 2. Subcontracting

No work or services will be subcontracted or assigned without the prior written approval of the OHA. No subcontract will under any circumstances relieve the Offeror of its obligation and liability under contract with the OHA. All persons engaged in performing the work covered by the contract will be considered personnel of the Offeror. All subcontracting and subcontractors must be noted in the RFP response.

## 3. Contract Modification

The contract may be modified only by a written supplemental contract signed by the OHA and the authorized signatory designated to sign contracts on behalf of the Offeror as designated in a corporate resolution, if applicable.

## 4. Additional Services and Fees

The Offeror and the OHA will negotiate for additional needed services and fees for work not described in the contract, but which may arise during the course of the contract. Any agreement will be in writing, executed by all parties, and shall be attached to the contract as a contract amendment to expire at the same time as the original contract or subsequent period.

## 5. Laws, Rules, Ordinances and Regulations

Reference to Federal, State, City and County laws, ordinances, rules and regulations, and standard specifications will include any amendment thereto effective as of the date of the RFP.

## 6. Bonds

No performance or payment bond is required.

## C. Multiple or Alternate Proposals (Refer to HAR §3-122-4)

☐ Allowed ☒ Not allowed

## D. Single or Multiple Contract to be Awarded (Refer to HRS §103D-322)

☒ Single ☐ Multiple ☐ Single & Multiple

## E. Single or Multi-Term Contract to be Awarded (Refer to HRS §103D-315)

☒ Single term (2 years or less) ☐ Multi-term (more than 2 years)

Initial term of contract: Six (6) months

Length of each extension: Up to Six (6) months, may be less than Six (6) months when it is in the best interest of the OHA



Maximum Length of Contract: Not to exceed Twelve (12) months

#### F. Condition for Contract Extensions

The initial period will commence on the contract start date. The following conditions must be met for an extension:

1. The Offeror experienced cost savings and has unexpended funds available that can be used to provide additional goods and services; or
2. The OHA determines there is an ongoing need for the services and has funds to extend services not to exceed six (6) months. Contract extensions will be awarded as agreed upon in the primary contract. Exceptions will be granted upon satisfactory justification such as OHA expanded scope of services; and
3. A supplemental contract must be executed prior to expiration of the primary contract; and
4. The Offeror must obtain the OHA's approval in writing.

The option to extend the contract will be at the sole discretion of the OHA. The contract will be extended at the same rates as proposed in the original proposal unless price adjustments are negotiated. Submission of a proposal constitutes acknowledgement by the Offeror that the Offeror is able and willing to contract for services for the duration of the contract period. If the Offeror is unwilling or unable to fulfill the scope of services described in the contract, the OHA reserves the right to assign the costs of re-procurement to any payment owed under the contract. These costs may include, without limitations, reproduction costs, staff time, and postage.

The Offeror will provide the requested insurance information and a completed wage certificate. The Offeror will pay the State of Hawai'i general excise tax and all other applicable taxes.

#### G. Contract price adjustments (other than wage rate increases)

Each proposal offered will be firm for a twenty-four (24) month period upon issuance of the Notice to Proceed.

Contract price adjustments will be limited to liability and/or automobile insurance. The following conditions must be met for the OHA to consider a price adjustment:

1. The Offeror provides adequate documentation of price increase(s), such as an insurance policy statement;
2. The increase will not exceed five percent (5%) of the original price for each budget line item; and
3. The request for increase must be reasonable and there must be sufficient funding



available to support the increase.

### III. Contract Monitoring and Remedies

#### A. Monitoring

1. The satisfactory provision of goods and services will be monitored by the OHA Contract Administrator. Performance will be monitored on an ongoing basis by the OHA through desk monitoring and/or other methods by the OHA Contract Administrator and his/her designated representative(s).
2. Should the Offeror fail to comply with the requirements of the contract, the OHA may request a written corrective action plan, a timeline for implementation, and the responsible parties to the OHA. The OHA will monitor the Offeror for implementation of the corrective action plan. The OHA reserves the right to request regular or additional report(s) on progress towards compliance with the contract and the corrective action plan.
3. Should the Offeror continue to fail to comply with the requirements of the contract, the OHA reserves the right to engage the services of another to perform the services to remedy the defect or failure and to deduct such costs from monies due to the Offeror or to directly assess the Offeror .
4. In the event the Offeror fails, refuses, or neglects to perform the services in accordance with the requirements of this RFP and the contract, the OHA reserves the right to purchase in the open market corresponding services and to deduct this cost from the monies due or that may thereafter become due to the Offeror. If monies due to the Offeror are insufficient for this purpose, the Offeror shall pay the difference upon demand by the OHA. The OHA may also utilize all other remedies provided under the contract and/or as permitted by law.
5. In the event the Offeror is not performing the required services as contracted, the OHA reserves the right to extend the contract for intervals of less than six (6) months. During this time, the OHA will monitor the Offeror's performance and/or improvement and the implementation of its corrective action plan to determine whether the OHA will continue to contract with the Offeror.

#### B. Termination

The OHA reserves the right to terminate the contract without penalty for cause or convenience as provided in the General Conditions. See Attachment 7 – General Terms and Conditions.

### IV. Scope of Services

#### A. Overview

The OHA seeks a professional services firm to conduct a follow up contract and



disbursement review of the CLA<sup>13</sup> – OHA & LLC's Contract and Disbursement Review Report, dated December 4, 2019, specifically on 38 items flagged for possible fraud, waste and abuse. The review being requested is for the Offeror, for each of the 38 items flagged for possible fraud, waste, and abuse, to make a determination as to whether cause to a reasonable certainty exists to believe that fraud, waste, or abuse, or some combination of all three, exists for each of the 38 items. Offerors must have experience with forensic, accounting, audit, and related type engagements utilizing standards in accordance with the Statement on Standards for Forensic Services, established by the American Institute of Certified Public Accountants (AICPA) Council, Forensic and Valuation Services Executive Committee, which provides guidance and establishes enforceable standards for members performing certain forensic and valuation services.

In responding to this RFP, Offerors should note the following:

1. The scope of the engagement is to review each of the 38 items flagged for possible fraud, waste and abuse from the CLA December 2019 Report, noting:
  - a. The CLA – OHA & LLCs Control and Disbursement Review Report, dated December 4, 2019, specifically on the 38 items flagged for possible fraud, waste and abuse;
  - b. The OHA Administration's follow up as recorded in the January 2020 presented RIP, specifically Appendices C and D (refer to Appendix XX);
  - c. A review of Appendix C – OHA Addressing Possible Fraud Waste Abuse Flagged Items (32), suggesting next steps and other related closure activities;
  - d. A review of Appendix D - LLCs Addressing Possible Fraud Waste Flagged Items (6), suggesting next steps and other related closure activities;
  - e. Consider, investigate, collect, analyze and evaluate, or interpret certain evidential matter and interpret and communicate findings regarding the 38 items, in reaching a conclusion on the merits of the concern, including additional items that may not have been flagged previously from the CLA December 2019 or RIP reports.<sup>14</sup>
2. It is NOT the intent of this OHA engagement and contract, to:
  - a. **Retest** the previously selected five (5) years of transactions FY2012, FY2013, FY2014, FY2015, and FY2016; nor
  - b. **Retest** the previously selected eighty (80) contracts and fifty (50) other

<sup>13</sup> As the report of the previous contractor CliftonLarsonAllen (CLA) is the subject of the follow up review, CLA is not eligible to respond to this RFP.

<sup>14</sup> Statement on Standards for Forensic Services No. 1, American Institute of Certified Public Accountants  
Scope of Services  
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financial disbursements of funds for testing and review (for OHA); nor

- c. **Retest** the previously selected thirty (30) contracts and twenty-five (25) other financial disbursements of funds for testing and review (for LLCs); nor
- d. **Select and Test** new contract and disbursement sample items.

#### B. Fieldwork, Work Site, Access to Records, Timeline

While the OHA has six offices on five islands in the State of Hawai'i and an office in Washington, D.C., much of the field work can be conducted from the Offeror's business location with access to electronic records and files via established mechanism. The primary work site, and the site of field work for this engagement, will be located at 560 North Nimitz Highway, Suite 200 on the island of O'ahu - Na Lama Kukui and limited to a cumulative period of five business days on site for two contractor personnel. Additional field work may be required if the information required to make a determination as to whether cause to a reasonable certainty exists to believe that fraud, waste, or abuse exists is not contained in the OHA's electronic records and files.

Offerors should plan to provide a draft report to the Board of Trustees mid-February 2022 and the final presentation of the report to the Board of Trustees may be in person or online via Zoom and will be determined as the work progresses, but provided no later than March 31, 2022

#### C. Engagement Letter & Work Plan

1. **Engagement Letter.** The Offeror should provide a sample engagement letter in accordance with Statement on Standards for Forensic Services No. 1
2. **By Phase.** The Offeror should respond to this RFP in the following Engagement Work Plan table summary, accompanied by expanded narrative, noting that the rate per hour should already include administrative burden:

Description	Activities	Deliverable(s)	Hours by Staff Type	Rate per Hour	Extended Costs
Phase I - Planning – 10%					
			Partner:		
			Manager:		
			Sr. Technical Staff:		
			Technical Staff:		
			<b>Subtotal Phase I:</b>		
Phase II - Review and Assessment of 38 Items – 20% draft; 20% final					
			Partner:		
			Manager:		
			Sr. Technical Staff:		
			Technical Staff:		



			<b>Subtotal Phase II:</b>		
Phase III - Report – 20% draft; 20% final					
			Partner:		
			Manager:		
			Sr. Technical Staff:		
			Technical Staff:		
			<b>Subtotal Phase III:</b>		
Phase IV - Wrap Up & Next Steps – 10%					
			Partner:		
			Manager:		
			Sr. Technical Staff:		
			Technical Staff:		
			<b>Subtotal Phase IV:</b>		

3. **By Staff Type.** The Offeror should respond to this RFP in the following Engagement Work Plan table summary, accompanied by expanded narrative, noting that the rate per hour should already include administrative burden:

<b>Position Description</b>	<b>Phase I Hours</b>	<b>Phase II Hours</b>	<b>Phase III Hours</b>	<b>Phase IV Hours</b>	<b>Total Hours</b>	<b>Rate per Hour</b>	<b>Extended Costs</b>
Partner							
Manager							
Sr. Technical Staff							
Support Staff							
<b>Total Staff</b>							

- D. The OHA Contract Administrator shall act as the contract monitor and principal liaison between the Offeror and the OHA. The OHA Contract Administrator shall assist in resolving policy questions, expediting decisions, and reviewing and approving the work performed by the Offeror.
- E. The Offeror shall comply with all applicable safety, hygiene, and physical distancing guidance from the Centers for Disease Control and Prevention (CDC), as well as with State, county, industry, and regulatory practices for safety, hygiene, and physical distancing, including standards and requirements adopted and issued by Hawaii Department of Health (DOH) or required by State and county emergency orders, rules, or proclamations related to COVID-19 (novel coronavirus).



## V. Qualifications and Requirements

### A. Specialized Experience:

The Offeror shall describe the specialized experience it possesses that enables the investigation engagement to be carried out in accordance with the AICPA Statement on Standards for Forensic Services No. 1.

### B. Staffing:

1. The Offeror shall ensure that all personnel meet minimum licensing and experience requirements.

2. Offeror References

Each Offeror shall provide at least three (3) references from clients or project owners, including the name, address, and telephone number of the company or agency reference, and a person whom the OHA may contact. These references must have hired or contracted the Offeror within the preceding ten (10) years for services similar to the services set forth in the Scope of Work contained in this RFP.

### C. Administrative Requirements

1. The Offeror shall designate a contact person who will be responsible for project oversight and for ensuring rigorous contract performance. This contact person must be able to respond to the OHA's inquiries, complaints, and problems within one (1) working day of receipt.
2. The Offeror will ensure adequate and appropriate representation at regularly scheduled meetings with the OHA and/or the OHA Board of Trustees. The OHA anticipates that in-person and virtual meetings with the Offeror's contact person will be required to oversee contract performance. In-person meetings will follow the CDC COVID-19 guidelines. Additional meetings may be required by the OHA as the OHA deems necessary. A bi-weekly progress report is expected of the Offeror upon commencement of the engagement.

### D. Personnel

1. All employees or agents of the Offeror hired with respect to this contract shall be deemed personnel of the Offeror.
2. The Offeror will ensure that all personnel meet the minimum qualifications, including State licensing laws and experience requirements. The current wage rates and position class specification for personnel are available at the following addresses:

<https://dhrd.hawaii.gov/state-employees/classification-and-compensation/>



3. All staff training (such as training required to ensure that the minimum services are provided in compliance with State/Federal laws, rules, and regulations) will be the responsibility of the Offeror.
4. The Offeror will be solely responsible for the behavior and conduct of its personnel while on the OHA property. Supervision of Offeror's personnel will be the responsibility of the Offeror.
5. The Offeror will ensure the confidentiality of all information, documents, or materials viewed or discussed in performance of the work required or undertaken under the terms of this contract. The Offeror's personnel will not disclose confidential information to the general public without the express written consent of the OHA. The Offeror's personnel shall complete and sign an OHA non-disclosure agreement prior to execution of the contract and any personnel hired after execution of the contract by the Offeror must sign a non-disclosure agreement prior to commencing work on this contract.
6. During the performance of this contract, the Offeror agrees not to discriminate against any employee, agent, or prospective applicant for employment. The Offeror will take affirmative actions to ensure the equal treatment of its employees. Such actions will include the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The Offeror will insert provisions similar to the foregoing in all subcontracts.
7. The Offeror agrees to remove any of its personnel from services to the OHA upon written request by the OHA's Contract Administrator. Upon the request for removal of any of the Offeror's personnel at the request of the OHA's Contract Administrator, the Offeror will remove that person from the job site immediately. Grounds for removal include, but are not limited to, an inability to perform their duties and responsibilities in a proper and skillful manner, being intoxicated or under the influence, engaging in disorderly or abusive conduct, or being unable to demonstrate tact or diplomacy in dealing with the public.

#### E. Reporting Requirements

The Offeror will be responsible for the timely submission of monthly reports as requested by the OHA.

#### F. Payment

1. Payments will be deliverables-based, meaning the following:
  - a. 10 % of total contract upon completion of contracting and Phase I – Planning deliverables;
  - b. 20% of total contract upon delivery of the draft deliverable in Phase II;
  - c. 20% of total contract upon delivery of the final deliverable in Phase II;
  - d. 20% of total contract upon delivery of the draft deliverable in Phase III;



- e. 20% of total contract upon delivery of the final deliverable in Phase III;
  - f. 10% of total contract upon issuance and completion of final Phase IV deliverables.
2. The Offeror will submit invoices in accordance with the deliverables-based work. Invoices for reimbursable expenses as agreed to and specified in the contract must include original invoice(s) for these reimbursable expenses.
  3. The OHA will have thirty (30) calendar days after receipt of an invoice and the satisfactory provision of the deliverables or the performance of contracted for services to make a payment. The OHA will reject any proposal submitted with a condition requiring payment within a period of less than 30 days.
  4. The Offeror will clearly indicate any adjustment made to the billing statement for work not performed.
  5. The Offeror will submit original invoices:
    - a. By electronic mail to (a) [invoices@oha.org](mailto:invoices@oha.org) and (b) to the email address of the Contract Administrator for this contract.
  6. The OHA requires the Offeror to participate in the Automated Clearing House (hereinafter “ACH”) payment processing method in order to expedite payments and to reduce the OHA’s in-office staffing needs. Please contact our Accounting Department through your designated OHA Contract Administrator.
  7. All invoices submitted for payment shall reference the contract number and purchase order number assigned to the contract. Payments will be processed upon confirmation by the OHA Contract Administrator that the Offeror has satisfactorily performed its responsibilities as specified in the contract.

(END OF SECTION)



## Section 3 – Proposal Format and Instructions

### I. General Instructions for Completing Forms

When an Offeror submits a proposal, it will be considered a complete plan for accomplishing the tasks identified in this RFP. The Offerors' proposal must demonstrate an understanding of and the ability to meet and perform all contractual requirements listed in this RFP.

The submission of a proposal will constitute the Offeror's indisputable representation of compliance with every requirement of the RFP and that the RFP documents are sufficient in scope and detail to indicate and convey a reasonable understanding of all terms and conditions of performance of the work to the Offeror.

All Offerors shall submit their proposal via email to [proposals@oha.org](mailto:proposals@oha.org).

Before submitting a proposal, each Offeror must:

1. Thoroughly examine the solicitation documents. Solicitation documents include this RFP, any attachments, plans referred to therein, and any other relevant documentation.
2. Be familiar with Federal, State, and County laws, ordinances, rules, and regulations that may in any manner affect cost, progress, or performance of the work.

Proposals will be submitted to the OHA in the prescribed format outlined in this RFP. A written response is required for each item unless indicated otherwise.

Offerors may attach to their proposal supplemental literature, brochures, or other information, which may demonstrate related experience in the proposal package.

The body of the proposal should be limited to 25-50 pages, not including supplemental literature, brochures, or additional information provided as appendices or exhibits.

### II. Proposal Forms

- A. The proposal forms will be completed and submitted to the OHA by the required due date and time and in the form prescribed by the OHA.
- B. Offerors will submit their proposals under the Offeror's exact legal name that is registered with the State of Hawai'i Department of Commerce and Consumer Affairs and will indicate that this is its true, correct, and official legal name. Failure to do so may delay proper execution of the contract.



- C. Offerors will submit their proposals with an authorized signature. If the proposal is not signed by an authorized signatory as shown on the corporate resolution, the proposal will be automatically rejected.
- D. A proposal security deposit is not required for this RFP.
- E. The numerical outline for the application, the titles/subtitles, and the Offeror's name and RFP identification information on the top right-hand corner of each page should be included.
- F. Consecutive page numbering of the proposal application should begin with page one (1) and end with the last numbered page of the complete and entire proposal.
- G. Other supporting documents may be submitted in an Appendix, including visual aids to further explain specific points in the proposal. If appendices are used, they should be appropriately identified and referenced.

### III. Proposal Application

#### A. Cover Letter

A Cover Letter must be included in the proposal. See Attachment 3 – Sample Cover Letter. The Cover Letter must meet the following requirements:

1. Be printed on official business letterhead;
2. Contain a signature by an authorized signatory;
3. Contain the following statement:

“The undersigned has carefully read and understands the terms and conditions specified in the RFP BOT 2022-009, and in the General Conditions, and hereby submits the following Proposal to perform the work specified herein, all in accordance with the true intent and meaning thereof.

The undersigned further understands and agrees that by submitting their Proposal, 1) he/she is declaring his/her Proposal is not in violation of Chapter 84, Hawai‘i Revised Statutes, concerning prohibited State Contracts, 2) he/she is certifying that the price(s) submitted was (were) independently arrived at without collusion, and 3) he/she hereby authorizes the Office of Hawaiian Affairs to verify information provided in this Proposal.”;

4. Contain the true, correct, and official legal name and address of the Offeror;
5. Contain the contact person's name, telephone number, and e-mail address;



6. Contain a statement specifying the official legal status of the Offeror's entity and its taxpayer identification number; and
7. Contain a statement that the Offeror is or will be registered to do business in Hawai'i and has or will obtain a State General Excise Tax license before work under the contract commences.

B. Offer Form OF-1 and OF-2

Pricing shall be submitted on Offer Form. See Attachment 6 – Offer Form OF-1 and OF-2. The price shall be the all-inclusive cost, including the general excise tax, to the OHA. No other costs shall be honored. Any unit price shall be inclusive.

C. Acknowledgement of Addendum

By completing the Acknowledgement of Addenda form, the Offeror will acknowledge and confirm that all addenda to this RFP issued by the OHA have been received by the Offeror. See Attachment 4 - Acknowledgement of Addenda. If no addendum has been received, the Offeror will check the appropriate box on the form.

D. Experience and Capability

The OHA is requiring that the Offeror have a minimum of ten (10) years of experience on projects of similar size and nature.

1. Necessary Skills and Experience

The Offeror must demonstrate that it has the necessary skills, abilities, knowledge, and experience relating to the delivery of the proposed services. The Offeror must also provide a listing of verifiable references and experiences with projects or contracts related to the services that were provided to a government agency or private entity within the last ten (10) years. The Offeror must identify the name of the client, the nature and duration of the engagement, and the primary accomplishments achieved.

Provide a list of companies or governmental organizations to which your proposed team is/are currently providing services. If this list does not include at least five (5) entities, then provide the names of the entities for which similar services were provided. For each entity include:

- a. Term of your contract (beginning and ending dates);
- b. Brief description of the scope of work; and
- c. Name, address, and telephone number of the individual who administered your contract(s).



## 2. Professional References

The Offeror must provide a list of professional references for the last ten (10) years, including contact (e.g., e-mail, phone contact, mailing address) information for similar type work, description of the engagement and major deliverables, role of the contractor, and number of hours of engagement.

## 3. Quality Assurance, Evaluation and Resolution

The Offeror must describe its quality assurance and evaluation plans for the proposed services, including methodology. Evaluation plans must include client surveys as appropriate. The Offeror must also describe its issue escalation and resolution process as it relates to the scope of and completion of the scope of work and/or if there are disagreements between the OHA and the Offeror.

## 4. Coordination of Services

The Offeror must demonstrate the capability to coordinate services with other agencies and resources in the community.

## 5. Past Performance

The OHA reserves the right to verify the documented experience directly with the owner/contact person as submitted in the proposal. Only information that is submitted directly to the OHA in the proposal package will be considered unless the OHA seeks additional information during the RFP evaluation process. The OHA reserves the right to review and consider past performance the Offeror may have had with the OHA.

## E. Project Organization and Staffing

### 1. Proposed Staffing

This section must describe the staff necessary and the specific time required by the Offeror to ensure the performance of the work required under this RFP. Staff titles, qualifications, and expected responsibilities must be included in the response. The Offeror must detail the proposed team's capacity to successfully plan, implement, and complete the proposed work.

### 2. Staff Qualifications

This section must provide the minimum qualifications including the experience and background of the staff that will be assigned to perform the work required under this RFP, including Section 2, Items V.A and V.B. The Offeror must describe the knowledge and experience of the proposed project director and/or the necessary staff including how day-to-day management requirements to



accomplish the RFP's objectives will be met. Resumes and relevant professional background/experience of each key staff position must be identified and attached.

### 3. Supervision and Training

The Offeror must describe its ability to supervise, train, and provide administrative direction to the staff required to perform and deliver the proposed services.

### 4. Organization Chart

If applicable, an organizational chart containing the position title, the name, and the full or part-time status of each staff member and to whom they will report or will supervise shall be provided.

## F. Service Delivery

This section must include a detailed discussion of the following:

1. The Offeror's approach to applicable services, activities, and management requirement from Section 2, Item IV., including, but not limited to, phases, work plans of all service activities and tasks to be completed, and related work assignments/responsibilities.
2. How the Offeror's approach is the most advantageous in terms of meeting the RFP's scope of work, cost effectiveness, and reliability.

## G. Financial Capacity

This section must state the status of the Offeror's current projects and its financial capacity to accomplish those projects in a timely and orderly fashion. The Offeror must state its ability to accomplish the work required under this RFP in a timely and orderly fashion given its previous and existing commitments.

## H. Price Proposal

This section must include a proposed cost for the contract period(s). Include a description of the basis for the cost of performing the requested services, including professional fees by labor category, other direct costs chargeable to the contract, and general administration, overhead, and reimbursable expenses. Hourly rates provided shall be inclusive of direct costs chargeable to the contract and general administration, overhead, and ordinary reimbursable expenses.

## I. Commitment to Section 2 Requirement

This section shall describe the Offeror's approach to furthering the OHA's



commitment to fulfill MBE/WBE on page 20, Section 2. Item II.A.10., Using Best Effort to Fulfill Minority/Women Business Participation.

(END OF SECTION)



## Section 4 – Proposal Evaluation & Award

### I. Proposal Evaluation

An RFP evaluation committee, approved by the OHA's Chief Procurement Officer, will evaluate all responsive and responsible proposals. The evaluation of such proposals will be based solely on the evaluation criteria set out in this RFP. The evaluation committee's primary responsibility will be to review the proposals submitted. The price proposal review will be conducted by the Procurement Officer. The review criteria will be as follows:

Evaluation Categories	Possible Points
<b>1. Experience and Capability: Firm</b> Up to 20 points will be awarded based on the degree to which the Offeror clearly and concisely demonstrates that it has the aggregated qualifications and experience as a whole to provide the required forensic professional services.	20 points
<b>2. Experience and Capability: Assigned Personnel</b> Up to 25 points will be awarded based on the degree to which the Offeror clearly and concisely demonstrates that it has assigned the personnel with the requisite knowledge and experience to provide the required forensic professional services.	25 points
<b>3. Experience and Capability: References</b> Up to 25 points will be awarded based on the degree to which the Offeror provided professional references that demonstrate its knowledge, skills, abilities, and experience in providing the required forensic professional services.	25 points



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**4. Price/Cost: Proposed Hours**

Up to 10 points will be awarded based on the reasonableness of the scoped and costed engagement hours (by phases) as supplemented by the response narrative.

10 points

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**5. Price/Cost: Proposed Rates**

Up to 10 points will be awarded based on the reasonableness of the scoped and proposed rates per hour of each of the staff members.

10 points

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**6. Financial Capability:**

Up to 5 points will be awarded based on the Offeror's proposal which clearly and concisely demonstrates that it has the financial capacity to complete the scope of work in this RFP in a timely and orderly manner.

5 points

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**7. Commitment to Section 2:**

Up to 5 points will be awarded based on the degree to which the Offeror clearly and concisely demonstrates their approach to furthering the OHA's commitment to the Section 2. Item II.A.10 requirement, Using Best Effort to Fulfill Minority / Women Business Participation

5 points

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**TOTAL POSSIBLE POINTS****100 Points**

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Each proposal will be initially classified as acceptable, potentially acceptable, or unacceptable. If numerous acceptable and potentially acceptable proposals are submitted, the evaluation committee may rank the proposals and limit the priority list to at least three (3) acceptable or potentially acceptable Offerors who submitted the highest-ranked proposals. If there are fewer than three (3) acceptable or potentially acceptable proposals, the OHA will not be required to hold discussion with these Offerors who submitted unacceptable proposals.

**II. Mandatory Requirements**

The OHA will conduct an initial review to ensure that all proposals meet the minimum threshold requirements. Each proposal will be reviewed to ensure submittal of all required attachments, certifications, forms, and narrative sections.

Statements which indicate that mandatory certification will be submitted upon contract award will be unacceptable.



### III. Financial/Price Proposal Review

The financial/price proposal review will be evaluated for financial and contractual acceptability and reasonableness of the price proposal. The proposal with the lowest cost factor will receive the highest available rating allocated to cost. Each proposal that has a higher cost factor than the lowest will be assigned a lower scoring for cost.

The points allocated to higher priced proposals must be equal to the lowest proposal price multiplied by the maximum points available for price, divided by the higher proposal price as follows:

$$\frac{\text{Price of the lowest hourly rate} \times \text{Total possible points}}{\text{Price of the proposal being rated}}$$

In determining whether a proposal is responsive, the OHA will evaluate the costs and supporting documentation against realistic operational expenses.

### IV. Initial Review

The Offeror's proposal will be in the form prescribed by this solicitation and will contain a response to each of the areas identified that affects the evaluation factors for award.

- A. The proposal will be evaluated to determine if the Offeror possesses the capability to successfully perform the requirements of the solicitation. The proposal criteria are:
  1. Experience and Capability;
  2. Financial Capacity and Pricing; and
  3. Commitment to Section 2/Other Requirements.
- B. Proposals will be evaluated for technical and contractual acceptability. Proposals will be prepared in accordance with the instructions given in the RFP and will meet all requirements set forth in this RFP.
- C. All proposals will be reviewed for reasonableness. All Offerors whose offer are not within the competitive range will be notified that their proposals are unacceptable, negotiations/discussions with them are not contemplated, and any revisions to their proposals will not be considered.
- D. Award will be made to the responsible Offeror whose proposal conforms to the solicitation and will be most advantageous to the OHA considering price and other factors as indicated below:



Pursuant to section 3-122-59, HAR, if for a given request for proposal there is only one (1) responsive and responsible Offeror submitting an acceptable proposal, an award may be made to the single Offeror, or rejected, if conditions in section 3-122-59(a)(1) are not met, and new requests for proposal may be solicited or the procurement may be cancelled.

- E. The OHA reserves the right to award a contract on the basis of the initial offers received without discussion. Offers are solicited on an "all or none" basis.

Failure to submit offers for all items and quantities listed will be cause for rejection. Proposals should be submitted initially on the most favorable terms of a price and technical standpoint, which the Offeror can submit to the OHA.

All proposals submitted will be evaluated on the basis of the evaluation criteria listed herein. Proposals will conform to all terms and conditions contained in the RFP. Proposals which do not conform to all requirements expressed in this solicitation may be rejected without further evaluation, deliberation, or discussion.

- F. The OHA may evaluate the quality of each Offeror's past performance. The assessment of an Offeror's past performance will be used as one means of evaluating the credibility of the Offeror's approach to work accomplishment. A record of marginal or unacceptable past performance may be an indication that the promises made by the Offeror are less than reliable. Such an indication will be reflected in the OHA's overall assessment of the Offeror's proposal. However, a record of acceptable or even excellent past performance will not result in a favorable assessment of an otherwise unacceptable proposal.

In investigating an Offeror's past performance, the OHA may consider information in the Offeror's proposal and information obtained from other sources, including past and present clients and their employees; other government agencies, including state and local agencies, consumer protection organizations and better business bureaus; former subcontractors; and others. Evaluation of past performance is a subjective assessment based on a consideration of all relevant facts and circumstances. The OHA may seek to determine whether the Offeror has consistently demonstrated a commitment to client satisfaction and timely delivery of quality goods and services at fair and reasonable prices.

The OHA's conclusions about the overall quality of the Offeror's past performance may be influential in determining the relative merits of the Offeror's proposal and in selecting the Offeror whose proposal is considered most advantageous to the OHA.

Past performance includes the Offeror's record of conforming to specifications and to standards of good workmanship; the Offeror's adherence to contract schedules, including the administrative aspects of performance, the Offeror's control of costs,



including costs incurred for changes in the scope of services; the Offeror's reputation for reasonable and cooperative behavior and commitment to clients' satisfaction; and, generally, the Offeror's business-like concern for the interests of the client.

#### V. Method of Award

- A. All proposals submitted will be evaluated and scored by an evaluation committee based on the evaluation criteria listed in Section 4 Proposal Evaluation and Award. Proposals shall conform to all terms and conditions contained in the Request for Proposals. Proposals which do not conform to all requirements expressed in this solicitation may be rejected without further evaluation, deliberation, or discussion.
- B. All proposals will be reviewed for reasonableness. Offerors who are not within the competitive range will be notified that their proposals are unacceptable, negotiations/discussions are not contemplated, and any revisions of their proposals will not be considered.
- C. Award will be made to the responsive and responsible Offeror whose proposal, conforming to the solicitation and will be most advantageous to the OHA with consideration to price and other evaluation criteria set out in this RFP.
- D. Pursuant to chapter 3-122-59 HAR, if there is only one responsible Offeror submitting an acceptable proposal, an award may be made to the single Offeror; rejected and new requests for proposals may be solicited if certain conditions are not met; the proposed procurement may be cancelled; or an alternative procurement method may be conducted.
- E. The OHA reserves the right to award a contract on the basis of the initial offers received without discussion. Offers are solicited on an "all or none" basis. Failure to submit offers for all items and quantities listed shall be cause for rejection. Proposals should be submitted initially on the most favorable terms of a price and technical standpoint, which the Offeror can submit to the OHA.

#### VI. Final Evaluation and Award

- A. The Evaluation Committee will determine the acceptable proposals and may produce a Priority List of Offerors. This priority list will consist of at least three Offerors and each Offeror may be invited to make a presentation to the committee. Once presentations are completed, a request for a Best And Final Offer (BAFO) will be made, and the evaluation committee will proceed to score the Priority List of Offerors. Only Offerors on the Priority List of Offerors are eligible to enter discussions, receive further addenda to the RFP, and submit BAFOs. The RFP Coordinator will notify the winning Offeror that they have been chosen to receive the award and will notify the other Offerors in writing that a different Offeror has been selected.



## VII. Discussions - Kūkākūkā

Discussions may be conducted with a priority list of Offerors who submit proposals determined to be acceptable or potentially acceptable of being selected for award, but proposals may be accepted without discussions. The objective of these discussions is to: 1) promote understanding of the requirements set forth in the RFP and the Offeror's proposal; and 2) facilitate arriving at a contract that will provide the best value to the OHA, taking into consideration the evaluation factors set forth in this RFP. Any discussion is not intended to require an award of contract by the OHA.

(END OF SECTION)



## **Section 5 – Attachments**

Attachment 1 - Proposal Submittal Checklist

Attachment 2 – RFP Registration Form

Attachment 3 – Sample Cover Letter

Attachment 4 - Acknowledgement of Addenda

Attachment 5 – Wage Certificate

Attachment 6 – Offer Form OF-1 and OF-2

Attachment 7 – General Terms and Conditions

Attachment 8 - 2021-2022 Hawaii State Government Observed Holidays



PHONE (808) 594-1833

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**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS  
560 NORTH NIMITZ HIGHWAY, SUITE 200  
HONOLULU, HAWAII 96817**

October 25, 2021

**REQUEST FOR PROPOSALS (RFP) NO. BOT 2022-009**

**FOLLOW UP CONTRACT AND DISBURSEMENT REVIEW OF THE CLA – OHA & LLCs CONTRACT  
AND DISBURSEMENT REVIEW REPORT DATED DECEMBER 4, 2019**

**ADDENDUM 1**

- Q. Is there a reason this engagement is out for RFP rather than extending the scope of the engagement with CLA?
- A. This engagement is not an extension of the original CLA engagement. The OHA seeks to competitively procure and engage a professional services firm to conduct a follow up contract and disbursement review of the CLA report – OHA & LLC's Contract and Disbursement Review Report, dated December 4, 2019, specifically on 38 items flagged for possible fraud, waste, and abuse. The purpose of this RFP is to hire a professional services firm to determine, for each of the 38 red flag issues, whether cause to a reasonable certainty exists to believe that fraud, waste, or abuse, or some combination of each of these three classifications, exists. Therefore, the OHA seeks respondents via this RFP process.
- Q. Will we be allowed to reach out to previous employees for interviews? Does OHA have any authority to require former employees comply with our interview requests?
- A. OHA has no authority to compel compliance of and/or cooperation from former employees.
- Q. Is the former CEO's computer/hard drive still held by OHA? Is the computer/hard drive available for imaging?

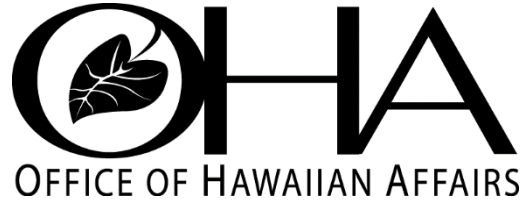


- A. The OHA has records and data access, security, storage, preservation, management and protection protocols, and will make data sources available relative to the focus on the 38 items flagged for possible fraud, waste, and abuse.
- Q. Similarly, are the computers/hard drives of the former contract monitors who handled the contracts identified in the CLA flags still available?
- A. The OHA has records and data access, security, storage, preservation, management, and protection protocols, and will make data sources available relative to the focus on the 38 items flagged for possible fraud, waste, and abuse.
- Q. Does OHA have a right to audit clause to demand compliance from grant recipients to provide information and make personnel available for interviews?
- A. The grant monitoring procedures in place at the time the grants were reviewed by CLA have since been revised. The OHA regularly reviews and revises its grant monitoring procedures as needed. The OHA does not have the authority to compel compliance of and/or cooperation from former grantees relative to the focus on the 38 items flagged for possible fraud, waste, and abuse.
- Q. Have any referrals to law enforcement been made for these findings? Has there been any discussion of potential cooperation by law enforcement to aid in this forensic analysis (i.e., law enforcement obtaining information via search warrant and providing for our review)?
- A. The OHA has not referred the 38 items flagged by CLA for possible fraud, waste, and abuse to law enforcement. The OHA has not had any discussion of potential cooperation by law enforcement to aid in forensic analysis of the 38 items flagged for possible fraud, waste, and abuse.
- Q. Can information that CLA noted as missing be identified for this investigation?
- A. The OHA Administration will provide the successful Offeror with a follow up report of what information was subsequently identified.



- Q. Have any of the sub-recipients ever had audits related to their programs and/or are the sub-recipients audited financial statements available to ensure they did not have qualified opinions?
- A. The CLA engagement focused on contracts and disbursements. There are no sub-recipients for this engagement.
- Q. Will confidential information from closed Board of Trustees sessions be made available for the analysis?
- A. The OHA has records and data access, security, storage, preservation, management, and protection protocols, including for Board of Trustees' records, and will make data sources available relative to the focus on the 38 items flagged for possible fraud, waste, and abuse.





# **OFFICE OF HAWAIIAN AFFAIRS**

## **BOARD OF TRUSTEES**

### **TRUSTEE-LEVEL FISCAL POLICIES PERMITTED INTERACTION GROUP REPORT**

**Presented to the Board of Trustees  
October 2020**



## I. INTRODUCTION

The Board of Trustees (BOT) is responsible for setting Office of Hawaiian Affairs (OHA) policy and managing the agency's trust. OHA's Administration is responsible for the operationalization of these policies. Action Item BOT #20-05 was approved at the BOT meeting on September 10, 2020, which was formed to approve the formation of a Permitted Interaction Group (PIG) to "investigate the development of T-Level policies for OHA's Board Governance Framework." The expected end date of the PIG will be on November 3, 2020.

The Trustee (T) - Level PIG Report is a formal, approved document used to manage PIG execution. It documents the actions necessary to define, prepare, integrate, and coordinate the various PIG activities. It is also the gateway to request funding on a PIG and is a major go/no-go decision point. The major purpose is to provide a comprehensive baseline of what has to be achieved by the PIG, how it is to be achieved, who will be involved, how it will be reported and measured, and how information will be communicated. It should be used as a reference for any decision that is made on the PIG to ensure that the management of the PIG is carried out consistently in line with policy and procedures.

## II. EXECUTIVE SUMMARY

### A. PIG Purpose and Scope

The goal and purpose of the PIG articulates the PIG to OHA's ongoing work and strategic priorities. Development of future policies is recommended to adhere to the scope as agreed to by the PIG team in the identification of the policies outlined here and in the subsequent measures needed to take to maintain the policies. The planning work assures Trustees and Administration staff the ability to maintain and grow its assets for programs related to the betterment of the conditions of Native Hawaiians.

#### 1. Goal/Purpose

There will be the creation of a unified policy framework of OHA BOT T-level fiscal policies that will assist the Trustees in fulfilling their fiduciary duties in alignment with OHA's mission of ensuring the long-term viability of the Native Hawaiian Trust Fund and maintaining the principal while producing large, stable, predictable spending for the betterment of present and future generations of Native Hawaiians.

#### 2. Scope/Definition

OHA will have a central electronic location with all updated comprehensive T-level fiscal processes, policies, and procedures, in the areas of Spending, Debt, Investments, Land Assets, and Economic Development that will be comprehensive and in alignment with one another.

Additionally, to ensure the continuous maintenance of the T-level fiscal policies and procedures framework, a compliance function, internal audit function, and training is recommended for Trustees, Resource Management Committee leadership, Trustee Aides, and Administration.

### B. Baseline Current State

The baseline current state of the PIG is the clearly defined starting point for the commencement of the PIG and provides a fixed reference point to measure and compare the PIG's progress against. This allows the PIG team to assess the performance of the PIG over time. The baseline details the requirements of the PIG and seeks to articulate the problem that the PIG is trying to solve. It is highly recommended that the PIG refers to this portion of the report to ensure that the PIG team is actively engaged in meeting these requirements and rectifying the problems identified in the current assessment of the baseline state. The PIG's findings regarding current assessments of the current baseline state are as follows:

- Some T-level financial policies that **exist are in outdated forms, others that are contradictory, and some remain non-existent**



- The lack of a formal financial policy inventory promotes **instability and lack of continuity** causing a continuous need to reinvent responses to recurrent issues
- T-level financial policies and procedures **do not clarify and crystallize strategic intent** for fiscal management
- **Boundaries are undefined** and are often open to interpretation which **creates confusion** on actions the Board and Administration may take
- The existing T-level policies **do not promote long-term and strategic thinking**
- The T-level financial policies **do not manage risks of financial conditions**

### C. PIG Benefits and Drivers

Identified benefits that improve policy would make this PIG worthwhile. Identified benefits clearly articulate the core need and reason for the PIG's existence. Tracking the benefits that arise helps PIG members ensure that they are in alignment with OHA's organizational strategies and ensure that PIG controls focus appropriately on achieving these end-goal benefits. These benefits should be considered in the performance of any possible future PIG that may focus on the execution of plans articulated in this PIG.

#### 1. Benefits

- Promote **strategic intent**
- **Protect the assets** of OHA
- **Manage the risk** to the Native Hawaiian Trust Fund
- Promote **consistency** amongst the BOT's financial activities
- Provide a **governance framework** for the BOT's financial decision making
- Articulate **roles and responsibilities** to establish operating standards and behavioral expectations
- Ensure **alignment** with other existing OHA infrastructure
- Ensure **compliance** with federal and state legal requirements and best practices

Drivers are defined as items driving the PIG to complete its work.

#### 2. Drivers

- OHA has faced continued criticism that its **land management infrastructure is inadequate**, unable to support the agency's growing portfolio, nor any future land involvements, despite an increasing demand to develop its commercial real estate activities. Without **improving its investment framework and processes** to ensure that it meets its fiduciary duties to beneficiaries, the Board will continue to lack adequate investment or financial knowledge to properly oversee its trust investments. Without addressing these issues, OHA's **current real estate portfolio will continue to be unbalanced** if revenues generated from its commercial properties are unable to offset expenses from legacy and programmatic land holdings.
- OHA is particularly susceptible to audits that evaluate OHA's fiscal policies which highlight inefficiencies within its current fiscal processes, policies, and procedures. To avoid repeating these recurrent themes, the BOT should actively ensure that **objectives are aligned and that they proactively seek diverse opportunities to increase revenues** (e.g. real estate, intangibles, etc.) while maintaining their constitutional and statutory obligations.
- The BOT should dedicate itself to preserve the intergenerational equity of its assets **despite turnover of Trustees who have varying levels of fiscal and land management knowledge**.
- In a time of increased economic hardship for our beneficiaries, there is an **increased need to explore financial growth** that will ensure funding for needed programs for our beneficiaries. These economic hardships highlight an increased need to pursue more proactive funding measures such as Public Land Trust (PLT) revenue.
- **Increased compliance** with legal (statutory and regulatory) measures and best practices of similarly situated trusts and other organizations is needed.



- OHA's **Board Governance Framework and Strategic Plan** provides opportunities for alignment between these financial policies and new measures of governance reform.

#### **D. PIG Stakeholders**

PIGs are influenced by many stakeholders. Stakeholders are invested in the PIG as they will be affected by decisions made by the PIG team at any point along the way; their input can directly impact the outcome of the PIG. Stakeholders come with varied interests, perspectives, objectives, and other characteristics that play a role in the PIG's planning and executing processes. It is usually necessary and expedient to consider all PIG stakeholders during the initiating and planning phases. The key benefit of engaging with stakeholders is that it helps bring understanding to the complex subject matter of the PIG in the most effective way and identifies the actions necessary to satisfy the varied interests, needs, and perspectives of all team members.

##### **1. Internal Stakeholders**

- Board of Trustees
- Chief of Staff to the Board of Trustees
- Trustee Aides
- Board Counsel
- Resource Management (leadership and staff)
- Chief Executive Officer
- Chief Operating Officer
- Chief Financial Officer
- Land Director
- Controller
- Investments Manager
- Commercial Property Manager
- OHA Legal Counsel
- Human Resources

##### **2. External Stakeholders (as determined by the PIG)**

- Professional Services (e.g. subject matter experts who are not employees of OHA)
  - Financial consultants (e.g. money managers)
  - Policy consultants
  - Other individuals/firms in selected financial sectors identified through the stakeholder analysis workshops
  - Portfolio governance committees
  - Voluntary Investment Advisory Committees
  - Partners for future public-private partnerships for new economic development and real estate ventures
  - Philanthropy sector advisors
  - Ali'i Trusts and other Native Hawaiian serving organization
- Beneficiaries

#### **E. Resources**

PIG resources are the people, capital, and/or material goods required for the successful execution and completion of the PIG. Commencement of the remaining work on the PIG is dependent on whether the BOT appoints a PIG to execute the work as outlined in this report. Resources for PIGs can be determined at the time of a PIG's appointment.



## F. Communication Agreements

The PIG Communications Agreement facilitates PIG communication and expectations among all team members. The PIG team developed appropriate approaches and planned for communications activities based on the information needs of each stakeholder on this PIG and the needs of PIG members. The Agreements describe how communications are planned, structured, monitored, and controlled. Some of the content from the Agreements can be found below. To ensure successful internal communication, it is recommended that all team members and assigned stakeholders follows the Communications Agreements outlined above to enable an efficient and effective flow of information between the PIG team members and stakeholders assigned to work on the PIG team.

- Status updates are provided to the PIG Manager
- Documents, reports, and action items will be drafted by the PIG Manager and will be forwarded to the PIG Sponsor for approval
- PIG communications include status updates and subsequent reports to both Administration and the Trustees that are members of the PIG

## G. Key Milestones

Key milestones provide for subsequent actions that need to be taken at the planning level (BOT) and execution level (Administration) should the Trustees decide to appoint a future PIG.

### 1. Planning (BOT Actions):

The PIG outlined the subsequent steps that need to be completed by the BOT for the planning of this PIG to be completed. The final PIG Report will be prepared for PIG Chair Lee by October 15, 2020 for presentation before the full BOT at the following meetings:

- **October 22, 2020 (PIG Report presented to the Board of Trustees. There will be no discussion at this time.)**
- **October 29, 2020 (full and free discussion with Board of Trustees on PIG Report)**

## H. Risks of Not Continuing with the PIG

Risks are uncertain events or conditions that have a negative or positive effect on a PIG's objectives. PIG members sought to increase the likelihood and impact of positive events and decrease the likelihood and impact of negative events. The PIG team identified potential risks, the probability that the risk event would occur, and the impact of such risks should the risks have come to fruition. Monitoring these high probability, high impact risks ensure that risks are mitigated throughout the work period and that issues that could jeopardize the future of the PIG's schedule, resources, or scope/quality of the work do not come to fruition. Below are three high probability, high impact risks identified by PIG members:

- With a **reorganization** of the Board of Trustees, it will be important that the both the Chief of Staff of the Board of Trustees and the Resource Management leadership and staff remain engaged in the progress of the development of the fiscal policies and procedures since a change in board and/or committee leadership will lead to a "learning curve" for those in potential new positions. This includes ensuring that BOT staff prepare materials for comprehensive BOT workshops to discuss these policies in order to ensure Trustees have the proper tools to make informed decisions on fiscal matters in alignment with their role as fiduciaries and to **secure commitments** from trustees.
- The writing, drafting, and integration of these policies will not be enough to ensure the success of the PIG; **proper internal controls and a compliance monitor will be needed** to ensure that OHA maintains its commitment to a centralized inventory with updated, comprehensive, streamlined T-level fiscal policies and related consistent practices to proactively manage risks.
- **The Board currently does not have the subject-matter expertise needed in investment and fiscal matters.** The Board is obligated to follow The Uniform Prudent Investor Act (UPIA); therefore, the Board must continue to rely on advisory committees that may assist them in evaluating the advice it receives



from its money managers, investment managers, and policy consultants. As portfolio advisors to the BOT, these governing committees must be given the proper deference and necessary consideration.

## **I. PIG Human Resource Recommended Estimates**

The PIG team estimated the processes involved in planning and managing the recommended human resources estimates needed for this PIG. All policies should be developed concurrently using different compositions of teams with the proper subject-matter expertise. Upon completion of the policies and approval of these policies by the BOT, the completion of other deliverables may be executed by Administration. It is recommended that the rest of the deliverables should be developed subsequently using different teams with the proper subject matter expertise.

### **Human Resources/Contractor/Staff Resource Estimates:**

- **PIG Management Deliverables – 6 months** (suggested resource: PIG Manager)
- **T-Level Fiscal Policies – 3 months**
  - Spending Policy – 3 months
  - Debt Policy – 3 months
  - Investment Policies – 3 months
  - Land Assets Policies – 3 months
  - Economic Development Policy – 3 months
- **T-Level Fiscal Policy Procedures – 2 months** (suggested resource: CEO)
  - Spending Policy Procedures – 2 months
  - Debt Policy Procedures – 2 months
  - Investment Policies Procedures – 2 months
  - Land Assets Policies Procedures – 2 months
  - Economic Development Policy Procedures – 2 months
- **T-Level Fiscal Policy Framework – 2 months** (suggested resource: CEO, sub-deliverable owners: CFO and IT)
  - T-Level Fiscal Policy Repository – 2 months
  - Project Portfolio Management framework for T-Level Fiscal Policies and Procedures – 2 months
- **Compliance Function – 2 months** (suggested resource: CEO)
- **Internal Audit Function – 2 months** (suggested resource: CEO)
- **Training Function – 2 months** (suggested resource: CEO, sub-deliverable owners: HR and CC)

## **J. Quality Metrics**

Quality Metrics provide detailed and specific measurements about the PIG and how its deliverables should be measured. Metrics are consulted in the quality assurance process to ensure that the processes used will meet the metrics. The deliverables or processes are measured to determine if the result is acceptable or if corrective action or rework is required. The following are the key metrics that the team believes will define successful T-level fiscal policies:

- One comprehensive and updated **Debt Policy** with complementary implementation procedures compliant with legal requirements and aligned with various debt strategies that address core vs. non-core functions and specify internal processes and responsibilities for obtaining debt approval from the board as well as managing and monitoring approved debt
- Comprehensive and updated **Investment Policies** with complementary implementation procedures developed for securities and real estate that identify realistic investment targets and manage financial assets for active returns, favoring niche opportunities, and differential strategies, including Hawai'i direct investment opportunities



- Comprehensive and updated **Land Asset Policies** with complementary implementation procedures provide for proper allocation of revenues from both its legacy lands and commercial properties to manage commercial real estate primarily for long-term returns from lease rents, create value through asset management, and planning within OHA's Strategic Plan
- One comprehensive and updated **Economic Development Policy** with complementary implementation procedures that have unified objectives to promote opportunities that provide for an increased generation of revenues with due diligence
- One **Spending Policy** with complementary implementation procedures that are in alignment with the Board governance framework and identify core and non-core functions, resolve conflicting spending policy objectives, discuss the need for and role of reserve funds, and resolve comingling of funds

**K. Procurement Needs**

No procurement need was identified.



# Fraud Risk Assessment Overview



## *Discussion Leaders:*

Jonathan T. Marks, CPA, CFF, CFE

David S. Zweighaft, CPA, CFF, CFE



## Disclaimer

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# Objective

## What Is the Objective of a Fraud Risk Assessment?

In the simplest terms, the objective of a fraud risk assessment is to **help an organization recognize what makes it most vulnerable to fraud**. Through a fraud risk assessment, the organization is able to identify **where fraud is most likely to occur**, enabling **proactive measures** to be considered and implemented to reduce the chance that it could happen. The strategic reasoning used in conducting a fraud risk assessment requires **a skeptical mindset** and involves asking questions such as:

- How might a fraud perpetrator exploit weaknesses in the system of controls?
- How could a perpetrator override or circumvent controls?
- What could a perpetrator do to conceal the fraud?



## Key Players!





## Boeing, Caremark, and the Board

Current and former Boeing Co. directors have reached an approximately \$225 million agreement to settle a shareholder lawsuit that claimed the plane maker's board failed to oversee management!

The settlement **isn't expected** to include an admission of wrongdoing on the part of the directors, including Chief Executive Officer, a director since 2009, was among board members who oversaw management.

Board of  
Directors



Fraud  
Risk



## The Board is Ultimately Responsible!

The implications of *Boeing*, *Blue Bell*, *Clovis*, and *Hughes* have to be considered.

The risks for corporate board members are increasing – **board members must be active, engaged, and attend to compliance programs and relevant key risks (including fraud) or face personal liability.**





# COSO – May 2013 Updated Integrated Framework

The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”)’s original internal control framework considered fraud, although the discussion of anti-fraud expectations and the relationship between fraud and internal control was less prominent. **The updated framework, published in May 2013, contains considerably more discussion on fraud and also considers the potential of fraud as a principle of internal control.**

## Risk Assessment (COSO 2013 Principles 6-9):

6. The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
8. **The organization considers the potential for fraud in assessing risks to the achievement of objectives.**
9. The organization identifies and assesses changes that could significantly impact the system of internal control.

## COSO 2013 Framework

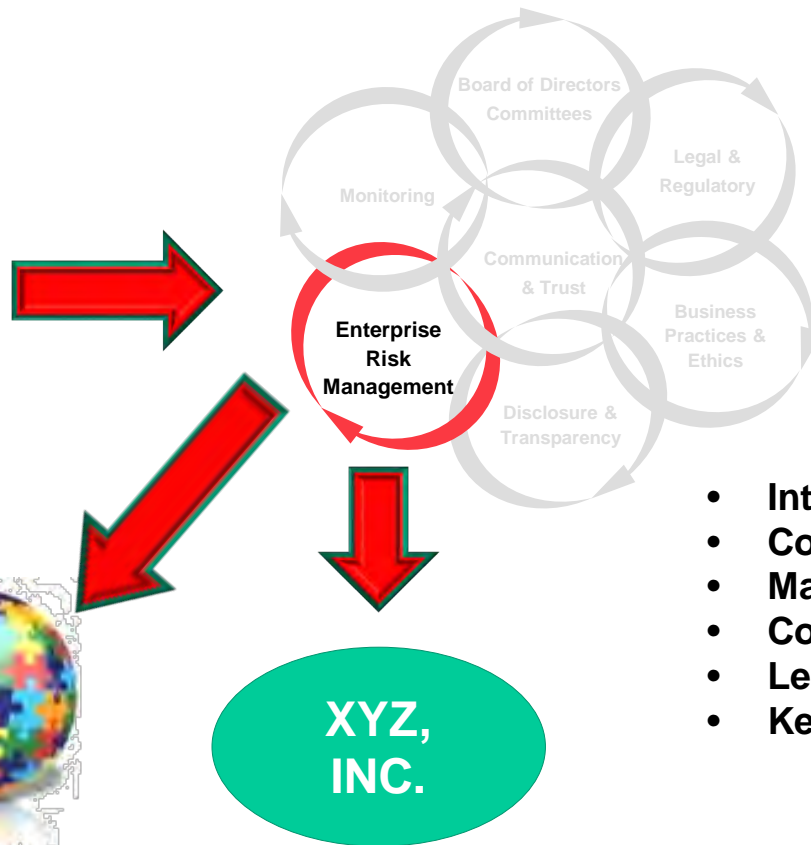
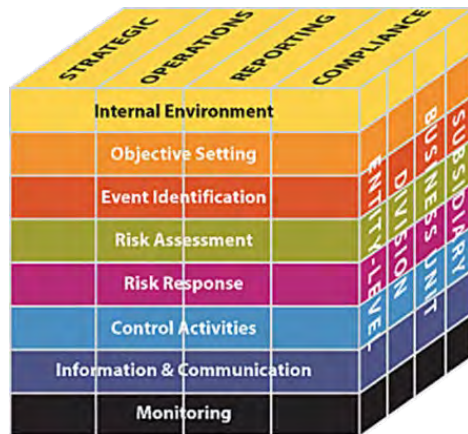




# COSO and Enterprise Risk Management

COSO's Framework emphasizes managing risks across the enterprise using common methods and processes. It advocates integrating risk management functions to improve performance, becoming more cost effective and strategic over time. **The challenge lies in aligning risk management practices with anti-fraud measures. Fraud should be considered internally and externally, forming an extended enterprise.**

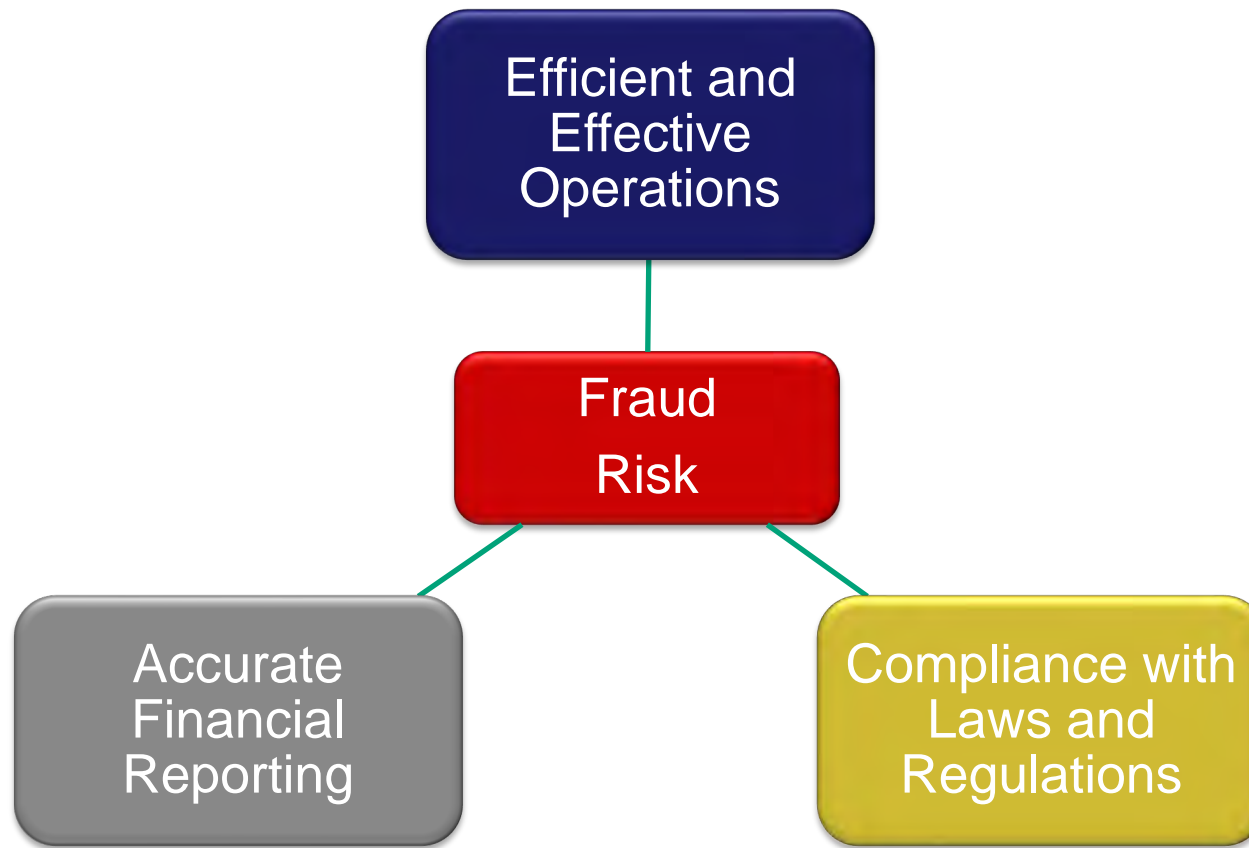
## ERM Framework



- Internal Audit
- Controls Group
- Management
- Compliance
- Legal
- Key Stakeholders



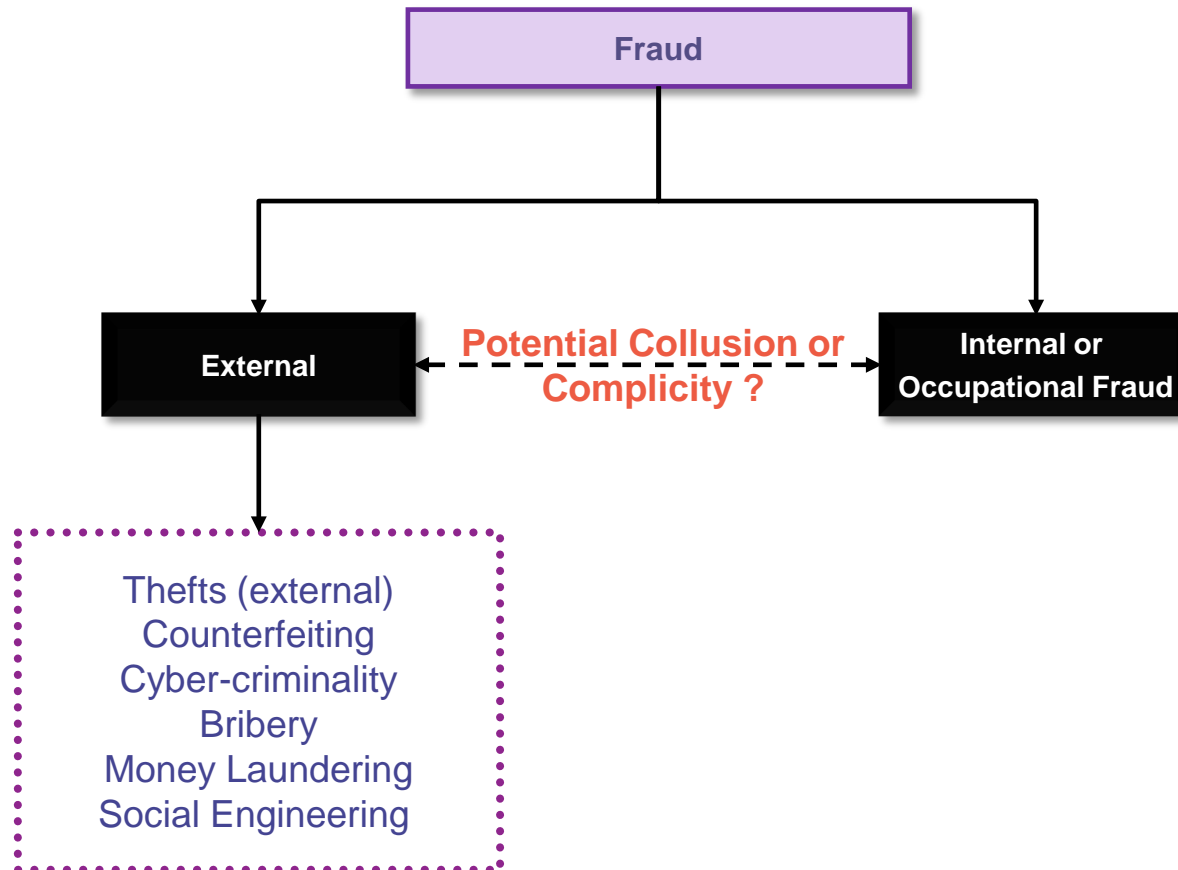
# Consideration of Fraud Risk Within COSO's Three Primary Objectives





# Types of Fraud

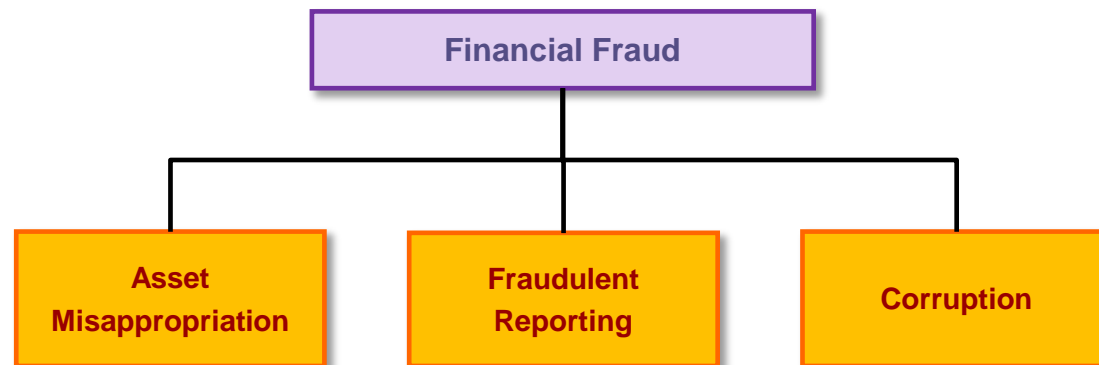
Fraud could be internal or external including collusion...



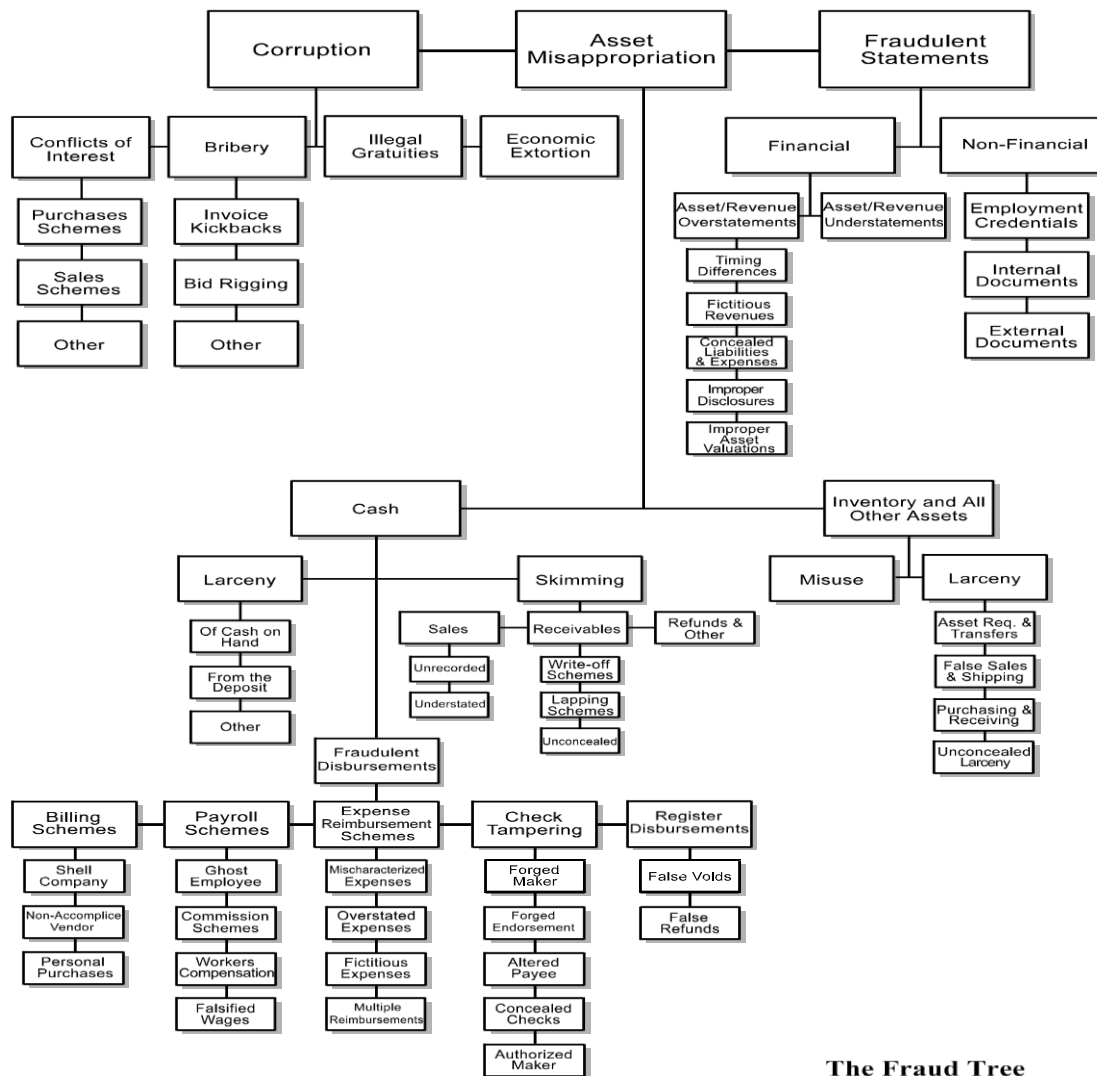


## Types of Fraud

- Asset Misappropriation – Embezzlement or misuse of Company Assets for personal gain
- Fraudulent Financial Reporting – Misrepresenting financial information for management and/or external reporting
- Corruption – Conflicts of Interest, Bribery, Illegal Gifts, Economic Extortion







The Fraud Tree



# New Way of Thinking about Fraud



## Business Fraud Risk Framework

- Conflicts of Interest
- Illegal Political Contributions
- Insider Trading
- Misuse of Company Assets
- Related Party Fraud
- Security Frauds
- Stock Option Manipulation

- Kickbacks / Overpayments
- Refunds / Other
- Theft (cash or inventory)
- Warranty / Exchange

- Bid Rigging
- Billing Schemes (duplicate)
- Illegal Gratuities
- Kickbacks
- Non-Accomplice Vendor
- Overcharging
- Substitution of Goods and/or Service



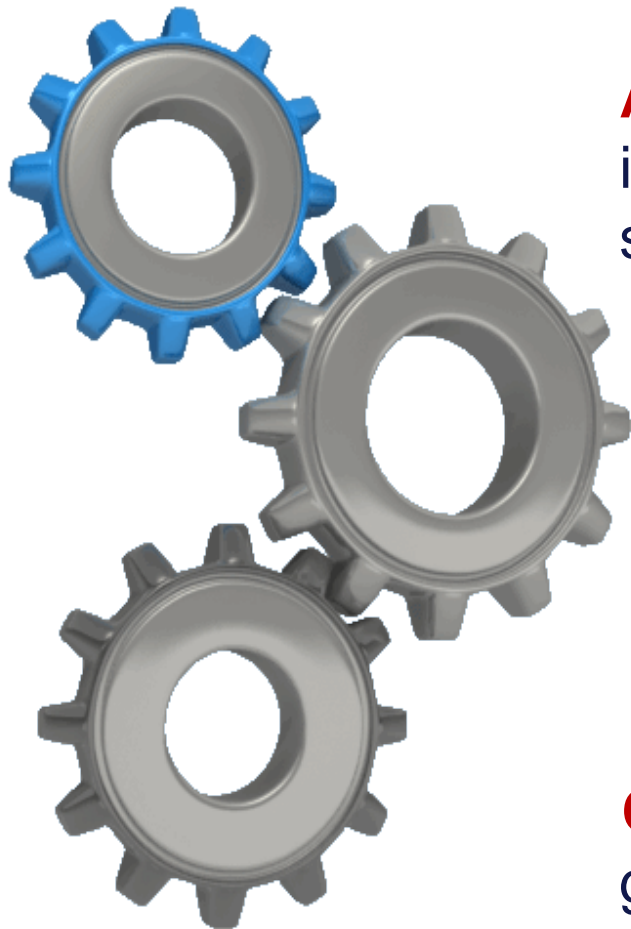
- Asset Overvaluation
- Bill and Hold
- Channel Stuffing
- Entity or Off-Balance Sheet
- Estimates or Judgments
- Expense Manipulation
- Financial Statement Fraud
- Fraudulent Reporting/ Disclosure
- Holding periods open
- Intercompany
- Improper Capitalization of Expenses
- Improper Charitable Contributions
- Improper Labor Practices
- Investing or Ponzi Schemes
- Lease / Special Purpose
- Liability Underreporting
- Misappropriation of Assets
- Money Laundering
- Price fixing
- Purchase / Credit Card
- Related Party Fraud
- Returns / Allowances
- Revenue Manipulation / Recognition
- Significant Event or Crisis
- Tax Evasion
- Timing Differences/Matching
- Valuation
- Warranties

- Bogus Sales
- Bribery
- Check Kiting or Tampering
- Collusion
- Commissions Schemes
- Cyber Incidents
- Falsified Wages
- Fraudulent Time Reporting
- Ghost Employees
- Identify Theft
- Inappropriate Promotions / Bonuses
- Lapping Schemes
- Personal Purchases
- Sales Skimming
- Shell Companies
- Theft
- Write-off Schemes

Many of the schemes can be perpetrated by several of the listed groups; for sake of brevity, each scheme is listed only once on this framework. Fraud schemes may be internal and/or external to an organization and may be applicable to multiple industries.



## Components of a Fraud



**Act** or actions that can be internal or external (fraud schemes)

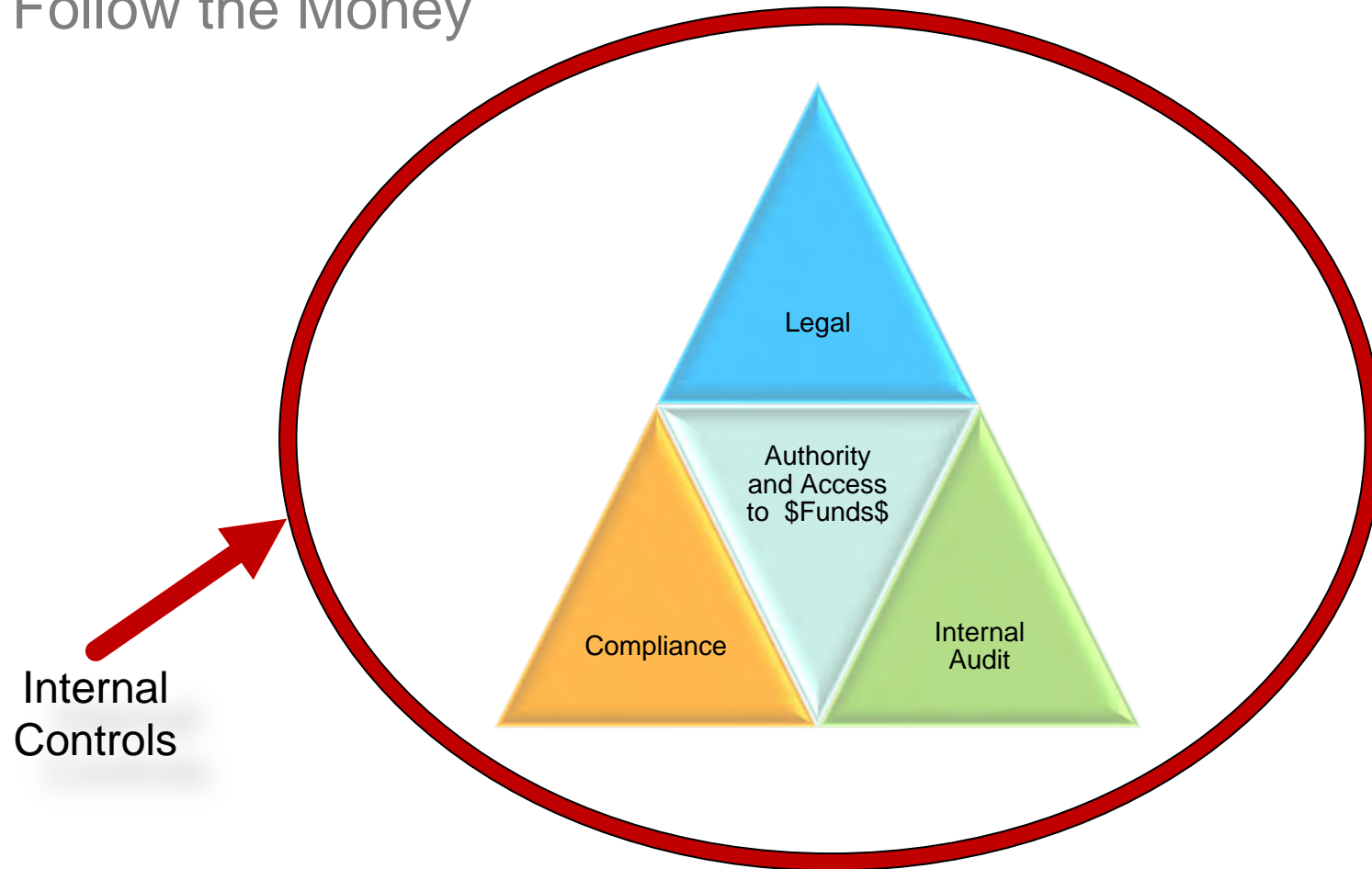
**Concealment**  
(deception or deflection)

**Conversion** of the ill-gotten gains – Follow the \$Money\$





## Follow the Money





## Definition of Internal Control

An “internal control” is an action, or a process of interlocking activities designed to support the policies and procedures detailing the specific preventive, detective, corrective, directive, and corroborative actions required to achieve the desired **process outcomes** or the **objective(s)**.

This, along with *CHECKS AND BALANCES* that could include continuous monitoring, continuous auditing, and training, reasonably assures:

The achievement of the process objectives linked to the organization’s objectives

- Operational effectiveness and efficiency
- Reliable (complete and accurate) books and records (financial reporting)
- Compliance with laws, regulations, and policies
- The reduction of risk: **fraud**, waste, and abuse

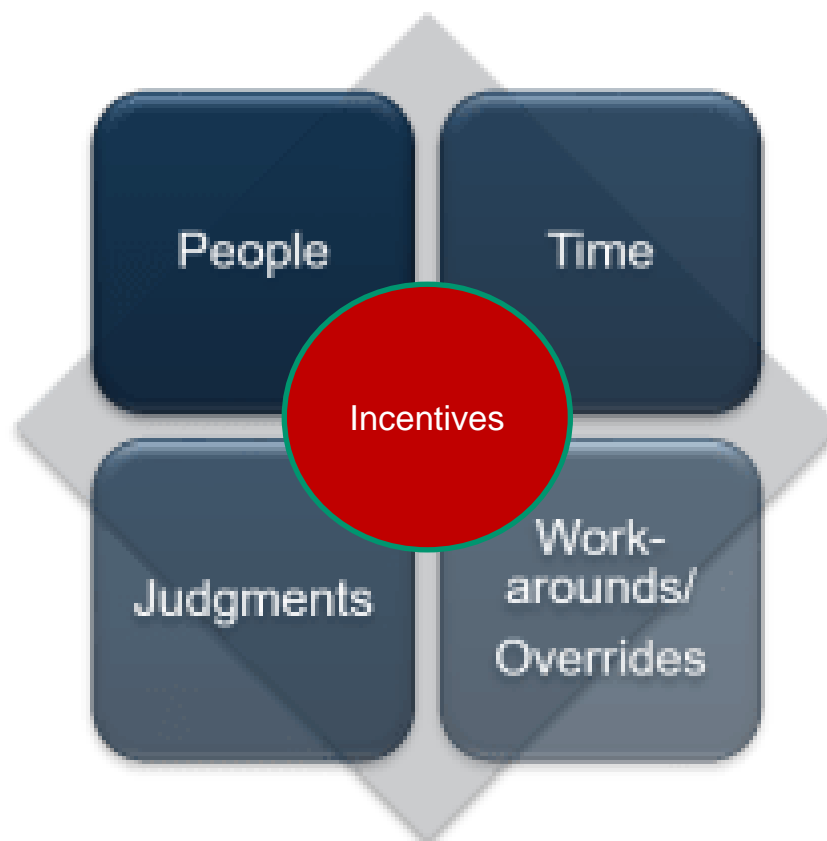
*Aids in the decline of process and policy variations leading to more predictive outcomes*



# Control Design

- How often do we hear that controls were not properly designed?
- What do we believe is the cause?
- Is the business really engaged?
- What can you do to help ensure controls are in place and operating effectively?

## Enemies of Controls





## What Makes a Good Fraud Risk Assessment?

A good fraud risk assessment is one that **fits** within the culture of the organization, is **sponsored** and **supported** by the right people, encourages everyone to openly participate, and is generally **embraced** throughout the business as an important and **valuable** process.

Conversely, a fraud risk assessment that is conducted without these conditions will have inferior results.



## A Good Working Knowledge of the Business and Industry

The individuals leading and conducting the fraud risk assessment need to have a better than good **working knowledge of the business** and industry

Every organization is unique; even companies that appear similar have characteristics that differentiate them—and their fraud risks—from their competitors.

Some of those differences can be obvious, whereas others are more subtle.

Seek help from subject matter experts!



# Considerations for Developing an Effective Fraud Risk Assessment

A fraud risk assessment is only effective if the organization embraces it and uses the results to monitor, change, or influence the factors that put the company at risk for fraud.

Factors that should be considered during the development of the fraud risk assessment include:

- Packaging it right
- One size does not fit all
- Keeping it simple

*Warning! Often times companies DON'T really want a fraud risk assessment! The exercise starts and then is redirected, delayed, or squashed.*



## Preparing the Company for the Fraud Risk Assessment

Properly preparing the company for the fraud risk assessment is critical to the assessment's success. The **culture of the organization** should influence the approach used in the fraud risk assessment preparation. The goals of the preparation should be to:

- Assemble the right team to lead and conduct the fraud risk assessment.
- Determine the best techniques to use in conducting the fraud risk assessment.
- Obtain the sponsor's agreement on the work to be performed.
- Educate the employees and openly promote the process.
- Inform the Board.



# Assemble the Right Team to Lead and Conduct the Fraud Risk Assessment

The team members can include **internal** and **external** resources such as:

- Accounting, and finance personnel who are familiar with the financial reporting processes, internal controls, gaps or weaknesses, and failures.
- Nonfinancial business unit and operations personnel who have knowledge of day-to-day operations, customer and vendor interactions, and issues within the industry
- Risk management personnel who can ensure that the fraud risk assessment process integrates with the organization's enterprise risk management program (harmonization)
- The general counsel or other members of the legal department
- Members of any ethics or compliance functions within the organization
- Internal auditors
- External consultants with fraud and risk expertise
- Any business leader with direct accountability for the effectiveness of the organization's fraud risk management efforts



## Determine the Best Techniques to Use in Conducting the Fraud Risk Assessment

There are many ways to conduct a fraud risk assessment. Picking a method or combination of methods that is **culturally right** for the organization will help to ensure its success. The assessment team should also consider the best ways to gather candid information from people throughout all levels of the organization, starting by understanding what techniques are commonly and effectively used throughout the organization.

- Interviews
- Brainstorming sessions
- Focus groups
- Surveys
- Anonymous feedback mechanisms



## Some Sources for Identifying the Universe of Risks

### External Sources

- Surveys (ACFE, IIA Compliance Week, AICPA, IFP, Audit & Consulting Firms)
- Geographical/Political
- Industry comparisons
- External auditors
- Third party relationships

### Internal Sources

- Management
- Employees
- Analytical procedures
- Employee surveys
- Business risks
- ERM results
- Investigations
- Internal Audit reports
- Compliance Data
- Hotline Data



# Business Fraud Risk Framework

- Conflicts of Interest
- Illegal Political Contributions
- Insider Trading
- Misuse of Company Assets
- Related Party Fraud
- Security Frauds
- Stock Option Manipulation

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- Personal Purchases
- Sales Skimming
- Shell Companies
- Theft
- Write-off Schemes

Many of the schemes can be perpetrated by several of the listed groups; for sake of brevity, each scheme is listed only once on this framework. Fraud schemes may be internal and/or external to an organization and may be applicable to multiple industries.



## Reporting the Results of the Fraud Risk Assessment

- The success of the fraud risk assessment process hinges on how effectively the results are reported and what the organization then does with those results.
- A poorly communicated report can undermine the entire process and bring all established momentum to a halt.
- The report should be delivered in a style most suited to the language of the business. If management prefers a succinct PowerPoint presentation, the fraud risk assessment team should not deliver a thirty (30) page Word document.



## Look for Fraud in High-Risk Areas – Red flags

An internal audit or investigative team within the organization can use the results of the fraud risk assessment to identify high-risk processes or activities and unusual transactions that might indicate fraud. They can also use the “**red flags**” to tune their procedures to look for fraud.

This practice can also provide some reassurance if the subsequent search for fraud reveals that, despite the assessed risk, fraud does not appear to be occurring at that point in time. Management should remember, however, that just because there is no evidence that fraud is occurring in the present, the risk that it could occur in the future is not eliminated.

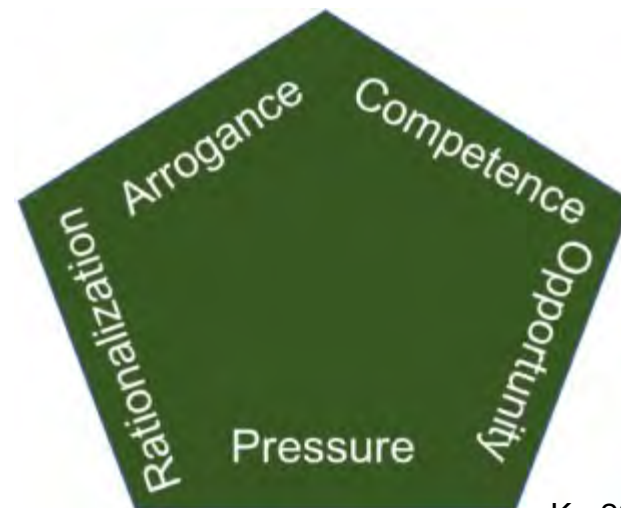


# Fraud Pentagon™

1950's  
Focused on middle  
management  
“Ordinary People”



2015  
CEO, CFO, CCO... larger fraud  
schemes  
“Today's Fraudster”



K - 28



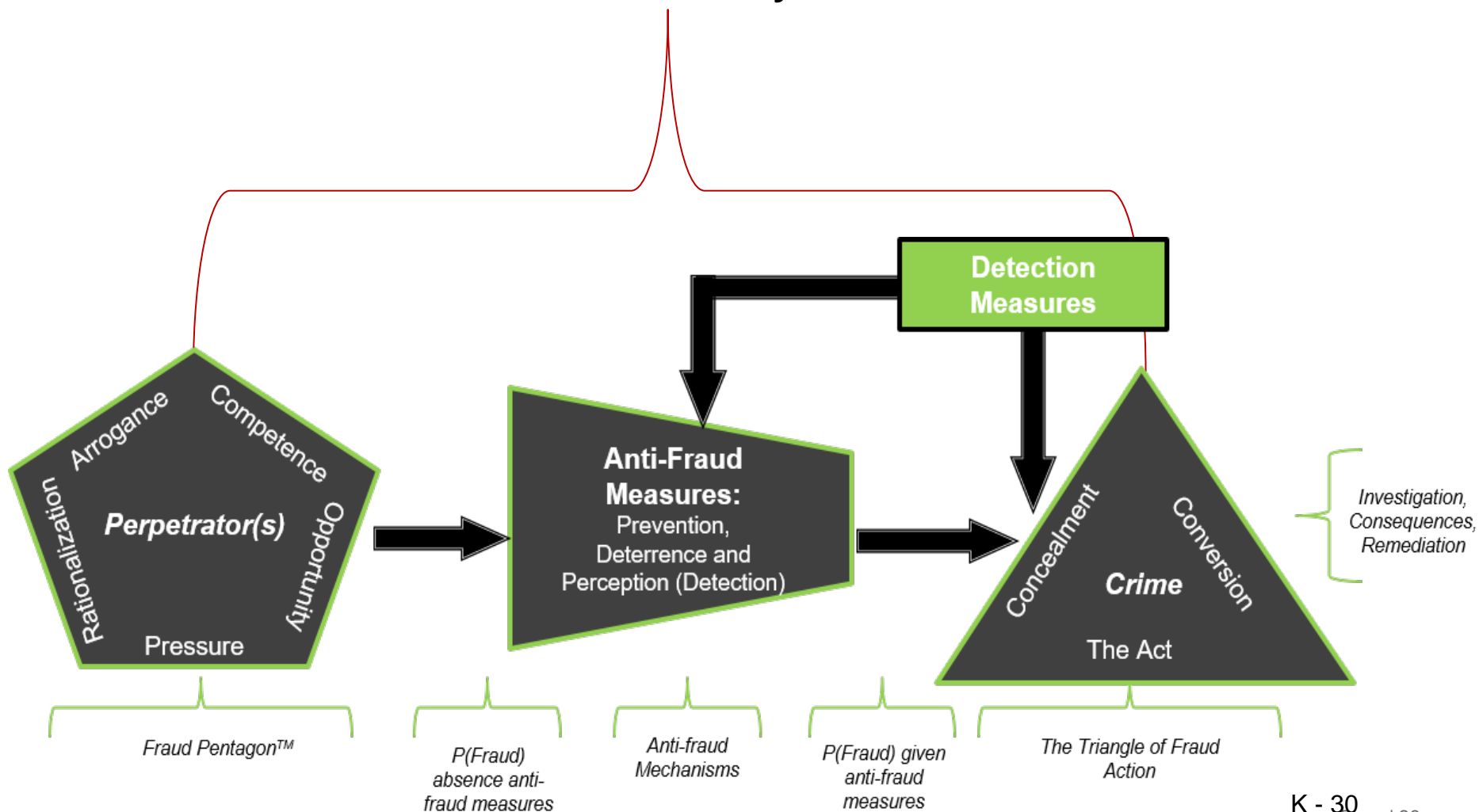
## Five Elements of the Fraud Pentagon

- ✓ **Arrogance** Arrogance or lack of conscience is an attitude of superiority and entitlement or greed on the part of a person who believes that internal controls simply do not personally apply.
- ✓ **Competence** Competence is an employee's ability to override internal controls, develop a sophisticated concealment strategy, and to control the social situation to his or her advantage by selling it to others.
- ✓ **Opportunity** Weak controls provide the opportunity for a person to commit fraud.
- ✓ **Pressure** There is a motive to commit and conceal a fraud
- ✓ **Rationalization** Not an ex post facto means of justifying a theft or fraud that has already occurred.



# Advanced Meta-Model of Fraud

Probability





## Culture

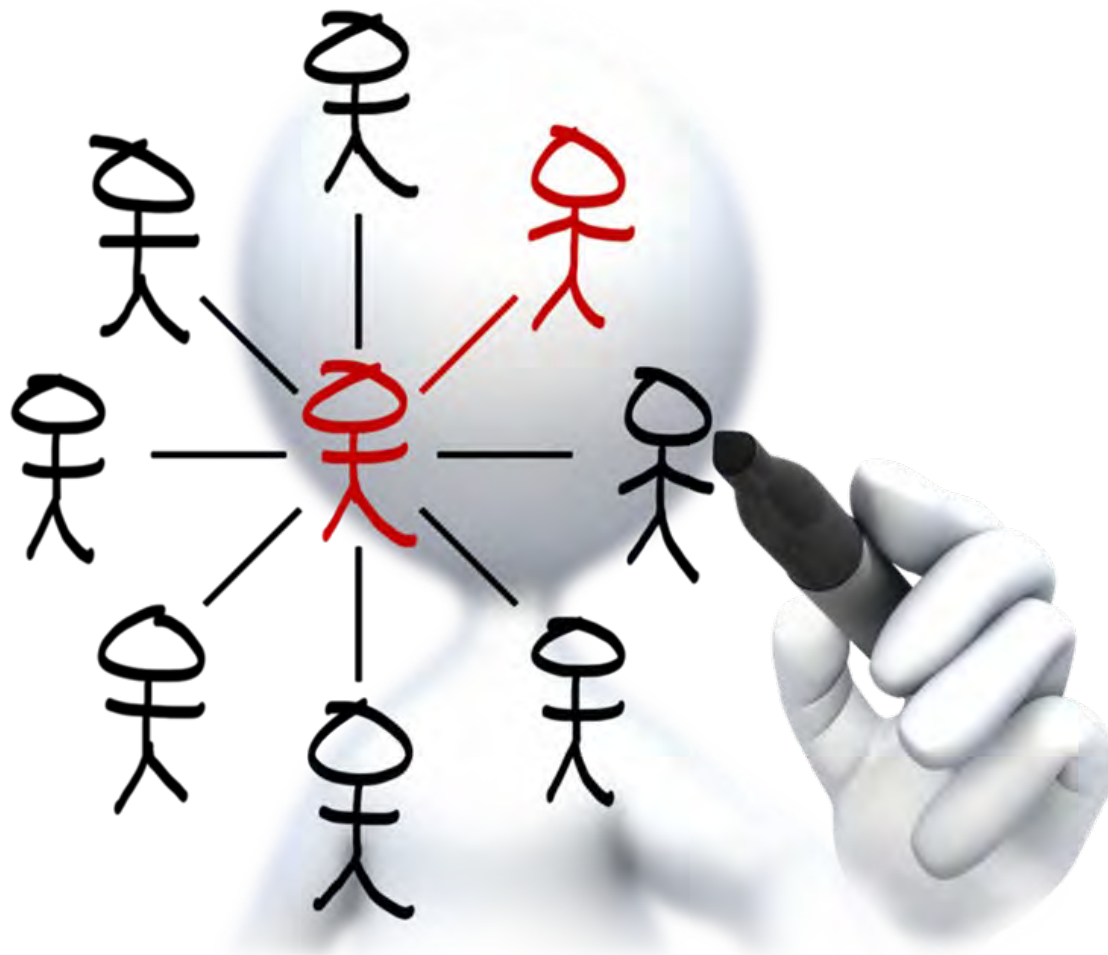


## What we should look for...

- Unhappy
  - Poorly compensated
  - Poorly treated
- Distracted by outside issues
- Believe leadership is dishonest
- Afraid to lose job (fear)



## Gatekeepers





## ABC Theory





# Sample Steps in the Assessment Process

1. Identify, Understand, and evaluate the company's operating environment and the pressures that exist.
2. Identify the business processes and consider differences across the organization.
3. Identify the Process Owner for each Process.
4. Review prior Frauds and Fraud Experience for the process being evaluated.
5. Identify how Fraud may occur (fraud schemes) in each process and at each location through interviews and meetings (Who, What, Where, When, Why, and How)
6. Look at the potential fraud manifestations (scenarios) within each process and location.
7. Identify the parties and profile the individuals who have ability to commit the potential fraud. Process Owners, Gatekeepers, etc. – Competence and Arrogance
8. Evaluate the likelihood that each of the identified frauds could occur and be significant as well as the persuasiveness of the potential fraud without considering controls and possibility of management override of those controls.
9. Consider the strategy to commit and conceal the fraud and the conversion to determine the effort / controls required to prevent, detect and deter the fraud
10. Identify red flags by reviewing the fraud schemes, scenarios, concealment strategy, and conversion
  - Data
  - Documents
  - Lack of controls
  - Behavior
11. Determine the appropriate audit response and investigate the characteristics of potential fraud manifestations within each process identified, where "Residual Fraud Risk" exists.
12. Remediate fraud risk by designing control activities or exiting/ending the activity, relationship, etc.
13. Use the risk assessment to enhance internal audit procedures, the compliance program, and to train employees.



## Monitor Key Controls

At the culmination of a fraud risk assessment, the organization should have a clear view of both the areas where the organization is susceptible to fraud and the controls that are designed and implemented to address those weak spots.

To effectively manage the identified fraud risks, management should use the results of the fraud risk assessment to **monitor** the performance of key internal controls.

Such proactive attention will allow the identification and correction of deficiencies in control design or operation as quickly as possible.

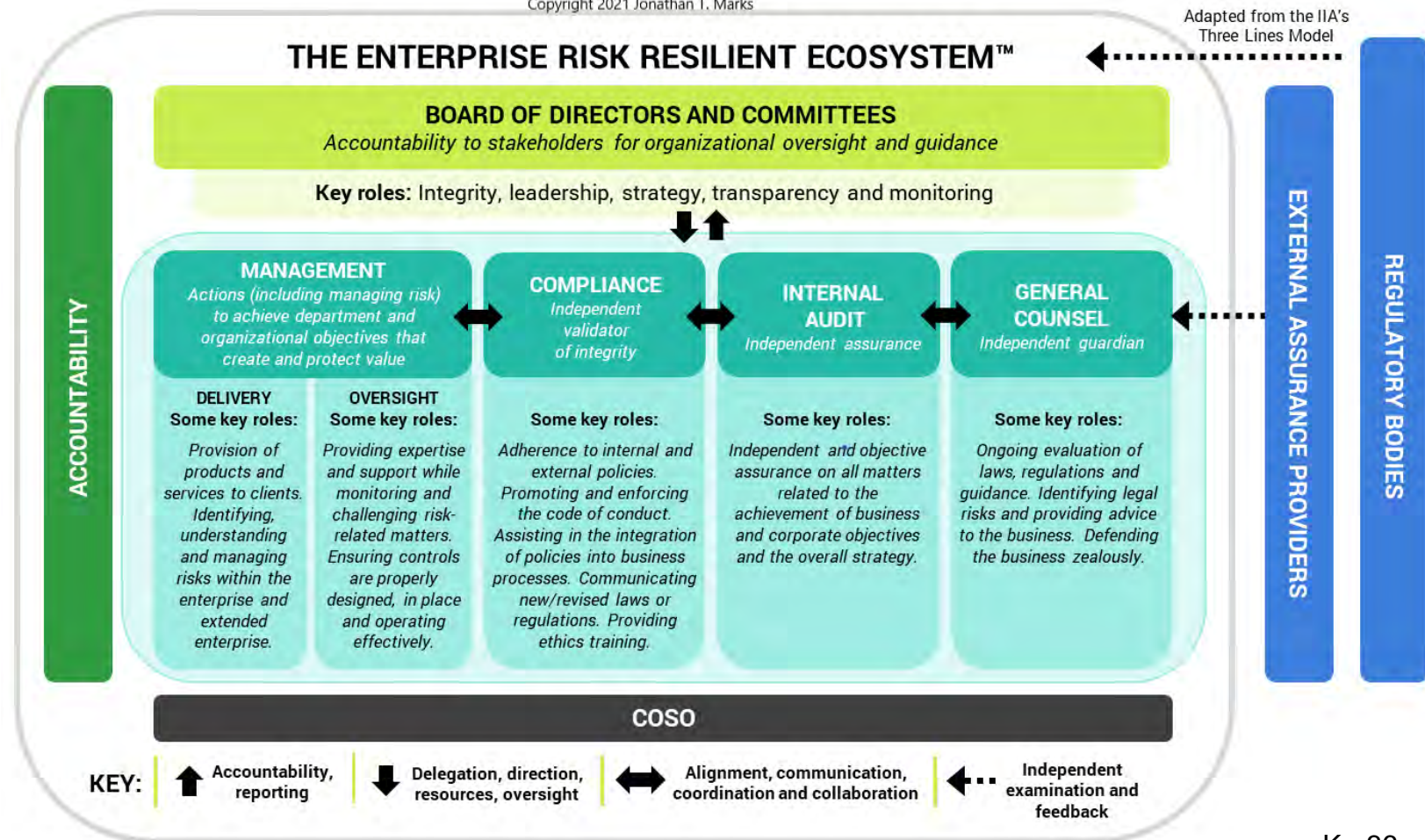
This is not a “set it and forget it” exercise!



# Goal!

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Adapted from the IIA's  
Three Lines Model





## For more information, contact:

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<https://www.linkedin.com/in/davidzweighaft/>

### Sources:

- AICPA
- ACFE
- IIA
- Other



PHONE (808) 594-1888  
Committee on Resource Management  
Trustee John Waihe'e IV, *At-Large - Chair*  
Trustee Luana Alapa, *Moloka'i / Lāna'i - Vice Chair*  
*Members*

Trustee Leina'ala Ahu Isa, *At-Large*  
Trustee Dan Ahuna, *Kaua'i / Ni'ihau*  
Trustee Kaleihikina Akaka, *O'ahu*  
Trustee Keli'i Akina, *At-Large*  
Trustee Brendon Kalei'aina Lee, *At-Large*  
Trustee Carmen Hulu Lindsey, *Maui*  
Trustee Keola Lindsey, *Hawai'i Island*



FAX (808) 594-1865

**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS**

**MEETING OF THE  
COMMITTEE ON RESOURCE MANAGEMENT (RM)**

**DATE:** Tuesday, November 30, 2021  
**TIME:** 1:30 p.m.  
**PLACE:** Virtual Meeting viewable at [www.oha.org/livestream](http://www.oha.org/livestream) OR  
Listen by phone: (213) 338-8477,  
Webinar ID: 819 5083 9126

**Due to the threat of COVID-19, Governor Ige issued the most recent Emergency Proclamation Related to the State's COVID-19 Delta Response, dated October 1, 2021, that suspends parts of Hawai'i Revised Statutes Chapter 92, Public Agency Meetings and Records to, among other things, enable boards to conduct business without any board members or members of the public physically present at the same location.**

**The OHA Board of Trustees and its Standing Committees will hold virtual meetings until further notice. The virtual meetings can be viewed and observed via livestream on OHA's website at [www.oha.org/livestream](http://www.oha.org/livestream) or listen by phone: (213) 338-8477, Webinar ID: 819 5083 9126**

**AGENDA**

**I. Call to Order**

**II. Public Testimony on Items Listed on the Agenda\***

(Please see page 2 on how to submit written testimony or provide oral testimony online.  
Oral testimony by telephone/landline **will not** be accepted)

**III. Approval of Minutes**

None

**IV. Unfinished Business**

None

**V. New Business**

A. ACTION ITEM RM #21-18: Accept and Implement the Recommendations Implementation Report for CliftonLarsonAllen OHA & LLCs Contract and Disbursement Review, November 2021

B. Presentation: Legacy Land Program & Portfolio, Wahiawā Lands – Kalani Fronda, Land Director

**VI. Announcements**

**VII. Adjournment**



- I. Welina
- II. Highlight FY22 Priorities
- III. Background
- IV. Project Updates
- V. Next Steps
- VI. Q & A



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## **AGENDA**



# Wahiawā Lands (Kūkaniloko)

*Birth Stones of High Ranking Ali'i*

**Location:** Wahiawā, O'ahu

**Size:** 511 Acres

**Zoning:** Ag-1

**Acquired:** 2012

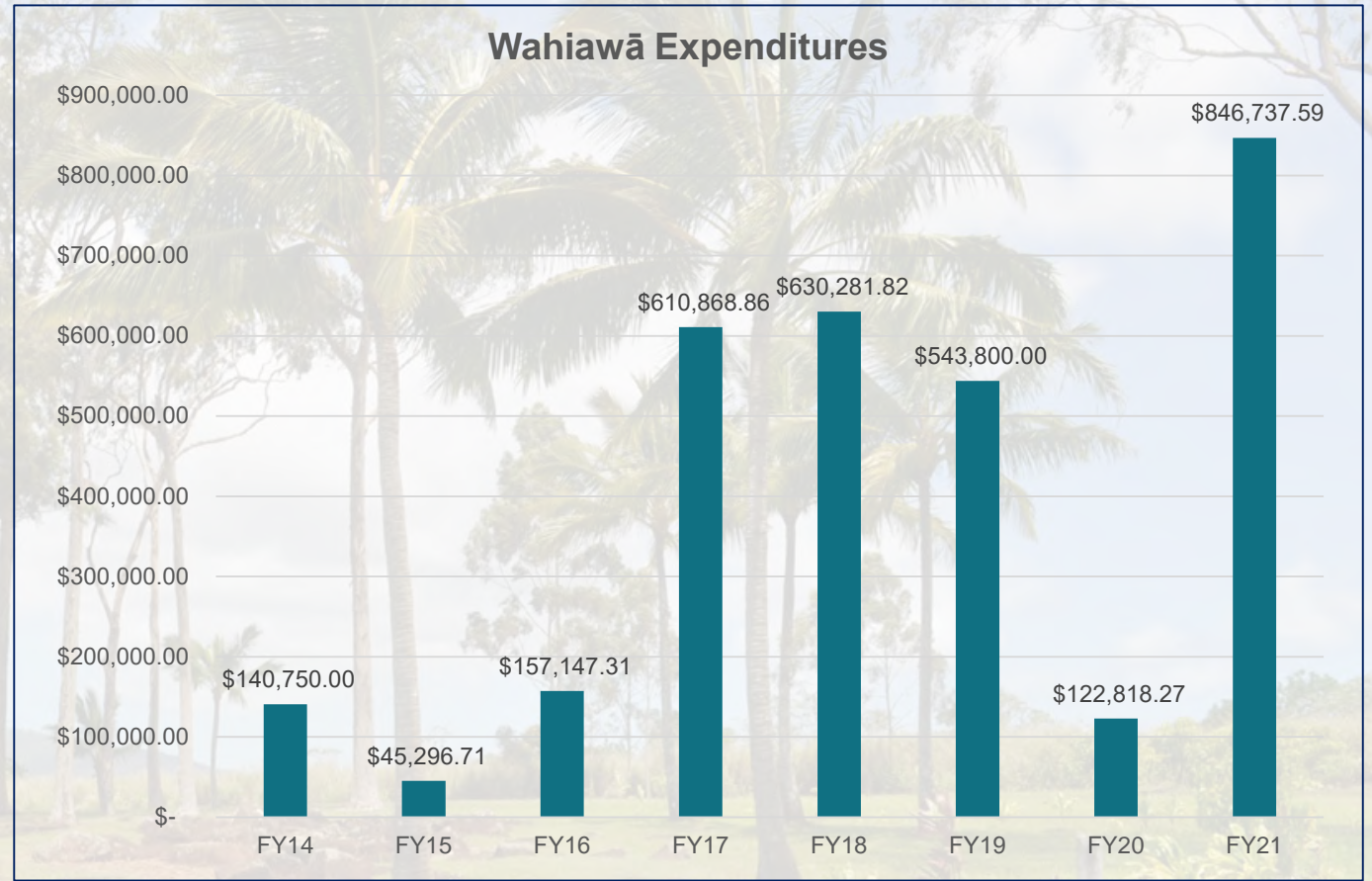
**Ownership:** Fee Simple

**Purchase Price:** \$3 million

**Special Conditions:** Conservation Easement

**Purpose of Acquisition:**

- Protect Kūkaniloko;
- Explore compatible agriculture;
- Contribute to Hawai'i's food sustainability.





## **FY2022 Priorities**

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- ✓ **CMP Synthesis Via UHCDC Partnership**
- ✓ **Complete Conceptual Designs of CMP Facilities**
- ✓ **Environmental Assessment**
- ✓ **Eucalyptus Tree Removal**
- ✓ **Native Forest Restoration Projects**

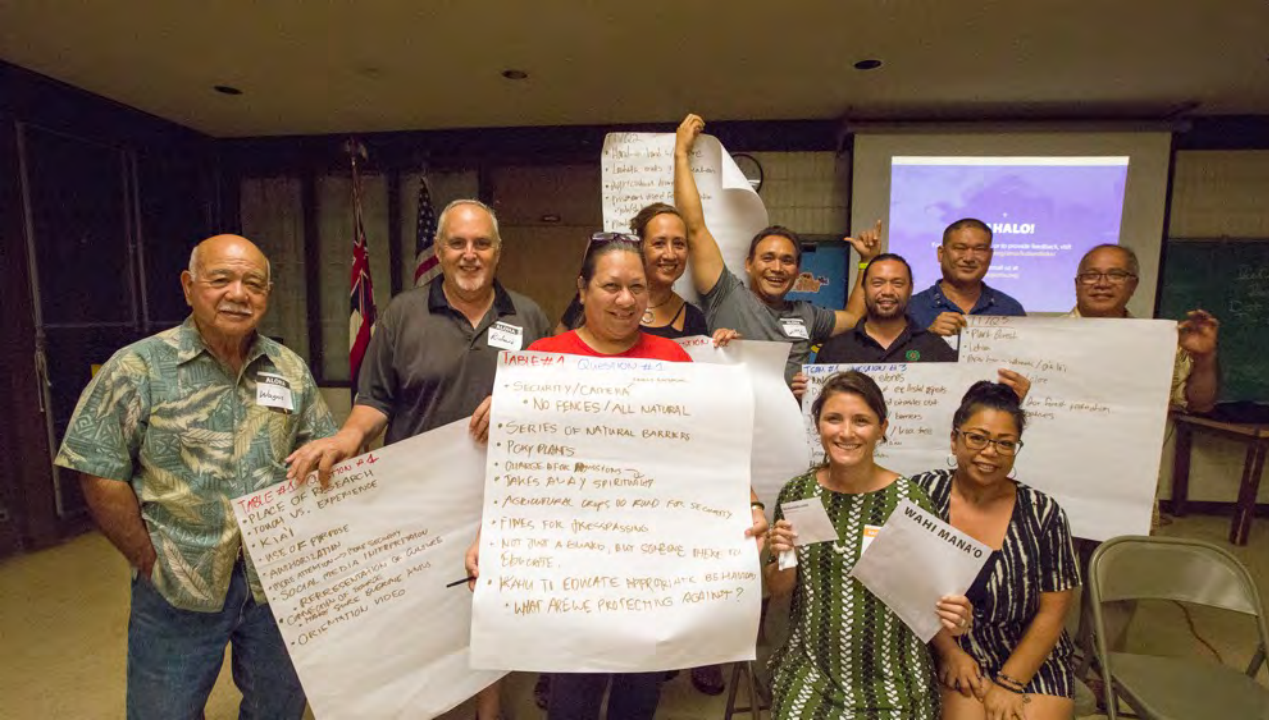










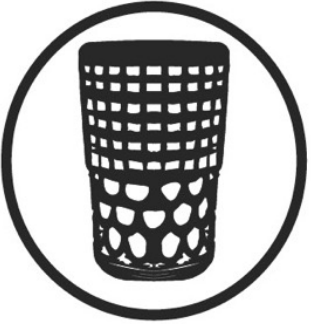






## HO'OMANA:

Protection & Sanctification



## HO'ONA'AUAO:

Education & Connection



## HO'OULU 'ĀINA:

Agriculture, Ecological Restoration  
& Soil Remediation

# Values



# Programmatic Outcomes



**INTEGRATED  
PROGRAMMING**



**EDUCATION  
CONTINUUM**



**HUB & SPOKE**



**VEGETATION  
CONTINUUM**



# Conceptual Site Plan





## Progress on Implementing the CMP

Secured  
Design  
Contracts

Developed the  
Kūkaniloko  
Advisory Hui

Portfolio  
Development  
& Prioritization

Conceptual  
Design  
Process

EA Process



# Kūkaniloko Advisory Hui

To actionize the outcomes of the OHA Wahiawā Lands Conceptual Master Plan (CMP), OHA initiated an Advisory Hui, in August 2020, comprised of individuals that have expertise in key subject matters such as cultural & natural resource management, land development, planning, business, health, politics, education, agriculture, and community empowerment.

The Hui meets virtually monthly to help OHA refine the overall master plan for the property which will include tasks and projects related to agriculture.



The Hawaiian Civic Club of Wahiawā hosted the hui to a Piko Listening Journey at the Birthstone site.



# Other Current Projects



CMP Synthesis with UHCDC



Vegetation Continuum Research/Implementation Projects



Eucalyptus Tree Removal



# UHede Projects : Wahiawā Lands Alignment and Update

Type: Master Plan Update & Proof of Concept Study

**Client:** Office of Hawaiian Affairs (OHA)

**Principal Investigator:** Cathi Ho Schar FAIA

**Project Staff:** Kimi Makaiau, Rebecca Denzer, Malu Stanich

**Student Project Assistants:** Ethan Lee, Kaylen Daquioag,  
Moises Lio Can

**Integrated course:** TBD

The goal of this project is to aid OHA in moving forward with implementing the vision laid out in the community-driven conceptual master plan. It is also to provide service-learning and workforce development opportunities to University of Hawai'i students through real-world, hands-on, public interest work.

The scope includes visualization support for stakeholder vision, synthesizing the existing and on-going concept designs being developed by contractors, refinement of and consultation to the master plan.





# Vegetation Continuum: Partnership with UH TPSS



## Native Tree Planting

*December 2019*

*OHA staff planted 1,000 native trees*



## Ag & Agroforestry Plots

*May 2020*

*An agroforest system was designed and installed by UH.*



## Soil Amendment Trials

*November 2020 – April 2021*

*Utilized local resources as soil amendments to increase soil pH and maximize nutrients/materials on site.*



## Uluniu Project

*November 20, 2021*

*Partnership w/ NiuNow to plant a coconut grove.*





# Greenhouse Soil Trials



February 2020

## Native Tree Plots

February 2021







# Ag & Agroforestry Plots







# Uluniu Project

*Coconut Grove Project*

*Partnership w/ NiuNOW, UHM, HCCW*

- Niu Gene Bank
- Soil Rejuvenation
- Water Conservation
- Community Education and Engagement







# Eucalyptus Tree Removal





Before



After





# HCCW 1,000 Koa Tree Planting

- **Purpose:** Reforestation & Fundraiser
- Trees Donated by Carbon Neutrality Project
- Planting Date TBD (Dec)





# Where We Are Going



Finalize Master Site Plan



Complete Conceptual Designs



Continue EA Process



Get BOT Approval



Design Development/Construction



**Nīnau?**

**Mana'o?**

