Minutes of the Office of Hawaiian Affairs Committee on Resource Management
April 26, 2017
12:16pm

ATTENDANCE:
Trustee Dan Ahuna
Trustee Rowena Akana
Trustee Keli‘i Akina
Trustee Carmen Hulu Lindsey
Trustee Robert K. Lindsey, Jr.
Trustee Colette Machado
Trustee John Waihe‘e, IV

STAFF PRESENT:
Kamana‘opono Crabbe, CEO
Lisa Victor, COO
Albert Tiberi
Claudine Calpito
Davis Price
Lady Garrett
Lehua Itokazu
Liana Pang
Lopaka Baptise
Makana Chai
Maria Calderon
Pa‘al Harleman
Phyllis Ono-Evangelista
U’ilani Tanigawa

GUESTS:
Keali‘i Makekau
Germaine Meyers
I. CALL TO ORDER

At 12:16pm, Committee Chair Hulu Lindsey calls the Meeting of the Committee on Resource Management to Order.

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<tr>
<th>Present</th>
<th>Excused</th>
<th>Comments</th>
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<td>TRUSTEE LEI AHU ISA</td>
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<td>CHAIRPERSON HULU LINDSEY</td>
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<td>TOTAL</td>
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At the Call to Order, there are six (6) Trustees present and three (3) Trustees Excused.

II. APPROVAL OF MINUTES

Trustee John Waihe‘e, IV moves to approve the minutes dated March 29, 2017 as amended on page 3. Trustee Machado seconds the motion.

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<th>1</th>
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<th>‘AE (YES)</th>
<th>‘A‘OLE (NO)</th>
<th>KANALUA (ABSTAIN)</th>
<th>EXCUSED</th>
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MOTION: [] UNANIMOUS [X] PASSED [ ] DEFERRED [ ] FAILED

Motion passes with six (6) YES votes and three (3) EXCUSED votes.

III. COMMUNITY CONCERNS
With no Community Concerns, Chair Hulu Lindsey moves to New Business.

IV. NEW BUSINESS

A. Update on and Status of the Advisory Committee on the RFO for a Financial Audit and Management Review

Committee Chair Hulu Lindsey turns the time over to Trustee Keli‘i Akina to discuss the Financial Audit and Management Review.

Trustee Akina greets the Trustees and introduces his presentation. He shares that it has been a gratifying process to set up this Audit and directs Trustees to the second slide and thanks the committee members for their hard work:

He directs Trustees to page 3 that highlights the big picture timeline with the best answer that they can presently give:

He advises that it may change a bit. The big issue before the committee is to get the solicitation notice for the procurement of the auditor published. The committee is in the process of doing this now. In July, he expects that OHA will be able to enter into a contract with a qualified
auditing firm. He shares that they should be finished and get a written report back to the Board members by April of 2018.
Trustee Akina directs Trustees to page 4:

2. Proposed Scope of Services (FY 2014-2016)

<table>
<thead>
<tr>
<th>BOT #17-35</th>
<th>OHA Subsidiaries/LTCs</th>
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<td>Procurement</td>
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<td>Internal policies</td>
<td>Fraud and waste</td>
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<tr>
<td>Financial Transactions (Excl. Payroll, NHTF)</td>
<td>Conflict of Interest</td>
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<td>Ethics</td>
<td>Fraud and waste</td>
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<td>Budget Compliance</td>
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<td>Management Policies</td>
<td>Integrity of performance indicators</td>
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<tr>
<td>- Consistency with best practices</td>
<td>Integrity of performance indicators</td>
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He shares that the Proposed Scope of Services will include a three year period. He highlights BOT#17-03 and its requirements. Also, OHA and its subsidiaries. For example, looking at the first category, Contract Management, in a very detailed way, the Action Item ordered an audit of Contracts. These include contracts of over $100,000 as well as a 25% sampling of contracts under $100,000. The action item requires an examination of ethics, procurement, and internal policies. What this means, looking at the next two columns, for OHA and subsidiaries, the request for qualifications will ask a firm to look at contract approval, oversight, deliverables, and specifically for any fraud and waste. In terms of subsidiaries, the audit will look for any conflict of interest and fraud and waste.

The SOQ is also being designed to fulfill the Board order to examine financial transactions exclusive of payroll and NHTF. This includes looking at Ethics and Procurement. The auditor with look at Ethics, Procurement, Budget Compliance, and Fraud and Waste. Finally, the order for the board was to look at Management Policies as well – looking for the consistency of best practices. This translates, for OHA, the integrity of performance indicators and integrity of performance indicators, for the subsidiaries.
In order to do this, they must have a qualified Auditing Firm. Directing the Trustees to the next page, he highlights the qualifications that will give OHA someone who can carry out this work:

3. Auditor Qualifications

1. Licensed CPA in the State of Hawaii.
2. Comply with Government Auditing Standards for continued education, independence and peer review.
5. Not been retained by OHA in the last 3 fiscal years.

Along with the above, he highlights that firms outside of Hawai‘i, should they qualify, are also available to apply for this contract. He highlights that “forensic accounting” is just a technical term that must be used for the nature of the accounting.

He directs Trustees to the final slide for the next steps that will be taken:

4. Next Steps

1. Submit SOQ (Statements Of Qualifications) to RM Chair for final approval.
2. Procurement solicitation notice gets published by Administration.
3. RM Chair appoints Procurement Selection Committee.
4. Procurement Selection Committee reviews proposals and selects auditing firm.
5. RM Chair enters into final contract negotiations with auditing firm.
6. Auditing firm signs contract and starts auditing process.
7. RM Chair as the principal contract manager oversees the auditor.

In discussion of #1, he shares that the committee is in a good place; having circulated a draft to all the members of the Audit Advisory Committee. It is being vetted for legal and procurement. Frankly speaking, if all goes well, he shares that the committee is within a week to ten days of being able to submit this to the RM chair.

Discussing #3, he highlights that the Procurement Selection Committee is an important independent committee appointed by the RM chair.

All of these processes have been put in place by the Board, the Chair of the Board, and it has been worked out in the Audit Committee. In closing, before opening to questions, he directs
Trustees to the 3rd slide, highlighting that they may very well see an auditor in place by July and working through April 2018. This is their goal and hope to be able to fulfil that goal. He asks for any questions.

Trustee Dan Ahuna asks Trustee Akina if he went over all of Step 4? He requests clarification and to go over all of the steps.

Trustee Akina says yes, they did go over all of the steps and asks if there is a particular step that he would like to go over?

Trustee Ahuna addresses the designation of “RM Chair” – he shares that he thought it was the chair of the Board?

Trustee Machado responds that this contract is under the RM chair.

Chair Lindsey adds that she feels that on this particular contract, the Board Chair will pull back her procurement designation to the CEO as the procurement officer and that Chair Machado will sign the contract. Directing her comments to Trustee Machado, she says that she is the only person qualified and she can correct her if she wants.

Trustee Ahuna again seeks clarification, quoting that it says “RM chair for final approval.” There are policies for this.

Albert Tiberi adds that the Chief Procurement Officer is Chair Machado and she can delegate to CEO. If she delegates these authorities to Trustee Hulu, then that’s how it would work, but it is something that needs to be worked out with Chair Machado. As it stands now, the authority to appoint the selection committee resides with Chair Machado and has delegated in part to Kamana'opono Crabbe. If this is what the board desires, a re-delegation, then they would have to work it out. Another step is that the Statement of Qualifications must go through this committee and then go back up to the Board for final approval and then its good to go.

Trustee Ahuna thanks Mr. Tiberi for the clarification. He directs his next question to Trustee Akina regarding Question 1 – Procurement Timeline. With budget coming up in June/July, he asks where the funding for this is coming from.

Chair Lindsey responds that she is inserting a budget item for the upcoming budget.

Trustee Ahuna says ok, but asks what the funding source is and if it can be done in time?

Chair Lindsey responds that it will come from the Trustees’ budget that has $80,000 currently, but will increase.

Trustee Machado adds that Trustee Hulu is speaking about the Chair’s budget. Under that budget is her contract with Spire along with Trustee Hulu’s newly approved Real Estate Financial Analyst, so there are those 2 contracts under her currently. To be truthful, she has been
trying to work with Administration to see if those funds could actually come out of the Resource Area. If they can find the money and it can come under the chair’s budget for that amount, I think the request is for $300,000. Right now, there are 2 contracts that fall directly under the chair.

Chair Lindsey adds that the Administration moved the Financial Analyst for development under Kaka'ako Makai, which will be discussed next week Wednesday in the non-core budget.

Trustee Ahuna addresses procurement – this seems like a lot of decisions for Chair Machado to make.

Trustee Machado adds that she needs to sit down with Albert to figure this out because it is detailed and they have been working on a limited scope for the CPO. In this case, she delegated to Ka Pouhana.

Trustee Ahuna expresses concern in having enough time to finish all of this before the new budget.

Chair Lindsey responds that this will not happen before the end of this FY, but rather, the new FY budget that is coming up.

Trustee Ahuna agrees.

Trustee Machado adds that when the approve the Total Operating Budget, this will be included.

Ka Pouhana adds that the board has a legal analysis of procurement and the proposed strategy. Given that, he asks Phyllis Ono-Evangelista to explain the recommended procedures.

Phyllis Ono-Evangelista shares that it would be based on what the Board knows and what they want. If they are really clear about what they want, they can go out with an SOQ – Statement of Qualification or for Professional Services. But if they are really not as sure as to depth, scope, etc., then she suggests doing and RFI to see what they want and what people can do. From there, they can do an RFP. Especially if OHA is looking at FY2018 funds, she knows that they want to get it done, but wants to make sure that once it is done, it is done clean and correctly. Also, for CPO, the CPO has delegated authority to HOPA, which is Kamana’o. Under statute, HOPA is required to approve the selection and review committees.

Trustee Akina thanks Phyllis and defers to chair on whether there will be an RFI, etc. He shares that the current game plan is an SOQ and they feel quite confident about it. He values Ms. Ono-Evangelista’s input into the SOQ. Secondly, in terms of procurement process, as was pointed out earlier, the Board Chair has given limited procurement to Ka Pouhana, and she has the capacity to re-delegate back to herself any aspect of that.

Trustee Machado shares that this is the first time that she is hearing of it, so she must do a little more due diligence from her office to include this current contract. This is the first time she is
having dialogue with Chair Lindsey; but it does make sense considering that there are 2 other contracts that fall directly under the RM committee.

**Trustee Akina** shares that he will forward his staff’s legal and procedural analysis to Chair for reference.

**Trustee Lindsey** asks about the proposed scope of services – is the audit only looking at years 2014-2016? Why is it just limited to only these years?

**Trustee Akina** shares that they have selected 3 years as a practical starting point given the fact that they knew they would have a limited budget. They took a look at various firms running rates.

**Trustee Machado** shares that she is looking at a possibility of looking at taking it back 5 years to 2012.

**Trustee Akina** responds that that might need some budget negotiation on the figure if that is the case. He is glad to hear this and will propose something to RM chair.

**Trustee Ahuna** asks about “subsidiaries” and asks Trustee Akina to give him an example.

**Chair Lindsey** responds, “LLCs.”

**Ka Pouhana** suggests that they refer to corp counsel for a general description.

**Trustee Machado** agrees and says they should not be discussing this at the table.

**Ka Pouhana** agrees and says that they can give an example of OHA’s relationship with the LLCs.

**Trustee Ahuna** adds that the beneficiaries had an impression of a “forensic audit,” but now, this audit is looking at someone else. This is where he is stuck – he encourages the audit of OHA. Why only three years? Why is there still a description of a forensic audit? He doesn’t want to disappoint the beneficiaries; and if OHA is going to do it, they should do the audit all the way. If not, they are waiting their time. Is OHA really being effective or just going through the motions? It is this kind of action at the Board that causes mistrust with the beneficiaries.

**Trustee Akina** thanks Trustee Ahuna and responds by saying that the actual Action Item that was previously passed unanimously called for the auditing of all of the Office of Hawaiian Affairs plus subsidiaries. He assures him that this will be a thorough audit. It will also look at all contracts that are $100,000 or more and 25% of smaller contracts. It will look at all financial transactions of $100,000 or more and a sample of a smaller number. This is a part of the order that this board gave for the audit and reassures Trustee Ahuna of a robust audit.
He addresses the fact that there seems to be some sentiment between Trustee Ahuna and Trustee Machado to increase the scope from 3 years to 5 years and he takes it as a task to work with the RM chair.

**Trustee Ahuna** asks if he has talked about the HDI – the Trustees accounts? Will the audit look at this too?

**Trustee Akina** shares that any particular thing that the auditor chooses to look into will be recommended to the manager of the audit, the RM chair.

**Trustee Ahuna** adds that he is just thinking for the people, they want to have an audit of OHA. He shares that he is looking for clarification on auditing LLCs. He again reiterates that the people are looking for a good faith audit, as he is looking for too. He shares frustration and says he feels like they are not doing anything.

**Chair Lindsey** asks if there are any other questions for Trustee Akina?

**Trustee Akina** thanks the Trustees for their support and shares that they will do their best to do a good job.

**Chair Lindsey** shares that if the Trustees have any input, to contact Trustee Akina or herself to have discussions. They are open to doing this in a way that’s pleasing to all of the Trustees.

V. **BENEFICIARY COMMENTS**

**Chair Lindsey** asks for beneficiary comments and calls on Germaine Meyers.

**Germaine Meyers** greets the Board and introduces herself as a beneficiary for beneficiary advocacy and empowerment and a Nanakuli Hawaiian Homestead lessee. Her comment has to do with the Ad Hoc committee – she does not want to make assumptions as far as procedures. She thought that Ka Pouhana was familiar with the budget and that HRS states that Trustees should provide beneficiary feedback regarding the effectiveness of the programs undertaken, but it seems like it was a struggle and isn’t something that Trustee Akina could institute. She doesn’t know how it has been happening all these years; but does know that it does happen every 2 years. She doesn’t want to make assumptions that what happened at the board at the last meeting was that the HRS was going to be observed, but now she is hearing that it is a new process and procedure. What she wants to state for this Advisory Committee, she contacted the office of Information Practices, and in speaking to an OIP attorney, she asked her, because she doesn’t know what happened to the Mauna kea Advisory Committee but she remembers them giving feedback to the beneficiary to say that they couldn’t have public meetings because they were protected, etc. What she assumed was that they followed PIG – Permitted Interaction Group which allows for 2 Trustees to discuss what happens between the Ad Hoc Committee outside of the Board. What she wants them to be aware of and what she will ask is – she gave her the training number 3 for them to look at, but she found that there is also another PDF that they
could actually go through. She does want to honor sunshine law; and what it says in PIG format — if that’s what this Ad Hoc committee is following — because she doesn’t want sabotaging of the audit to happen later on, is that the members of that Ad Hoc committee, which is three aides, Trustee Akina and Trustee Ahu Isa, none of the Trustees and none of the aides can actually discuss anything of the investigation outside to any of the governing board members. When it starts, it cannot be discussed. She can see that there is confusion about how PIG operates. So what would be best is to get the OIP attorney to give her as much information about it and disperse it to the Trustees so that later on when the timeline starts, that there is not confusion in July, August, September about how sunshine law operates and then there is a breakdown in this PIG format.

Chair Lindsey shares that she does not think that they will follow that PIG because as a board, they are entitled to have Advisory Committees and it does not include more than 2 trustees. But there is no PIG format because under that format, they cannot talk to anyone and that is not their desire, they want to report to the fellow Trustees as to the progress of the advisory committee. They have done this under all other advisory committees under different chairs.

Germaine Meyers says that what Chair is saying is that any discussion is not going to happen between the Trustees but it will actually be brought at a public meeting so that beneficiaries can provide input all along the way. Is that correct?

Mr. Tiberi explains that what OHA’s process is includes the committees reporting back to the board for consideration of whatever they were researching. This has been the process for Mauna Kea as well. The Board’s deliberation and discussion of these issues happen at agendized Board meetings. He hopes this answers her questions adequately.

Germaine Meyers says yes and just wanted to make sure. She knows that beneficiaries have been saying that during the ad hoc committee, the discussions, deliberations, and decisions were not at a board meeting.

Chair Lindsey shares that this is because that was confidential information in the advisory committee and it is different.

Germaine Meyers responds to say that if she is to go back into the minutes, she will actually see an executive session, because she has minutes up to 2000, she will actually see that item on the agenda? About Mauna Kea and what was discussed in the advisory committees?

Chair Lindsey shares that she would think so?

Trustee Ahuna adds that everyone is asking but nothing happened.

Mr. Tiberi interrupts to say that they cannot go into specific subject matter areas on stuff that aren’t agendized as well. He addresses Ms. Meyer’s question about executive session in the minutes and asks her to direct her question to Lisa and they will be able to address her questions.
**Germaine Meyers** responds that she will do the research and come back. She asks the board to reaffirm that any deliberation will come back to the board so that beneficiaries can come and testify.

Chair Lindsey agrees.

**VI. ANNOUNCEMENTS**

Chair Lindsey asks for any announcements, hearing none, she asks for a motion to adjourn.

**VII. ADJOURNMENT**

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<th>Trustee John Waihe'e, IV moves to adjourn. Trustee Leina'ala Ahu Isa seconds the motion.</th>
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<td>Chairperson Hululani Lindsey</td>
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**TOTAL VOTE COUNT**

7 2

MOTION: [ ] UNANIMOUS [ ] PASSED [ ] DEFERRED [ ]FAILED

Motion passes with seven (7) YES votes and two (2) EXCUSED vote.
Respectfully Submitted,

A. U'ilani Tanigawa  
Trustee Aide  
Committee on Resource Management

As approved by the Committee on Resource Management on May 24, 2017.

Trustee Carmen Hulu Lindsey  
Committee Chair  
Committee on Resource Management