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STATE PROCUREMENT OFFICE
NOTICE OF AND REQUEST FOR EXEMPTION
FROM CHAPTER 103D, HRS

STATE PROCUREMENT OFFICE
STATE OF HAWAII

- 1. TO: Chief Procurement Officer
2. FROM: Albert "Alapaki" Nahale-a, Chairman, Hawaiian Homes Commission

Department/Division/Agency

Pursuant to §103D-102(b)(4), HRS, and Chapter 3-120, HAR, the Department requests a procurement exemption to purchase the following:

3. Description of goods, services or construction:
Escrow service for PASS THROUGH of grant funds for beneficiary family to purchase home from developer. NAHASDA grant funds for DHHL Lessees/Applicant need to be deposited into the escrow accounts opened in the Lessee/Applicant name for the purchase of a new home on DHHL property/lot. The grant funds are used by the qualified buyer towards the purchase of the home. A check needs to be sent to escrow and must be deposited into the Lessee/Applicants escrow account prior to the closing/recordation date of the purchase. The escrow account is opened by the seller (developer/contractor) when a sales contract is executed and buyer submits their Earnest Money Deposit. The developer/contractor is contracted by DHHL using proper procurement procedures. In the best interest of the client and state, it is most feasible to allow the developer/contractor to select the escrow company for the project. By allowing this, No state funds are needed to pay for escrow services.

4. Name of Vendor: Various Escrow Companies
Address:
5. Price: \$0

6. Term of Contract: From: 07/14/11 8/2/11 To: 07/13/12 8/1/2012
7. Prior Exemption Ref. No. 9611-00280 Jan 8/11

8. Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:
By allowing the developer/contractor to select the escrow company of the project, DHHL/the State does not pay for escrow services. If DHHL/the State procured escrow services, the state would need to pay a fee for services.

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:
State will not select the Escrow Companies. Escrow is simply pass through for Native Hawaiian Housing Block Grant (NHHBG) funds. It is a method for DHHL to disburse NAHASDA grant funds for a qualified buyer to complete the purchase of their home from the seller (developer/contractor).

- 10. A description of the agency's internal controls and approval requirements for the exempted procurement:
1. DHHL to request Purchase Order for NAHASDA grant funds, include breakdown by lot/purchaser
2. Escrow Company to submit request for grant funds for the purchaser's escrow account (via invoice/letter)
3. DHHL to log & maintain copies of all request/invoices and distribution of grant funds
4. DHHL to obtain copies of closing HUD-1 settlement statements showing grant funds deposited into clients escrow account and distributed to seller as part of the sales proceeds.
5. DHHL Fiscal Office - Cash Management Internal Controls (see Attached Exhibit "A")

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS (Cont.)

12. A list of agency personnel, by position, who will be involved in the approval process and administration of the contract:		
Name	Position	Involvement in Process
Scottina Ruis	NAHASDA Planner	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
Kamanao Mills	Special Assistant	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Administration
Waialeale Sarsona	Executive Assistant	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Administration
Alapaki Nahale-a	Chairman	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration

13. Direct inquiries to:	Department: Hawaiian Home Lands Contact Name: Scottina Ruis, NAHASDA Planner Phone Number: 808-620-9513 Fax Number: 808-620-9599
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Agency shall ensure adherence to applicable administrative and statutory requirements

14. *I certify that the information provided above is, to the best of my knowledge, true and correct.*



JUL 01 2011

Department Head

Date

Reserved for SPO Use Only
15. Date Notice Posted <u>8/4/2011</u>
The Chief Procurement Officer is in the process of reviewing this request for exemption from Chapter 103D, HRS. Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven calendar days or as otherwise allowed from the above posted date to: <p align="center"> Chief Procurement Officer State Procurement Office P.O. Box 119 Honolulu, Hawaii 96810-0119 </p>
Chief Procurement Officer's comments: <p align="center"> Approval is for the period 08/02/11 to 08/01/12 to allow the department to make payment directly to the developer's escrow companies. This approval is for the solicitation process only, HRS section 103D-310(c) and HAR section 3-122-112, shall apply and award is required to be posted on the Awards Reporting System. </p>

16. APPROVED DISAPPROVED NO ACTION REQUIRED


 Date 8/18/2011

Accuity Schedule #16

**Department of Hawaiian Home Lands
Compliance Requirement C – Cash Management
Internal Control Considerations
(For FY 2011 with revisions, if any)**

Accuity obtained a general understanding of cash management internal controls through confirmation with Scottina "Scotty" Ruis, Resource Management Specialist NAHASDA, and Warren Kasashima, NAHASDA Accountant.

The compliance supplement stated that for reimbursement grants, the program costs be paid for by the entity before reimbursement is requested from the Federal Government. For advances of funds, the time elapsed between the receipt of the Federal Funds and the disbursement of funds to vendors should be minimized. The client stated that they received permission from HUD to receive advances of funds for the NHHBG (the DHHL accounts for the NHHBG in appropriations, S-213 and S-270 and S-272). Because these appropriations have no other income/funds other than the NHHBG funds, DHHL must first request advances of Federal Funds before it can pay its vendors. Because of the time required in processing a cash receipt by Budget and Finance, the disbursement by Department of Accounting and General Services and the 2 day per month furlough schedule, an elapsed time of 4 - 5 business days seems reasonable to meet the compliance requirement of minimizing the time elapsed from the time that Federal Funds are received and disbursement to the vendor is made.

The Native Hawaiian Housing Block Grant (NHHBG) operated on a cash reimbursement basis in prior years and currently still operates on a cash reimbursement basis for all Program Years. Cash reimbursement is in the form of Electronic Funds Transfer from HUD's Line of Credit Control System (LOCCS) to the State Treasury at Budget and Finance.

In November 2009 HUD instructed DHHL to return all NHHBG funds invested outside of the state treasury to HUD's LOCCS because of a "Material Weakness" identified in the 2008 audit report. All NHHBG funds invested in Central Pacific Bank were returned to HUD's LOCCS in February 2010. As of April 30, 2011 NHHBG funds are still available in LOCCS for use by DHHL.

The DHHL follows the following procedures for all reimbursement requests:

- Disbursements are processed through the State's accounting/purchasing system. DHHL prints the Summary Warrant Voucher (SWV). The SWV and invoice is forwarded to Warren Kasashima, NAHASDA Accountant.
- The Federal Payment System requires a code and password. Only James Pao, DHHL Fiscal Officer, and Pearl Teruya, DHHL Accountant, have access to these codes. Warren totals the disbursements to be made and prepares the request for reimbursement. James approves the reimbursement and Pearl processes the reimbursement from LOCCS.
- Three working days after the request from LOCCS, Warren receives notification from State's Budget and Finance that the bank wire has been received. Warren then prepares the Treasury Deposit Receipt (TDR) for submission to the State's Department of Budget and Finance. The TDR codes the cash receipt for entry into the DAGS FAMIS accounting system. The TDRs are coded to the DHHL's Federal grant appropriations S-213, S-270 or S-272.

- Lucy Pascual, Fiscal Service Supervisor, submits the approved SWVs to DAGS to process the warrants.
- Passwords are required to access the Federal Payment System. The passwords are safeguarded. Scottina Ruis and Warren Kasashima do not have access to the passwords so they cannot drawdown the funds themselves.
- James Pao approves the reimbursement requests. He will review the disbursements for which the reimbursement request is prepared to determine that the proper amount is requested.

ARRA Cash Management Internal Controls

ARRA is on a cash reimbursement basis using the same procedure as Native Hawaiian Housing Block Grant (NHHBG) funds.

Control Features:

- Only James Pao and Pearl Teruya have access to HUD's LOCCS Federal payment systems Department code and password.
- Disbursements are processed through the State's accounting/purchasing system. DHHL prints the Summary Warrant Voucher (SWV). The SWV and invoice is forwarded to Warren Kasashima, NAHASDA Accountant.
- The Federal Payment System requires a code and password. Only James Pao, DHHL Fiscal Officer, and Pearl Teruya, DHHL Accountant, have access to these codes. Warren totals the disbursements to be made and prepares the request for reimbursement. James approves the reimbursement and Pearl processes the reimbursement from LOCCS or a Central Pacific Bank check is typed if grant funds are invested outside of the state treasury.
- Three days after the request from LOCCS, Warren receives notification from First Hawaiian Bank that the bank wire has been received. Warren then prepares the Treasury Deposit Receipt (TDR) for submission to the State's Department of Budget and Finance. The TDR codes the cash receipt for entry into the DAGS FAMIS accounting system. The TDRs are coded to the DHHL's Federal grant appropriations S-272.
- Lucy Pascual, Fiscal Service Supervisor, submits the approved SWVs to DAGS to process the warrants.

The State of Hawaii has also established the Office of Economic Recovery and Reinvestment (OERR).

The OERR will verify that:

- Each ARRA award by federal award ID has a unique state appropriation symbol and that transactions for each ARRA award are conducted within a single state appropriation symbol;
- The "Amount of Award" on the 1512 report matches the award amount in the federal award letter;
- ARRA funds use the MOF designation "V" in FAMIS;
- Cash draw downs for ARRA awards are assigned revenue source code "0581" in FAMIS;

- Revenue and expenditure amounts (cumulative totals) on the 1512 report matches the amount recorded in FAMIS;
- Vendor payments \$25,000 and under as recorded in FAMIS (including p-card charges) are reported in the aggregate (total amount and total number of vendors) in the "Project/Award Information" section of the 1512 report;
- Vendor payments over \$25,000 as recorded in FAMIS (including p-card charges) are reported individually on the 1512 vendor page;
- A worksheet showing how vendor payments are calculated has been submitted to OERR for each ARRA award;
- A worksheet showing how the "Number of Jobs" amount was calculated (reported in 'full time equivalents') has been submitted to OERR for each ARRA award subject to the 1512 reporting requirements;
- The "Number of Jobs" amount on the 1512 report matches the amount on the job calculation worksheet submitted to OERR for each ARRA award subject to the 1512 reporting requirements;
- And, the narratives entered in the "Award Description" and "Quarterly Activities/Project Description" fields are updated and provide sufficient detail to the public.