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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: Hawaiian Home Lands / Homestead Services Division

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: ~~NA~~ 7/14/09 [illegible] 7/20 To: NA 7/13/2010 [illegible] 7/14/09	7. Prior Exemption Ref. No. 0

8. Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:
By allowing the developer/contract 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	
Atina Soh	Housing Specialist	☐ Approval	☒ Administration
Scottina Ruis	NAHASDA Planner	☒ Approval	☐ Administration
Warren Kasashima	HHL Accountant (NAHASDA)	☐ Approval	☒ Administration
		☐ Approval	☐ Administration
		☐ Approval	☐ Administration
		☐ Approval	☐ Administration

13. Direct inquiries to:
Department: Hawaiian Home Lands
Contact Name: Isaac Takahashi, Housing Chief
Phone Number: 808-620-9235
Fax Number: 808-620-9268

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.***

Department Head — Date: JUL 13 2009

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15. Date Notice Posted 7/14/09

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:
Chief Procurement Officer
State Procurement Office
P.O. Box 119
Honolulu, Hawaii 96810-0119

Chief Procurement Officer's comments:

16. ☒ **APPROVED** ☐ **DISAPPROVED** ☐ **NO ACTION REQUIRED**

Chief Procurement Officer — Date 7/30/09

11. P.E. No. 10-009-B

Department of Hawaiian Home Lands
Compliance Requirement C – Cash Management
Internal Control Considerations
(For FY 2009 with revisions, if any)

Accuity obtained a general understanding of cash management internal controls through confirmation with Sandra Asato, Planning and Development Coordinator 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). 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 and the disbursement by Department of Accounting and General Services, we determined that an elapsed time of 3 business days was 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 1.) Electronic FundsTransfer from HUD's Line of Credit Control System (LOCCS) to the State Treasury at Budget and Finance or 2.) transfer of grant funds from Central Pacific Bank to the State Treasury at Budget and Finance.

However, in FY 2006, NAHASDA no longer required DHHL to request for cash drawdowns. Instead, all NAHASDA funds approximately $17 million for the remaining program years were deposited into Central Pacific Bank checking, savings, and investment accounts until the 2 year expiration period when unexpended grant funds are returned to HUD's LOCCS. 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 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-213 or S-270.

EXHIBIT "A"

- DAGS notifies Warren that funds are available in the Federal Grant appropriations to pay the disbursements.
- Warren submits the approved SWVs to DAGS to process the warrants.

In relation to NAHASDA grant money deposited into several bank accounts, DHHL set-up 3 different sets consisting of a checking account, savings account, and investment for each program year. Majority of the NAHASDA funds are deposited into the investment account. When funds are needed for the grant expenditures, a request is made by Warren and an authorized transfer made by James Pao from the savings or investment account to the checking account. The check must be signed by any 2 of the following individuals:

- Micah Kane, Chairman, HHC Commission
- Kaulana Park, Deputy to the Chairman
- Rodney Lau, Administrative Services Officer
- James Pao, Fiscal Officer

Control Features:

- Only James Pao and Pearl Teruya have access to HUD's LOCCS Federal payment systems Department code and password.

In the absence of James Pao the following individuals are also authorized to transfer funds from the savings or investment to the checking account:

- Micah Kane, Chairman, HHC Commission
- Kaulana Park, Deputy to the Chairman
- Rodney Lau, Administrative Services Officer
- James Pao, Fiscal Officer

The checks must be signed by any 2 of the following individuals:

- Micah Kane, Chairman, HHC Commission
- Kaulana Park, Deputy to the Chairman
- Rodney Lau, Administrative Services Officer
- James Pao, Fiscal Officer

- Passwords are required to access the Federal Payment System. The passwords are safeguarded. Sandra and Warren 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.
- Sandra reviews the reimbursement transactions on a monthly basis.