Investigation of Specific Issues of the Department of Business, Economic Development & Tourism

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

Report No. 10-01
January 2010

THE AUDITOR
STATE OF HAWAI‘I

Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawai‘i State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. Financial audits attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.

2. Management audits, which are also referred to as performance audits, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called program audits, when they focus on whether programs are attaining the objectives and results expected of them, and operations audits, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.

3. Sunset evaluations evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.

4. Sunrise analyses are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.

5. Health insurance analyses examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.

6. Analyses of proposed special funds and existing trust and revolving funds determine if proposals to establish these funds are existing funds meet legislative criteria.

7. Procurement compliance audits and other procurement-related monitoring assist the Legislature in overseeing government procurement practices.

8. Fiscal accountability reports analyze expenditures by the state Department of Education in various areas.

9. Special studies respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawai‘i’s laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.

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OVERVIEW

Investigation of Specific Issues of the Department of Business, Economic Development & Tourism

Report No. 10-01, January 2010

Summary

Prompted by concerns over the management of federal grant funds and the State's 2005 trade mission to China and Korea, the Legislature requested the Office of the Auditor investigate the Department of Business, Economic Development & Tourism, including the department's Out-of-State Offices. Although we initially attempted to track the reallocation of $50,000 appropriated for Community-Based Economic Development (CBED), the attempt proved futile as the moneys were not restricted to specific program use. In tracking CBED monetary transfers into the Chinese office bank accounts, however, we noted the existence of federal funds related to the federal Market Development Cooperator Program (MDCP) under the International Trade Administration of the U.S. Department of Commerce. We found certain aspects of the Out-of-State Offices merited closer examination and refocused the scope of the investigation. Also in accordance with our standard procedures, we reviewed departmental comments on our draft report. As part of the process, we re-visited areas in the draft with which the department disagreed and made adjustments in the final report as merited by our investigation.

During 2003-2004, the department requested approval from the director of finance, the governor, and the Legislature to spend funds from a $399,500 award it received from the federal Market Development Cooperator Program (MDCP). Our investigation found that the department failed to fully disclose to the director of finance and to lawmakers that the MDCP was a reimbursement program. The department did not make clear that it would use general funds to obtain the reimbursement moneys and that the reimbursements would be under no federal spending requirements or restrictions. In essence, the department would get to keep and spend the reimbursement funds at its discretion.

Our investigation found the department has spent tens of thousands of dollars in reimbursement funds to support the operations of its out-of-state office in Beijing and to cover budget cuts to its overseas offices. This non-disclosure to key decision makers of the impact the reimbursements would have on the department's general fund expenditures tainted the approval process and enabled the department to essentially pad its general fund appropriation. We found no documentation that shows the department provided to lawmakers a clear and accurate characterization of the program that enabled the department to spend the reimbursement funds as it saw fit.

In addition, our review of financial records from the Out-of-State Offices also found a deposit of $35,000 of private funds into the Taipei office's bank account. The transfer of private funds directly into the office's account jeopardized its non-profit status and threatened its ability to function as a government office.

Moreover, our investigation found that the transferred funds were money solicited by the department from private companies to sponsor the 2005 mission and that the transfer was requested by the department.

We also found that the department provided incomplete or misleading information to the State Procurement Office which enabled the department to expend mission funds outside the procurement code with no restrictions and without any effective internal controls. We found the department withheld from state lawmakers fiscal records associated with the mission and provided incomplete and misleading information to state agencies about the mission model.

Finally, we found that ineffective oversight of expenditures and reporting requirements of the Out-of-State Offices created opportunities for fraud and abuse. We found that the invoices and receipts used to verify expenditures by the Beijing office are primarily in Chinese and often have vague or illegible English descriptions or no descriptions at all, contrary to department requirements. Department officials who review these documents admitted they could not read Chinese, were unable to independently verify the information, and simply “trust” or “assume” that the invoices and receipts are legitimate and justified.

Recommendations and Response

We recommend the department halt all activity regarding its MDCP reimbursement funds and consult with the Legislature and the Department of Budget and Finance as to the appropriate course of action. We also recommend the State Procurement Office request records from the Pacific and Asian Affairs Council related to the 2005 mission and contact key stakeholders involved in the planning and implementation of the mission to determine whether its prior opinions regarding the mission were tainted and procurement laws were circumvented.

In its written response, the department asserted the issues addressed in the report regarding the 2005 mission had been thoroughly reviewed by the Legislature and that two state agencies ruled no procurement or criminal law violations had occurred. However, as noted in our report, the conclusions reached by the Legislature and the state agencies that reviewed the 2005 mission were based on incomplete, misleading, or erroneous information provided by the department. Therefore, the issues merit further review. The department also noted that the transfer of private funds into its Taipei office was in error but contended that the action did not adversely affect the office’s operations. The department added that the report provides no substantiated finding of actual abuse or impropriety regarding its Out-of-State Offices. The department misses our point. Our report addresses the lack of effective internal controls regarding the Out-of-State Offices and the need to mitigate that risk.

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Investigation of Specific Issues of the Department of Business, Economic Development & Tourism

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

Submitted by

THE AUDITOR
STATE OF HAWAI‘I

Report No. 10-01
January 2010

Foreword

This is a report on the investigation into the management of federal grant funds by the Department of Business, Economic Development & Tourism and the State's 2005 trade mission to China and Korea. The investigation was conducted in response to the General Appropriations Act of 2007 (Act 213, Section 197, Session Laws of Hawai'i 2007). We conducted the investigation pursuant to Section 23-4, Hawai'i Revised Statutes, which requires the Auditor to conduct post audits and examinations to discover evidence of any unauthorized, illegal, irregular, improper or unsafe handling or expenditure of state funds, or other improper financial administration practice.

We wish to express our appreciation for the cooperation and assistance extended to us by the director and staff of the Department of Business, Economic Development & Tourism and others whom we contacted during the course of the investigation.

Marion M. Higa
State Auditor

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Chapter 1
Introduction

Prompted by concerns over the management of federal grant funds and the State's 2005 trade mission to China and Korea, the Legislature requested, through the General Appropriations Act of 2007 (Act 213, Section 197, Session Laws of Hawai‘i (SLH) 2007), that the State Auditor conduct an investigation of the Department of Business, Economic Development & Tourism (DBEDT) with respect to:

1) internal controls over financial reporting and operations;

2) federal grant program management systems, including the Community-Based Economic Development (CBED) program and reallocation of moneys from the program to support non-CBED purposes;

3) incentive program, including the enterprise zone beneficiaries and the foreign investor program; and

4) reallocation of funds between programs with different revenue sources.

This investigation was undertaken pursuant to Section 23-4, Hawai‘i Revised Statutes (HRS), which requires the State Auditor to conduct post audits and examinations to discover evidence of any unauthorized, illegal, irregular, improper or unsafe handling or expenditure of state funds, or other improper financial administration practice.

Background

DBEDT is Hawai‘i's resource center for economic and statistical data, business development opportunities, energy and conservation information, and foreign trade advantages. The objective of the department is to make broad policy determinations with respect to economic development in the state and to stimulate through research and demonstration projects those industrial and economic development efforts that offer the most immediate promise of expanding Hawai‘i's economy. Pursuant to Section 26-18, HRS, the department's responsibilities are:

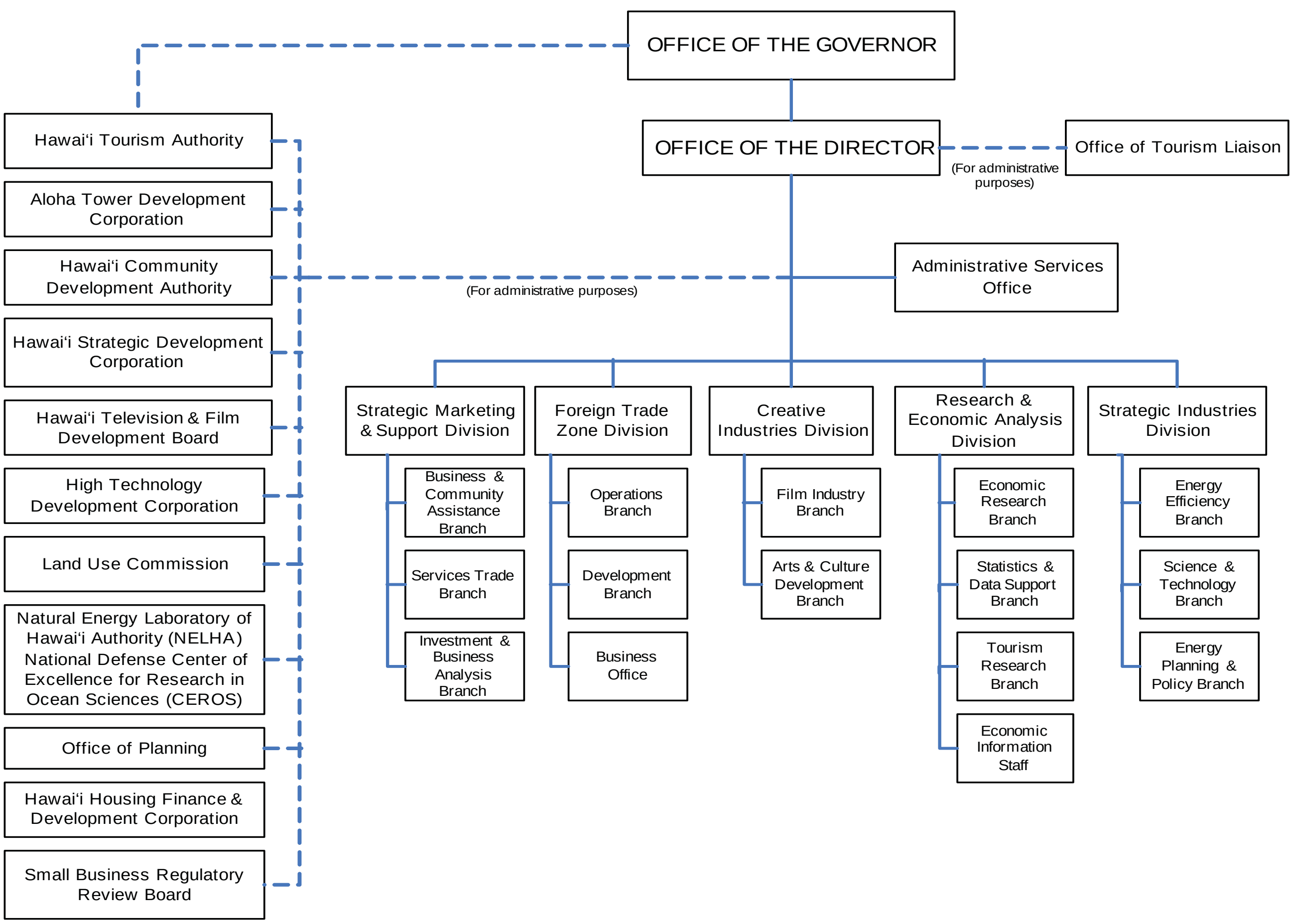
> To undertake statewide business and economic development activities, undertake energy development and management, provide economic research and analysis, plan for the use of Hawai‘i's ocean resources, and encourage the development and promotion of industry and international commerce through programs established by law.

The department's published goal is to increase the State's economic output until Hawai'i ranks in the top 15 states for average gross domestic product (GDP) per capita by 2010. Hawai'i currently ranks 17th in average per capita GDP.

Organization

The director of business, economic development & tourism plans, organizes, directs, coordinates and reports on the department's various activities. The director is supported by one office, five divisions and 13 administratively attached agencies. Exhibit 1.1 illustrates the department's organizational structure.

Exhibit 1.1
Department of Business, Economic Development & Tourism Organization Chart



Source: Department of Business, Economic Development & Tourism. Contrary to the organization chart, the High Technology Innovation Corporation is administratively attached to the department.

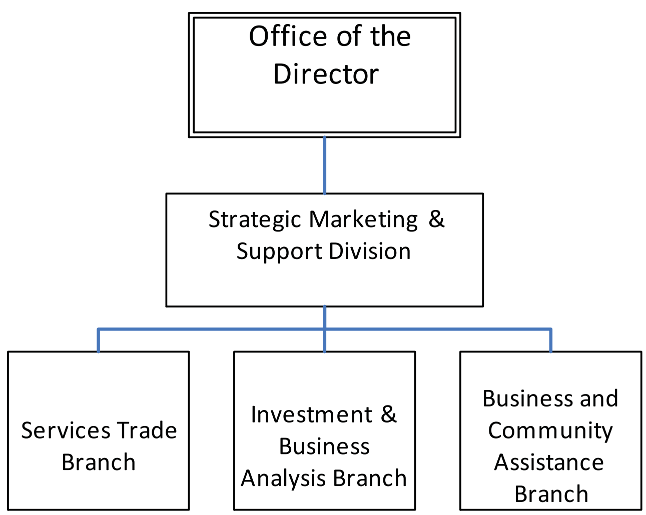
Strategic Marketing & Support Division

Our investigation focused on the programs and activities of the Strategic Marketing & Support Division (SMSD). The purpose of SMSD is to promote industry development and economic diversification in Hawai‘i, for both existing and emerging industries, by:

- attracting new business, investment, and support services;
- increasing exports of Hawai‘i professional services;
- expanding Hawai‘i’s participation in global trade and commerce; and
- assisting new entrepreneurs and community based economic organizations.

The division consists of the Services Trade Branch (STB); Business & Community Assistance Branch (BCAB); and Investment & Business Analysis Branch (IBAB). The division also carries out the functions of the Office of International Affairs, which reports directly to the division administrator and does not fall within any of the three named branches. Exhibit 1.2 provides an overview of the Strategic Marketing & Support Division.

Exhibit 1.2
Strategic Marketing & Support Division Organization Chart



Source: Department of Business, Economic Development & Tourism

Services Trade Branch

STB plans, implements, and supports initiatives to expand existing and open new markets for Hawai‘i’s professional services. The branch also identifies and facilitates overseas investments in Hawai‘i, both directly or via partnerships and alliances and is the lead coordinator of the public/private development and marketing of Hawai‘i as a business brand.

Investment & Business Analysis Branch

IBAB develops, plans, and implements programs to attract investment and business to Hawai‘i. The branch provides information to and facilitates opportunities for businesses considering investing or expanding in Hawai‘i and also administers the department’s Out-of-State offices’ accounting. Our investigation focused on the Out-of-State offices, Market Development Cooperator Program, and the State’s 2005 trade mission to China under the purview of this branch.

Business & Community Assistance Branch

BCAB helps businesses to deal with the state’s regulatory environment and interact with the government. The branch analyzes proposed rules, regulations and legislation in relation to their potential economic impact on the business sector and proposes rules and statutory changes designed to improve the state’s business climate. The branch also coordinates and facilitates technical and financial assistance programs aimed at community economic development; administers economic development activities associated with various state and federal agencies; and administers the State’s Enterprise Zones Program.

Out-of-State Offices

In 1988, the Legislature empowered DBEDT’s predecessor, the Department of Business and Economic Development, to establish and operate offices in out-of-state locations, including foreign countries. The Out-of-State Offices, also known as overseas offices, were created for the purposes of:

1) developing programs to reach targeted companies or industries in the respective area;

2) monitoring out-of-state government policies and regulations impacting business, markets, sales, tourism, and related activities in Hawai‘i;

3) hosting governmental and business officials at conferences, meetings and social occasions or other events on matters pertaining to business opportunities and attraction of investments for Hawai‘i;

4) developing and conducting advertising efforts, promotional events, media coverage, and educational programs relating to commerce in Hawai‘i; and

5) conducting related operations as needed, such as hiring or contracting consultants.

The department's director testified in 1988 that the existence of overseas offices would enable businesses to operate in the Pacific region without having to bear the costs and problems of maintaining offices in Asia. The director also testified that the overseas offices would facilitate the department's expansion of Hawai‘i's business and trade contacts, which would in turn engender a stronger local economy.

At the department's urging, lawmakers provided the overseas offices with operational flexibility by granting them a number of statutory powers and exemptions. Lawmakers empowered the overseas offices to:

- establish operational bank accounts in out-of-state locations;

- enter into contracts or cooperative agreements with any person, firm, partnership, association, company, corporation, or foreign nation as may be necessary and appropriate, and use competitive procurement practices to the extent practicable;

- receive from private sources or foreign countries any gifts, grants, devises or bequests of property (whether real, personal or mixed), the principal or income from which may be used or disposed of in accordance with the conditions under which it was received.

However, legislators also provided for legislative oversight of the out-of-state offices, and these powers are all subject to the approval of the director of finance.

In addition, all operational monies for the overseas offices must be allocated by the Legislature through appropriations from the State's general fund. DBEDT is obliged to include the amount necessary for the overseas offices to meet their statutory purposes in each departmental budgetary request.

The law creating the Out-of-State Offices became effective on June 14, 1988. The State of Hawai‘i opened an overseas office in Taipei, Taiwan in July 1994 and another in Beijing, China in August 2001. Organizationally, the overseas offices fall under the Investment & Business Analysis Branch of the Strategic Marketing & Support Division. The division has fiscal and operational control of the offices.

The branch reviews bank accounts for the overseas offices in Beijing and Taipei as well as an overseas account of the Market Development Cooperator Program.

Market Development Cooperator Program

In May 2003, DBEDT applied for an award offered by the federal Market Development Cooperator Program (MDCP) under the International Trade Administration of the U.S. Department of Commerce. The MDCP's purpose is to support projects that enhance global competitiveness of U.S. manufacturing and service industries. Eligible non-profit groups—including state economic development entities such as Hawai'i's DBEDT—compete for a limited number of federal awards by proposing innovative projects to enhance the global competitive position of a particular industry. The awards granted have a special emphasis on small- and medium-sized enterprises (SMEs).

In accordance with the program award, each dollar of federal funding must be matched by the applicant on a 2:1 basis. At least half the matching funds must be in cash; the second half of matching funds may be in-kind contributions or from other organizations. For its award, DBEDT applied expenses associated with its Out-of-State Offices, including salaries and overhead, towards the cash portion of the matching funds (these costs were already included in the department's budget) and in-kind contributions to fulfill the second portion of the matching funds requirement.

In-kind contribution requirements were met through a partnership with the Integrated Development Group (IDG), an informal alliance of Hawai'i businesses involved in integrated tourism development. Participating companies maintained quarterly reports of time and expenses for any activity associated with the IDG. For example, one company included the following as relevant activities: attending meetings, translating marketing materials into Chinese, and preparing for conferences in Taiwan and China. The cost equivalent of those efforts was calculated by the individual companies and submitted to DBEDT, which in turn used the figures in its reports to the federal government on the in-kind contribution requirement of its award.

The department had planned to use the federal award money to enable it and the IDG to implement a joint strategy to pursue lucrative tourism development projects in China. DBEDT submitted its award proposal in May 2003 and requested that it be eligible to receive up to $399,500 in federal fund reimbursements. In return, the department pledged more than $604,000 in matching cash funds and more than $233,000 in in-kind contributions. The department's proposal was approved by the federal program in September 2003. The original project award period was November 1, 2003 to October 31, 2006 but was later extended by one year, to October 31, 2007.

Under the federal award guidelines, the federal grants officer determines the method of payment to the recipient. However, the department asked that the method of payment be via reimbursements to the department. Reimbursements were based on the amounts the department reportedly spent in cash and in-kind contributions towards its proposed project, figures which the department provided to the federal government through its quarterly financial status reports and reimbursement request forms. The reimbursements the department received were based on the 2:1, local to federal funds formula.

2005 State Trade Mission to China and Korea

On May 17, 2005, Governor Linda Lingle announced she would embark on a ten-day mission to China and Korea to expand Hawai‘i’s business, educational, and cultural opportunities. The department organized a separate but coordinated mission that operated in unison with the governor’s trip. Over 220 individuals participated in the mission, including members of the governor’s staff and the University of Hawai‘i; state representatives; departmental staff; entertainers; and representatives from over 40 Hawai‘i businesses (see Appendix N for a list of the participants). The 2005 China/Korea mission took place on June 8-19, 2005.

The trade mission focused on six primary areas or “tracks”: business, education, tourism, architectural and tourism development services, technology, and culture and the arts. Delegates’ expenses were paid with state funds and private companies’ contributions.

The 2005 mission also involved the participation of two non-profit organizations, the Hawaii Pacific Export Council (HPEC) and the Pacific and Asian Affairs Council (PAAC). HPEC’s aim is to promote U.S. exports from Hawai‘i and the Pacific Islands while PAAC seeks to promote awareness and understanding of foreign affairs issues with special attention to Hawai‘i’s role in the Asia-Pacific region. The department, HPEC, and PAAC agreed to a protocol outlining each party’s responsibilities regarding the organization of the mission and the compensation for the non-profit organizations’ services.

Prior audits

Our office has performed seven previous audits relevant to this investigation.

In 1989 our *Study of Administrative Flexibility for Out-of-State Offices*, Report No. 89-27, found that although Act 366, SLH 1988, granted the department administrative flexibility to facilitate the operation of out-of-state offices, the department had made little direct use of the law because offices were already established and in operation prior to the law's enactment. The study focused on the administrative and management aspects of establishing and operating out-of-state offices and whether the flexibility the law provides was needed. At the time of the study, the State's three offices (Washington, D.C., Tokyo, and Hong Kong) had all been established outside the framework of the act. We concluded that the law was not needed for the State to embark on its out-of-state offices program.

In 1992 our *Review of Special and Revolving Funds of the Housing Finance and Development Corporation and the Department of Business, Economic Development, and Tourism,* Report No. 92-3, recommended that the special fund for out-of-state offices be repealed and that the program be budgeted through the general fund. In particular, the report determined that out-of-state offices do not generate revenue and receive all their support from general fund appropriations. Therefore, the fund was not self-sustaining nor did it provide a clear link between program benefits and charges, two criteria that help define a special fund. We note that the recommendation to repeal the out-of-state offices special fund has been implemented.

Our 1992 *Loss of Budgetary Control: A Summary Report of the Review of Special and Revolving Funds,* Report No. 92-14, also found that special and revolving fund use (generally) has distorted the State's financial picture and eroded the Legislature's control of state finances. We noted that once a program is funded by a special fund, the Legislature "…often relinquishes control over its level of expenditures." To regain control, the Legislature must take decisive actions, including requiring departments to lapse idle cash balances back to the general fund, repealing funds that are not necessary, establishing "sunset" dates for current and newly established funds, and repealing the authority to create funds administratively.

In our 1995 *Audit of Contract Administration and the Office of Space Industry in the Department of Business, Economic Development and Tourism,* Report No. 95-3, we found that the department did not perform pre-contract analysis prior to entering into contracts. Moreover, there was an inadequate system for ensuring divisions monitored contracts uniformly. Additionally, DBEDT's weak oversight on contracts did not always ensure the State's interests were met in its contracts. Recommendations included working with the chief procurement officer to develop policies and procedures to comply with the procurement law. Specific attention was to be given to contract formation and monitoring to ensure clear outcomes were defined and achieved.

In 1997 our *Procurement Audit of the Department of Business, Economic Development and Tourism*, Report No. 97-12, found that the department achieved a high degree of compliance with the Hawai'i Public Procurement Code and had made progress in planning for and drafting contracts since our 1995 audit. However, the department still had no detailed procurement manual, and we recommended it develop and implement one. There were also other areas within contract management that still needed improvement. We recommended the department also develop a contracting policies and procedures manual and ensure training and compliance remained priorities.

In the 2003 *Financial Audit of the Department of Business, Economic Development and Tourism*, Report No. 03-03, the public accounting firm of KPMG LLP issued an unqualified opinion on the department's financial statements. Some internal control deficiencies were identified. Most notably, the department failed to lapse unnecessary encumbrances, depriving the State of funds that could have been used elsewhere. We recommended that the department adhere to established policies and procedures and periodically evaluate the propriety of its encumbrances.

Finally, in our 2009 *Investigation of the Procurement and Expenditure Practices of the Department of Business, Economic Development & Tourism and Selected Attached Agencies*, Report No. 09-07, we found a culture of ambivalence within the department which willfully ignored laws, rules and requirements of the Hawai'i Public Procurement Code. Specifically, our findings noted that the department uses transfer authority to fund projects denied by the Legislature and that its flawed implementation of the Hawai'i Public Procurement Code has resulted in an apathetic procurement environment and numerous accounting and contract administration errors. We recommended that the department strive for greater accountability and transparency in governance. We further recommended that the department ensure adherence to the procurement code at all levels within the department and its attached agencies.

Objectives

1. Determine the level of appropriations and related expenditures for the Strategic Marketing & Support Division of the Department of Business, Economic Development & Tourism for the period FY1990-91 to the present.

2. Determine whether the state approved budget planning process was applied to the various activities of the Strategic Marketing & Support Division.

3. Make recommendations as appropriate.

Scope and Methodology

Although we initially attempted to track the reallocation of $50,000 appropriated for CBED as the Legislature requested, the attempt proved futile as the moneys were not restricted to specific program use. The activities of the Strategic Marketing & Support Division proved to be more problematic and involved larger sums. In tracking the Community Based Economic Development monetary transfers into the Chinese office bank accounts, we also noted the existence of federal funds related to the MDCP.

Thus, our investigation focused on activities conducted primarily by the Department of Business, Economic Development & Tourism's Strategic Marketing & Support Division from May 2003 through February 2009. To that end, we evaluated responsibilities and functions of relevant departmental personnel. We conducted interviews with legislators, federal officials, departmental staff, and private companies that have had dealings with the department. We reviewed policies and procedures, reports, and other documents to assess compliance with applicable federal and state regulations.

The investigation was performed between July 2007 and March 2009. Because it was an investigation and not an audit, we adjusted our standards and procedures to enable investigatory work. In general, the Office of the Auditor's *Manual of Guides* guided our work. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our investigation objectives.

Chapter 2
DBEDT's Integrity in Question Over Its International Activities

Our investigation found a variety of troubling actions by the Department of Business, Economic Development & Tourism in certain international activities. Documents and interviews with key stakeholders and departmental officials revealed a director and department that have on multiple occasions provided state officials with incomplete, confusing, or misleading information. By doing so, the department was able to control the expenditure of private funds as well as federal reimbursement funds with little or no spending restrictions. These reimbursement moneys were eventually used to support its Beijing Office operations and to cover a budget shortfall in FY2009.

The department also utilized its Out-of-State Offices to fund and carry out a 2005 trade mission to China and Korea. We found that departmental officials, including the director, approved the deposit of private funds into the account of one of the out-of-state offices, unbeknownst to the division administrator, placing the operation of that office in jeopardy. On a number of occasions departmental officials provided incomplete, misleading or erroneous information regarding DBEDT's role in the 2005 mission to state agencies and lawmakers trying to ascertain whether applicable laws and procedures had been violated.

We also found a lack or lapse of effective oversight measures by the department regarding its activities in a number of instances. Such safeguards are vital to any business or government agency's ability to achieve its performance goals and protect its resources. Effective oversight also helps ensure the reliability of financial reporting and compliance with laws and regulations. Policies and procedures, monitoring, and effective communication are all key factors in enabling a department to operate with discipline and structure.

The department's director is ultimately responsible for any oversight system. More than anyone else, the director sets the tone for the department as a whole and should ensure it operates ethically and with integrity.

Summary of Findings

1. The Department of Business, Economic Development & Tourism has withheld relevant information and provided erroneous and misleading information to state officials, enabling the department to spend private funds and federal reimbursement funds at its discretion.

2. A lack of effective internal controls has enabled the department's overseas offices to spend money with little accountability and created opportunities for fraud and abuse.

Department Withheld Relevant Information From State Officials Enabling it To Spend at its Discretion

The department did not provide the Department of Budget and Finance and state lawmakers with key information regarding the federal Market Development Cooperator Program (MDCP) award. This absence of key facts enabled the department to keep hundreds of thousands of dollars in reimbursement funds in its account, and spend the moneys at its discretion. The MDCP federal money that the department received came in the form of reimbursements. In order to receive the reimbursements, the department was required to meet a dollar-for-dollar cash match requirement as well as a dollar-for-dollar match in in-kind contributions or cash.

However, a review of documents provided by the Legislature and the department shows the department failed to disclose to state officials that the MDCP award was a reimbursement program. In addition, these documents do not explain how the reimbursements would impact the department's general fund expenditures. This failure to properly identify the funds runs contrary to the governor's call for "truth in budgeting." As a result, the Department of Budget and Finance and state lawmakers were not fully informed when they approved the department's request to spend the reimbursement funds and enabled the department to use the money at its discretion. According to state officials, if the department received reimbursement for the expenditure of its general funds, they would expect that the money would be returned to the state treasury.

We found a similar pattern of misrepresentation of facts or failure to provide relevant information in relation to the department's 2005 trade mission to China and Korea. For example, prior to the commencement of the trade mission, the department failed to fully disclose the nature of its trade mission role and responsibilities to State Procurement Office officials. The department was thus able to operate outside the rules and regulations of the procurement code, both during and after the trade mission, spending funds with little or no legislative oversight. We also found that during a 2006 legislative inquiry regarding the department's actions during the trade mission, the department claimed certain requested documentation did not exist; however, we were able to locate those documents during our investigation.

Such omissions, misrepresentations, and misstatements of fact are troubling and raise questions about the trustworthiness and integrity of certain departmental officials.

Department's non-disclosure of key elements of the reimbursement funds raises questions over who has claim to the funds

In May 2003, department officials applied for an award from the federal Market Development Cooperator Program. Federal officials informed the department in September 2003 that the award was approved for the period November 1, 2003 to October 31, 2007. According to the terms of the award, the federal grants officer determines the appropriate method of payment to the recipient. Recipients may receive federal funds through two methods: 1) advanced cash payments that cover anticipated costs incurred over 30-day periods, and are required to be spent in a timely manner or be returned to the federal government or 2) reimbursements. According to the grants officer, the department chose to receive reimbursements.

The department was allowed to use its expenses to operate its out-of-state offices, such as prorated overhead costs and salaries, toward the federal cash match requirement. The department director told lawmakers in 2007 that the matching funds came from the department's general funds. The director said, "It is money we would have spent anyway." In its federal MDCP application, the department applied the $40,000-a-year salaries of the executive directors of its Out-of-State Offices in Taiwan and China toward the cash match requirement. It also applied 25 percent of the annual salary of a department secretary toward the cash match. The department reported its cash match and in-kind contribution expenditures through quarterly financial status reports filed with the grants officer. Along with the financial reports, the department filed cash reimbursement requests (see Appendix A). By the end of December 2005, the department had received some $399,500 in federal reimbursements. Under the program award agreement, this was the maximum it was eligible to receive (see Appendix B).

We found that MDCP reimbursement funds continue to be held in an account in Honolulu (see Appendix C). As of January 2006 more than $247,000 in reimbursement funds was in the department's bank account. As of October 31, 2007, the award period expiration date, the department had nearly $310,000 in MDCP reimbursement funds in its Honolulu account. As of June 30, 2008 more than $275,000 in MDCP reimbursement funds remained in the account. As recently as February 4, 2009, there was still more than $225,000 in unspent reimbursement funds in the account. (The department also has additional MDCP reimbursement funds in a separate bank account, but this is addressed later in this report.)

The federal program manager said that once an award recipient receives the reimbursement payments, "it is free to use those funds as it sees fit." The program manager added that the reimbursement funds are not subject to any federal regulations or any terms of the MDCP award because they are "repayment to the award recipient of its own funds that it expended in anticipation of being reimbursed." So, as far as the federal agency is concerned, the department can use the reimbursement funds "for whatever it wishes."

A 2003 budget bill proviso gave the governor authority to approve the expenditure of federal funds that exceed the spending ceiling set by the Legislature when lawmakers are not in session. However, at the time, the governor could not unilaterally enable the department to spend the MDCP funds because the Legislature had yet to establish a spending ceiling for those funds. The finance director and the budget chief for the House of Representatives Committee on Finance said in accordance with procedure, the department needed to submit its request to spend the MDCP funds to the governor and the Department of Budget and Finance. The House budget chief said the review by the finance director is not a strict requirement but is in keeping with sound fiscal policy. The department sought the approval of the finance director to spend the MDCP funds and informed the Department of Budget and Finance that the period of the MDCP award would be three years. The director of finance approved DBEDT's request in November 2003.

The Department of Budget and Finance, Budget Division chief and the House budget chief said in the case of a new recurring federal grant—that is, when a grant is expected to be in effect for multiple years—the grant is included in a department's budget. After the ceiling is established by the Legislature, the ceiling is included in subsequent department budgets which lawmakers review and approve. In December 2003, the department included in its budget request for the Legislature to establish a spending ceiling for the MDCP award and enable the department to spend the money. The request was approved by the Legislature and passed into law as part of the 2004 supplemental budget bill.

Our review of department and legislative documents shows that the department did not disclose key information to the Department of Budget and Finance and to state lawmakers prior to their decisions to approve the department's request to spend the MDCP funds. The department failed to make clear that the MDCP funds represented reimbursement payments to the department for its expenditure of general funds. The department also did not clearly address the impact the MDCP reimbursement funds would have on its general fund expenditures given that those funds would not be restricted by any guidelines under the MDCP award or subject to other federal regulations or spending restriction. Failure to provide such information prevented decision-makers from understanding the fundamental characteristics of the MDCP moneys thus making well-informed decisions. In fact, due to the department's characterization of the moneys as a grant rather than reimbursements, the Legislature did not consider whether it should adjust the department's budget accordingly or whether the reimbursement funds should be deposited into the state treasury.

Nondisclosure of key information enabled the department to receive approval to spend the reimbursement funds

In October 2003—roughly one month after the department's MDCP application was approved by federal officials—the Department of Budget and Finance received a request from DBEDT to spend the MDCP funds. In its request, the department characterized the award as a grant with no mention of reimbursements. The Department of Budget and Finance, Budget Division chief said in the event the federal award involves any matching requirements, the department should have included a statement in its request that it had existing funds in its budget to meet the match. The Budget Division chief also noted that the department's request to the Department of Budget and Finance was presented as a "new grant." The chief added that a "100-percent grant" would involve a department drawing down federal funds and depositing it into an account within the state treasury and spending that money under federal guidelines. The chief said these federal guidelines typically restrict the amount of federal moneys grant recipients may use at a time and also set a period of time during which the federal funds must be spent. In effect, the Department of Budget and Finance construed the MDCP award as a new grant that did not involve reimbursements.

The MDCP federal program manager said the reimbursement funds are not subject to any federal regulations because the money simply pays back the department what it spent of its own money. The program manager said, "If we kept strings attached to the … reimbursement, it could not accurately be called a reimbursement …." A review of the department's 2003 requests to the Legislature and the Department of Budget and Finance do not make this distinction, leading both the Legislature and the Department of Budget and Finance to believe the moneys were a federal grant.

According to the director of finance, the description of the federal award as a grant would have led her to believe the department had received a lump sum of federal grant money which it would spend under the guidance of the awarding federal agency. The finance director added that if the department used the terminology grant in its request to use the MDCP funds, her department would have moved forward based on that term. Alternatively, the finance director said that had she been aware that reimbursements were involved, "We would have obviously had a different view of it—definitely. The terminology in the [department's approval request] document would alter our view." The finance director added that if federal officials allowed the department to use expenses for the Out-of-State Offices toward the department's cash match requirement and be reimbursed for it, then there is an understanding that the reimbursements would be used to pay back the State and there would be an expectation that the moneys would be deposited to the general fund. However, the finance director noted that the controlling factor in the expenditure of the MDCP money is the appropriation by the Legislature. The director of finance approved the department's request on November 20, 2003.

In December 2003, the department submitted a request to the Legislature to establish a federal fund ceiling for the MDCP award. According to the budget chief for the House of Representatives Committee on Finance, the federal ceiling set by lawmakers represented an appropriation by the Legislature and enabled the department to spend the MDCP money. The appropriation was also necessary because state law mandates that departments can only spend funds that are appropriated by the Legislature. In its request to the Legislature, the department addressed the issue of the impact the MDCP funds would have on the department's general fund expenditures. The department responded that "the federal grant requires a 100 percent cash match plus a 100 percent in-kind match. The state cash portion will be in the form of staff salaries and fringe benefits." Significantly, the department also referred to the MDCP funds as grant monies and not reimbursements. There was also no reference in the department's request to the Legislature that the MDCP moneys could be used to cover costs that are normally paid for with department general funds.

According the director of finance, once the department's request was approved by her department, it was forwarded to the governor for her signature and then it would go to the Legislature. The governor approved the department's request on January 6, 2004. The establishment of a federal spending ceiling for the MDCP award was included in the 2004 supplemental budget bill that was passed by the 2004 Legislature. The bill became law without the governor's signature on April 30, 2004.

The budget chief for the House of Representatives Committee on Finance said the documents the Legislature received regarding the MDCP federal award characterized the award as a grant and made no reference to reimbursements. The House budget chief echoed the finance director's interpretation that referencing the federal award as a grant infers the department already had "the money in hand" and was simply asking the Legislature's permission to spend it. The House budget chief said the terms *grant* and *reimbursement* are different. He said that a *grant* would be funds in addition to what a department has been budgeted. On the other hand, the House budget chief, the finance director, and her Budget Division Chief agreed that a *reimbursement* creates an expectation that moneys would be paid back. In this case, a reimbursement of moneys expended from the general fund would be paid back to the general fund.

The House budget chief further clarified that while the Legislature is culpable for establishing the department's MDCP spending ceiling, it is the responsibility of the department to disclose key information to lawmakers about any federal grant or award it may have received, including whether reimbursement funds are involved.

In February 2004, the Department of Accounting and General Services approved a department request to establish an appropriation code for a "federal grant from U.S. Department of Commerce." According to the State Accounting Manual, appropriation codes identify appropriations for control accounting purposes. The Department of Accounting and General Services Pre-Audit branch chief said these codes enable both the department receiving the federal funds and the Department of Accounting and General Services to track the funds.

The Uniform Accounting and Reporting Branch chief and the Pre-Audit Branch chief at the Department of Accounting and General Services both said they would not have questioned any of the expenditures from this account as long as there was an appropriation for the money, the account was budgeted, and there was no "unusual" spending. However, the Uniform Accounting and Reporting Branch chief noted there is a "huge" difference between a grant and a federal award involving reimbursements because an award involving reimbursements does not provide the department with federal funds up front. Both agreed that a department receiving reimbursements for general fund expenditures would be expected to return the reimbursements to the state treasury. The Pre-Audit Branch chief said if the department is receiving federal reimbursements to cover costs that were paid with general funds, the situation raises questions as to whether the department is spending the money twice or "double-claiming."

Thus, despite having specifically requested to federal officials that it receive reimbursements as the method of payment for its MDCP project, the department did not use the term *reimbursements* in documents it later submitted to the Departments of Budget and Finance and Accounting and General Services and the Legislature. The documents described the MDCP award simply as a grant, as in the department's January 16, 2004 budget testimony to the House Finance Committee. Similarly, the governor's supplemental budget request gave the reason for the establishment of a $250,000 federal spending ceiling—the department's "Market Development Cooperator Program grant." This lack of clarity may have enabled the department to receive approval to use the MDCP reimbursement funds at its discretion with no federal spending restrictions.

Reimbursements were used to pay for receptions and fund the department's China office

When the Legislature approved the federal spending ceiling for the MDCP award, it noted that the funds are to be used "to increase marketing activities of small and medium-sized firms." The House Finance Committee budget chief admitted the legislative intent for use of the MDCP funds is "very broad." The department's division administrator who oversees expenditure of the MDCP reimbursement funds said the department will spend the money in keeping with the spirit of the award. According to the department's director, the department intended to use the funds to develop the China market for Hawaii businesses, which is "keeping with the spirit and intent" of the federal program.

In January 2005, the department's director issued a request to the state comptroller to use "federal funds received through our Market Development Cooperator Program grant." The director requested approval to expend $17,800 in MDCP funds for luncheons and dinners, lei, beverages, VIP gifts, favors, and photos "through the life of the federal grant award period." The director argued that in accordance with Chinese protocol and customs, it was "extremely important" that the department reciprocates with groups that hosted Hawaii delegations to China. The director added, "Our non-reciprocity could jeopardize our ability to generate exports to these huge markets." The director noted that the department receives an average of three delegations per month and has "not been able to host them properly, detracting from our ability to create opportunities for Hawaii companies to export their services." The request was approved in February 2005.

Department records show in September 2006 the department spent $2,300 from its Honolulu MDCP reimbursement fund account to cater the governor's reception for a visiting tourism official from China and 35 guests. The luncheon was held at Washington Place and featured a meal prepared by two on-site chefs. The department's decision to use MDCP reimbursement funds to pay for the 2006 event raises questions about whether the reimbursement moneys supplanted its general funds. As recently as 2005, the department had used general funds to help pay for activities related to another visiting dignitary from China.

The largest department expenditures of reimbursement funds took place between fiscal years 2007 and 2009. These expenditures took place after the department opened a second bank account in Beijing in June 2007 to hold its federal reimbursement funds. Departmental personnel who oversee accounting for the Out-of-State Offices said this account is identified as the 'Market Development Cooperator Program account' because it contains only those reimbursement funds.

The department's accounting records show that in July 2007 the department transferred $30,000 from its Honolulu MDCP funds account to the Beijing Market Development Cooperator Program account. A second $30,000 transfer was made in June 2008 and a third transfer, of $50,000, took place in August 2008. The second and third transfers were approved by the departmental director or his designee.

Department used reimbursement funds to offset budget cuts

The reimbursement funds transferred to the Beijing MDCP account were primarily used to pay for staff salaries, benefits, and overhead costs of the Beijing overseas office. They also provided the means for the department to keep the Beijing office operating even as the budget for its overseas offices was cut in order to comply with a legislative mandate.

In 2008, the department was mandated by the Legislature to take a 4.5 percent budget cut for FY2008-09, roughly a $557,000 reduction. Departmental documents show the budget for the overseas offices was cut by $54,254 to help meet the mandate. The same documents include a notation that the cuts will be offset using MDCP reimbursement funds "to make up [the] shortfall." The administrator of the Strategic Marketing & Support Division confirmed that this decision came from him; he also said he discussed the matter with the departmental director, who gave the "go ahead" on the idea.

On July 17, 2008, the department transferred $30,000 in reimbursement funds to the Beijing MDCP bank account. The same day, the Beijing overseas office's executive director was notified he should use the reimbursement funds to pay for all operating costs beginning on August 1, 2008. The executive director was later told, via a departmental email, to "freeze" use of the MDCP reimbursement funds and resume using its general fund account starting January 1, 2009 (see Appendix D).

We reviewed the monthly reports of the Beijing office's MDCP account during the period July 2008 to December 2008. Our review included the monthly expenditures to determine how much federal reimbursement money was used to support the Beijing office during a period when its budget was cut by more than $54,000. The department reported it cut $54,254 from the budget of its overseas offices to meet the legislative mandate for FY2009. However, we found that during the period July 2008 to December 2008, $52,387 in reimbursement money was used to pay for the Beijing office staff and overhead costs. Without the reimbursement funds, the department would have had to close one of the overseas offices sooner or later according to the branch chief, who oversees the Market Development Cooperator Program project. The division administrator said he did use MDCP reimbursement funds to pay for the Beijing office during a five-month period in 2008 as a result of the budget cut and "to get a clearer picture of what our general funds availability looked like." He also said that budget cuts would prompt the department to close one of the overseas offices if the reimbursement funds are not used to run the Beijing office. According to the House budget chief, using reimbursement funds to pay for activities or programs usually paid for with general funds would constitute a general fund impact. The House budget chief added that the department's access to a "side account" could explain how it was able to find sufficient funds to operate the overseas offices during periods when the department was in a budget shortfall.

Department statements to lawmakers in 2007 about the MDCP were confusing and disingenuous

The director of business, economic development & tourism told our office that the department's MDCP project was "explicitly a reimbursement program." However, we reviewed the director's testimony from his April 19, 2007 senate confirmation hearing and found that he did not clearly state at that time that the MDCP award was explicitly a reimbursement program. In fact, the director made no reference to reimbursements. Instead, he consistently referred to the federal award as a *grant* and characterized the funds as *MDCP* moneys, *grant moneys*, *moneys*, and *federal* money. As previously noted, the director of finance, her Budget Division chief, the House Finance Committee budget chief, and the Department of Accounting and General Services, Uniform Accounting and Reporting Branch chief, all interpret grant and reimbursement as two distinctively different terms. The lack of clarity on the part of the director of business, economic development & tourism created confusion for lawmakers.

The director also testified to lawmakers that "none of the federal grant moneys were used to pay for our overseas offices overhead and expenditures directly." The director's claim was accurate at the time, but as noted earlier in this report, in June 2007—roughly three months after the director testified to lawmakers—the department established an MDCP bank account for the Beijing office and transferred MDCP reimbursement funds the following month into it. Department records show reimbursement funds were used to pay for the salary of the Beijing office's executive director's assistant beginning in August 2007. Our investigation found that over an 11-month period, from August 2007 to July 2008, MDCP reimbursement funds were primarily used to pay for the salary and costs incurred by the executive director's assistant in Beijing. These costs included a business trip from China to Hawai'i in December 2007, when reimbursement funds were used to pay for the assistant's transportation costs, state parking permits, and cellular phone service. In addition, $5,400 in reimbursement funds was used in 2008 to pay for costs associated with an educational fair.

Furthermore, when the department decided to use MDCP reimbursement funds to pay for all operating costs of the Beijing office from August 2008 to December 2008, it included the salaries of the executive director and his assistant; the Beijing Office's rent, management fees, utilities, telephone, fax, lunch meetings, and flower rentals, as well as life and health insurance coverage for the executive director's assistant. This extensive use of MDCP reimbursement funds to support the operations of the overseas office only three months after the director assured lawmakers that the department had not done so reflects poorly on his integrity.

Thus, nondisclosure by the department that its MDCP project was a reimbursement program enabled it to evade questions of whether the reimbursement funds should be returned to the state treasury and whether the reimbursement funds could "supplant" the department's general funds, thereby reducing the department's budget. The finance director noted that the availability of reimbursement funds would have altered her view of the department's request to use the MDCP funds. Therefore, that the department's failure to clearly disclose the MDCP funds as reimbursements along with its insistence in characterizing the money as a grant is not simply a case of semantics. The department's failure to provide state agencies and lawmakers key information in clear, unambiguous, and applicable terms enabled it to keep hundreds of thousands of dollars in reimbursement funds which it spent at its discretion and in a way that had a clear impact on its general fund expenditures.

The status of the reimbursement funds should be clarified

As of February 4, 2009, there was $225,384 in MDCP reimbursement funds in the department's Honolulu account and as of May 2009, there was more than $30,000 in reimbursement funds in the Beijing office's MDCP account. In the aggregate, the department has more than a quarter million dollars in unspent MDCP reimbursement funds.

The division administrator who oversees the MDCP accounts said the department expects to have spent all of the reimbursement funds to operate the Beijing office by the next biennium. Department officials also indicated the department may apply for another MDCP award due to the tight budget.

The 2009 budget worksheets show that the MDCP $250,000 spending ceiling still exists in the department's budget for FY2010-11. According to the House Finance Committee budget chief, once the Legislature sets a federal spending ceiling, the ceiling is usually not reviewed again and it carries over to the following fiscal year. The Uniform Accounting and Reporting Branch chief and the Pre-Audit Branch chief at the

Department of Accounting and General Services said that each account in its system has a one-year lifespan. Departments may continue to have access to an account in subsequent years by simply updating the account's year designation.

Our review of the governor's budget execution policies and instructions for fiscal years 2003 through 2009 indicates that the guidelines regarding reimbursement funds have remained consistent; that is, reimbursements must be deposited into the general fund or the "appropriate fund account that provided the advanced funding." In the FY2009 budget instructions, the governor also encouraged departments to use federal and other non-general revenue sources which meet similar objectives of programs for which State funds are authorized as long as the expenditures of these funds are within their appropriated spending ceilings.

Currently, the department has more than $250,000 in reimbursement funds to dedicate to funding the operations of the Beijing office. The MDCP spending ceiling remains in effect which provides the department the ability to spend the funds. In addition, the department's use of the reimbursement funds to support the Beijing office could arguably be in accordance with the governor's FY2009 budget instructions. However, the FY2009 budget instructions also state that reimbursements should be deposited into the general fund or into the fund that provided the advanced funding. As the department pointed out, it was reimbursed for its expenditure of general funds. Therefore, the remaining reimbursement moneys should be deposited into the state treasury. We found no evidence that the department clearly informed the Department of Budget and Finance and the Legislature that the MDCP award was a reimbursement program and that the department would have the ability to spend those funds at its discretion. Nondisclosure of these facts compromised the process and enabled the department to use the MDCP funds to "supplant" general fund expenditures and cover budget cuts to its department.

Therefore, the department, the Legislature, and the Department of Budget and Finance should work toward reaching a consensus as to who has claim to the reimbursement funds and whether the funds should remain under the control of the department or be deposited into the state treasury. Also, the department and the Legislature should take steps in the future to ensure all parties have a clear understanding whether any federal or non-general funds the department is eligible to receive are in the form of reimbursements or federal moneys that are subject to specific expenditure regulations prior to any action that would enable the department to spend these funds.

Department issued a false claim regarding the effectiveness of its award project

The federal award conditions contained a number of performance measures to determine the success of the department's MDCP project. These included how the department's project increased the number of deals executed by U.S. businesses and how it increased the dollar value of exports of U.S. businesses. In its project proposal, the department cited that trade missions would be among the activities it planned to use to accomplish its goals and objectives.

The department's final report was received by the program manager in July 2008. In the report, the department concluded that the program award was successful in helping members of the Integrated Development Group and other Hawai'i companies to market their services in China. The report also claimed "…as a result of a DBEDT-led mission to China in June 2005, Matson Navigation Company established the first direct shipping link between the U.S. and China." The report estimated the value of the agreement to be in excess of $100 million.

By directly linking the trade mission with Matson's shipping route agreement in its final report, the department addressed two of the award project's performance measures: 1) increasing the number of deals executed by U.S. businesses and 2) increasing the dollar value of exports by U.S. businesses. We found, however, that the claim regarding Matson's shipping route agreement is false. Matson Navigation Company announced its new China service on February 24, 2005–four months before the State's trade mission. Therefore, the trade mission could not have had any influence or effect on the shipping route agreement. Furthermore, the department's director testified before lawmakers on April 19, 2007 that "At no time… did we claim that Matson or A & B [Alexander and Baldwin] developed that route as a result of the China mission." The director testified that Matson conveyed to the department its participation in the trade mission could "incrementally" produce an additional $100 million in business and that the route agreement and the 2005 mission were not connected.

Included within the provisions of the federal award guidelines are possible repercussions regarding false statements and claims. The guidelines state that any party presenting false or fraudulent statements, representations or claims may be subject to litigation or a fine and possible imprisonment. While our investigation found that the Matson shipping route claim in the department's final report is false, we did not review the veracity of other claims cited in the department's final program report.

DBEDT officials misrepresented the department's role in its 2005 trade mission to China and Korea

According to statements by the department's director, the decision to pursue private sponsorships to help pay for the 2005 trade mission to China and Korea was based on two factors: the Legislature's cuts to the department's marketing budget and the growth in scope of the 2005 mission, which led the department to conclude it needed a larger budget.

To preserve the viability of the trade missions, the director stated that the involvement of non-profit organizations was necessary. His reasoning was that a private entity would eventually become the organizer of future missions. The director said the private entities for the 2005 mission were two non-profit organizations, the Pacific and Asian Affairs Council (PAAC) and the District Export Council (DEC), both of whose purposes were consistent with the purpose and objectives of the trade mission.

Exhibit 2.1
Photo of 2005 Governor's News Conference

Governor Lingle announces the 2005 China/Korea trade mission, May 2005
Source: Governor's e-newsletter website

Documents show the department's former information director, who also served as the special assistant to the director, played a significant role in the 2005 trade mission. The director's special assistant said he was involved in the solicitation of mission sponsors and in the expenditure of the mission sponsor's funds. A former chairperson for the Export Council recalled that the director's special assistant was a "substantial player" in the 2005 mission.

According to the director's special assistant, to ensure the mission could be carried out without impediment, the mission sponsors wanted an organizational vehicle that did not require adherence to the State's procurement process. The director's special assistant said the PAAC's non-profit status exempted it from state procurement laws. In order to take advantage of the exemption, the department "had to run through PAAC." The department's director, however, contended there were no discussions to that effect and said the department was "cognizant" of possible procurement issues and would have gone through the procurement process, but was advised it was not necessary.

However, our investigation found that such advice may have been influenced by the department's failure to provide key information to the advisor.

Department withheld or provided false information to state lawmakers and agencies

Concerns over the trade mission prompted a state representative's inquiry into the department's fiscal records. In March 2006, the department's director responded that he could not fully comply with the legislator's request for fiscal documents, including invoices and purchase orders, regarding the 2005 trade mission. The director responded that due to the complicated nature of the trade mission and how transactions were carried out in China, there were no such records. However, in the same letter, the director made numerous references to invoices generated by mission expenditures. The director also told our office the 2005 mission involved "a lot of invoices." Our investigation found the department provided misleading or incomplete information to state agencies regarding its role in the 2005 trade mission. We also found the department withheld information from state lawmakers regarding expenditure of the mission sponsors' funds.

We obtained and reviewed dozens of invoices and receipts for costs associated with the 2005 trade mission from the offices of PAAC (see Exhibit 2.2).

Exhibit 2.2
DBEDT Approval Forms and Mission Invoices from PAAC Offices

Source: Photo by the Office of the Auditor

As shown in Exhibit 2.3, each invoice was accompanied by a departmental memorandum, on department letterhead, signed by the department's director and the director's special assistant certifying the department received various goods and services and approved the use of mission funds as payment. The director's special assistant said these were internal departmental documents which were "signed off" by the department's director.

Exhibit 2.3
DBEDT Approval Form for 2005 Mission Invoices

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
ACTING DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

May 31, 2005

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Invoice Payment

This is to authorize payment for the attached invoice.

Date invoice received 5/31/05

Invoice W-050626A

Invoice Date 5/26/05

Requested by: WorldSound

I certify that goods/services were satisfactorily received.

RECOMMEND APPROVAL: APPROVED FOR PAYMENT:

RICK MANAYAN THEODORE E. LIU

Attachment

(#111 - VOID)
#110 -

Source: Copy of document obtained from the Pacific and Asian Affairs Council

We also located dozens of additional receipts and invoices from records stored at the department's Strategic Marketing & Support Division, as shown in Exhibit 2.4. Division records included a number of purchase orders and requisition requests associated with the 2005 trade mission. In effect, we were able to locate documents the department claimed did not exist, which were the same records requested by the state representative in March 2006. The fact that the mission invoices were all accompanied by the department's approval forms with the director's signature suggests the department knowingly withheld these documents from the state legislator.

Exhibit 2.4
Accounting Records of DBEDT Overseas Offices

Source: Photo by the Office of the Auditor

We also found additional evidence that the department provided misleading information to other state lawmakers. During a 2006 legislative hearing, a departmental document was presented providing a chronology of events that led to the June 2005 trade mission (see Exhibit 2.5). According to the timeline, the PAAC did not become involved in the mission until May 2005.

Exhibit 2.5
DBEDT Timeline of the 2005 China/Korea Mission

Timeline: China-Korea Trade Mission 2005

January 2005	February 2005	March 2005			April 2005			May 2005	June 2005
Planning begins for 2005 DBEDT China trade promotion modeled after 2004 XTD	Request for procurement exemption for Events International (2-5-05)	Request denied (3/8/05)	Governor decision to lead an Official State Mission	-- Decision to pursue partnerships with non-profits. -- Discussions with DEC, HKBAH, Chinese Chamber of Commerce	Discussions on structure with State Attorney General's office	-- Opinion from Attorney General (4/5/05) --DEC board agrees	Meeting with State Chief procurement Officer to discuss opinion and structure (4/20/05)	DEC requests PAAC's assistance	China/Korea Mission

Department of Business, Economic Development & Tourism

Source: Copy of document obtained from the Hawai'i State Archives

However, documents obtained by our office show that the PAAC became involved at least a month earlier. The timing of the PAAC's involvement is noteworthy because of a key meeting in April 2005 between the department's director and the State Procurement Office. As discussed in a separate section of this report, following this meeting, the department concluded the 2005 mission was not required to follow the State Procurement Code.

The department consistently provided erroneous information regarding the 2005 trade mission. Based on departmental representations, in June 2005, the Office of Information Practices issued an opinion regarding trade missions organized by the department, including the 2005 mission to China and Korea (see Appendix E). In its opinion, the Office of Information Practices stated it was told that the department, the Hawai'i Pacific Export Council, and the Pacific and Asian Affairs Council were involved in the solicitation of mission sponsors and that the decision to accept prospective mission sponsors was made "by consensus." The Office of Information Practices was also told that the PAAC essentially had "veto power" over those decisions. However, officials from the Hawai'i Pacific Export Council and the PAAC made it clear to us they had nothing to do with the solicitation, negotiation, or decision-making regarding sponsors for the 2005 mission.

The department's director and his special assistant told our office that the department was in fact in charge of identifying, soliciting, and securing prospective sponsors. While it is possible that the Office of Information Practices misinterpreted the information provided by the department in 2005, we found that the department has been consistently unable or unwilling to provide state agencies with accurate and complete information regarding its role in the 2005 mission.

Information provided by the department to the State Procurement Office was incomplete and misleading

At the department's request, the Department of the Attorney General issued an opinion on April 5, 2005 regarding the department's plan for the 2005 mission (see Appendix F). As presented to the attorney general, the mission plan called for the Hawai'i Pacific Export Council to co-organize the 2005 mission with the department. Responsibilities of the Hawai'i Pacific Export Council included handling the fees for mission participants; hiring service providers for the mission; and paying the service providers. The attorney general's opinion identified a "problem area" in the department's plan, namely, the department's presence on a "sub-committee" that controlled a bank account for the sponsors' funds, which were to be used to pay for the mission's costs. The opinion concluded that this presented a possible violation of the State's Procurement Code. The attorney general reasoned that the department could exert influence over the three-member sub-committee and could "…direct expenditure of funds without complying with the procurement law. It is strongly suggested that there be no DBEDT member on the sub-committee." The Department of the Attorney General did not find any other procurement issues with the organizational relationship between the department and the Export Council.

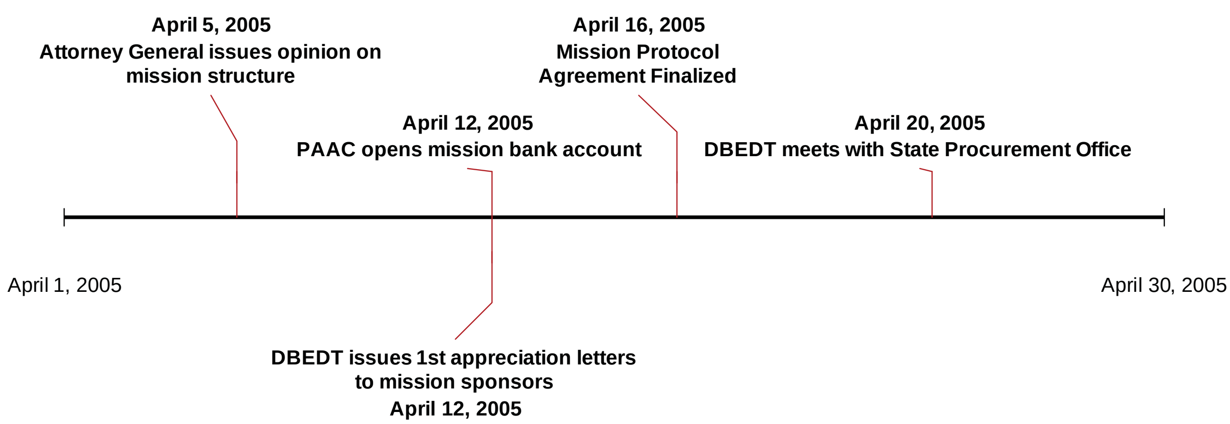
On April 20, 2005, the department's director met with the acting administrator and two staff members of the State Procurement Office to discuss the concerns raised by the attorney general. The director provided a copy of the attorney general's opinion and an organizational flow chart of the 2005 mission model to the acting administrator (see Appendix F).

Based on information and the flow chart provided by the director, the acting administrator stated she believed the lead organizer of the 2005 mission would be the Hawai'i Pacific Export Council and that the department's involvement would be "minimal." The acting administrator said her understanding was that the Hawai'i Pacific Export Council would have final say on all aspects of the mission, including expenditures. As a result, the acting administrator concluded there did not appear to be any procurement issue and that the department's participation on a sub-committee, which would control the mission sponsor funds, would have little influence regarding the expenditure of those monies since the lead organizer—the Export Council—was the decision-making authority.

In 2006, the State Procurement Office revisited the procurement issue to discuss a "misunderstanding" from the April 20, 2005 meeting. In a March 22, 2006 letter to the State Procurement Office, the department's director denied he previously told the acting administrator and two procurement office staff that the Export Council was the lead organizer or that the department's involvement was "minimal." Nevertheless, in a letter dated March 31, 2006 the State Procurement Office wrote to the department's director stating that it stood by its previous position, namely that it was convinced the department's role would be minimal (see Appendix G).

We also found that during the April 20, 2005 meeting the department did not disclose to the State Procurement Office information regarding the Pacific and Asian Affairs Council's participation in the 2005 mission. Documents show the PAAC was fully involved in the 2005 mission before the April 20 meeting. Financial records show the PAAC opened the mission bank account on April 12, 2005, as shown in the timeline in Exhibit 2.6. Also, the mission protocol agreement outlining the responsibilities of the department, the Export Council and the PAAC was finalized on April 16, 2005. Despite this, the acting administrator said that even as the trade mission began in June 2005 she remained unaware of the existence of the protocol document.

Exhibit 2.6
2005 China/Korea Mission Timeline Based on Documents and Interviews



Source: Office of the Auditor

We find it unlikely that the three members of the State Procurement Office who attended the April 20, 2005 meeting would all misunderstand the departmental director's presentation and explanation of the mission plan. Our review of the department's 2005 mission organizational flow chart clearly shows that the Export Council is positioned as the lead entity. In addition, the department's director failed to disclose information about the involvement of the PAAC and did not divulge the existence of the protocol agreement. We find that these misrepresentations and omissions of fact influenced the State Procurement Office's opinion and enabled the department to operate outside the State's procurement code.

Department was lead organizer of the mission and had little or no controls on its spending

As described by members of the Export Council and the PAAC, the department was the lead organizer of the 2005 mission and in charge of the expenditure of mission funds, including the solicitation and hiring of vendors for goods and services. Members of the two councils also stated that the Export Council's role as the "co-organizer" of the 2005 mission was to promote the mission. Lastly, the role of the PAAC was to be the mission's accountant and to "cut checks" (withdraw funds to pay vendors) at the behest of the department. The level of involvement of the two organizations was limited to these functions and the department was responsible for everything else.

Regarding the use of the mission sponsor funds, the department's director stated that the department was responsible for the solicitation and negotiation with vendors for goods and services. In addition, it was the department's responsibility to communicate to the PAAC the purpose of invoices for which the PAAC would approve and draft checks for payment. According to the protocol agreement, representatives from both non-profit organizations would review the invoices once they were vetted, approved and sent by the department.

The review process was described by members from both organizations as "informal." Members did not meet in person during the review process. Invoices were received from the department electronically and discussed either by email or telephone. Representatives from the organizations and the department also told us there were no established spending criteria to determine whether expenditures were deemed appropriate. Members of both organizations said that in the absence of any written criteria, they relied on their own judgment and a presumption that the department's rationale for the expenditures was valid and appropriate. Representative from the PAAC who reviewed the invoices said that in regards to mission expenditures, "There were no restrictions." Members of both organizations said they had authority to veto or challenge any invoice from the department, but rarely if ever did so and had "no idea" which party would be responsible for paying an invoice that had been rejected.

The department's approval documents that accompanied the mission invoices contained both the department director's and his assistant's signatures; they did not include any initials, signatures or attachments from either the Export Council or the PAAC to indicate their review and approval of the invoices. Further, we were unable to locate any other documentation demonstrating the mission invoices were reviewed or approved by both non-profit organizations. While the committee review process was intended to operate as a type of "safety check," the lack of organization and absence of any spending criteria diluted any efforts at oversight or internal control over the department's use of the mission sponsor funds. More importantly, we found no documentation to verify that a review process took place on a consistent basis.

Misrepresentation of the mission model paved the way for the department to circumvent a ruling by the State Procurement Office

We reviewed mission invoices for goods and services the department procured. The invoices had been issued either in advance of an event or activity, or after the services were received. One invoice was dated May 10, 2005 from a vendor for a $15,000 advance payment to provide entertainment during the mission's China segment in June. This invoice was addressed to the departmental director's special assistant and approved by the department's director.

A second company, which was owned by the chief executive officer of the entertainment vendor described above, received an additional $5,000 for providing consulting services for the 2005 trade mission. The department's director and the special assistant to the director, who approved the invoices, told our office they could not recall who solicited or hired the vendor. Moreover, the vendor denied it engaged in any negotiations with the department and was unable to provide us with any contract or signed agreement regarding the services it provided for the 2005 mission. Representatives from both the PAAC and the Hawai'i Export Council denied they had solicited or hired the vendor.

The memory lapses of department officials and the vendor in conjunction with the absence of documentation are troubling, since the department had attempted to exempt the very same vendor from the procurement code in February 2005. In that exemption request, the company was to provide entertainment production services in Xintiandi, Shanghai, which was the venue for a trade show during the 2005 mission. The exemption request was rejected on March 8, 2005 by the State Procurement Office. In its decision, SPO concluded the company could benefit from participating in the project and ruled that the job should be open to competitive solicitation.

Because the department was in charge of soliciting and hiring vendors and the expenditure of mission funds, it is reasonable to conclude the department negotiated with and hired the entertainment vendor, an action it had attempted to do before. It is also reasonable to conclude that by hiring the vendor without competitive solicitation, the department circumvented a State Procurement Office decision.

Department employee was provided $20,000 cash in mission sponsor funds

We obtained records showing that $20,000 cash in mission sponsor funds was provided to the director's special assistant, with approval by the department's director (see Appendix H). The money was for China "in-country" expenses that could not be paid for in advance. The special assistant admitted he did not have any specific spending criteria for the cash. During the 2005 mission, the special assistant spent more than $12,700 on goods and services that took place primarily in China. Among his largest expenditures was more than $3,100 spent on a June 9, 2005 "VIP Sponsors Mahalo Dinner" at the Jean Georges Restaurant in Shanghai, featuring an undisclosed menu and including 21 glasses of Dom Perignon champagne at $30 a glass. In addition to the cash spent on this VIP dinner, we also found a department-approved invoice for an advance payment of $1,666 to the same restaurant for an event on the same date, making it reasonable to conclude the advance payment was also for the VIP dinner. The total cost of the dinner function was more than $4,700. The dinner was attended by approximately 25 guests, primarily mission sponsors and department officials and including the department's director. The director's special assistant also organized and spent $4,000 in cash for a "VIP After-Concert Cocktail Party" on the following night, June 10, 2005, which featured a buffet menu and open bar (see Appendix H).

The director's special assistant said that while he operated under no spending criteria or restrictions, he did provide a spreadsheet of invoices and receipts to the PAAC to verify his expenditures. However, we found a number of those receipts and invoices were in Chinese with vague English translations and did not provide sufficient description of the purpose for the payments. The director's special assistant said he could not read Chinese and representatives from the Hawai‘i Pacific Export Council and the PAAC involved in the invoice review process said they also could not read Chinese. In light of these factors, it would have been impossible for the Export Council or the PAAC to determine exactly what was purchased and whether the expenditures were in accordance with the purpose of the mission.

The individual who drafted the protocol agreement made it clear to our office that the PAAC was intended to be an administrator and not an auditor. He added that the Export Council and the PAAC were not responsible for verifying or checking whether the department's expenditures were proper. These specific and narrow roles underscore a flawed review process that provided little if any oversight of the department's use of mission funds. The receipt of $20,000 in cash by a departmental employee with no spending criteria not only represents a breach of spending oversight, but, more importantly, supports our position that the department was in charge of mission fund expenditures. This role was contrary to the understanding of officials at the Department of the Attorney General, the Office of Information Practices, and the State Procurement Office.

Department continued to spend sponsor funds months after the 2005 trade mission ended

Representatives from the PAAC said they believed their obligation as the mission's fiscal agent would be fulfilled after the delegation returned from its trip. However, documents show the department continued to spend mission sponsor funds on goods and services as late as November 2005 and the mission bank account was not closed until February 9, 2006.

Post-trip expenditures included costs associated with two state functions in Hawai'i. On July 30, 2005, a luau was held for a visiting state councilor from China. Under the procurement code, the department would have been required to select a vendor through competitive solicitation in order to obtain best value to the State. Instead, the department solicited a vendor for the luau under its own criteria. The following are excerpts from internal emails in July 2005 between the special assistant to the director and a departmental administrator:

> *Administrator:* "These are not very accommodating folk (not much aloha at this luau) and if the Chinese delegation wasn't so set on a luau, I would recommend not dealing with Paradise Cove. They don't even return my phone calls, and I've left several messages. They said they can do nothing special about taking care of this group, except give to us the Kamaaina rate which I guess they feel we should be grateful for."
>
> *Special assistant:* "My good friend is the CEO of Germaine's Luau. My other friend, [name omitted], used to own Paradise Cove and he still has a connection to the company if you like me to call him. Do you want to deal with Germaine's? If not this time, maybe in the future."
>
> *Administrator:* "The call to [name omitted]…worked…they are working our special treatment details."

The invoice agreement with the luau vendor was signed by the director's special assistant. The vendor was eventually paid $1,700 in mission sponsor funds for its services. The above emails show that departmental officials sought "special treatment" from a vendor for the luau event and used a personal friend of a departmental employee to help receive those benefits. In accordance with the State Code of Ethics, no employee shall solicit, accept, or receive directly or indirectly, any gift, whether in the form of service, entertainment or promise under circumstances that the gift is intended to influence the employee's official duties or as a reward for any official action on the employee's part. The emails reveal that "special treatment" was both solicited and received by the department in exchange for the vendor receiving the job. This appears to be a violation of the gift law under the ethics code.

Other troubling post-mission expenditures included payments associated with an October 2005 visit by the governor of Guangdong, China. The department received approval from the state comptroller in September 2005 to use $11,750 in general funds to pay for goods and services for the governor's visit. Items included catering, lei, gifts, entertainment, and transportation (see Appendix I). While the department used general funds to purchase lei and transportation services, it continued to use mission sponsor funds for other items related to the governor's visit. Documents show the department used $13,575 in mission sponsor funds—not general funds, as stated in a letter to the comptroller—to cater the reception for the Guangdong governor at Washington Place (see Appendix J). The department also used mission funds to pay a Department of Public Safety sheriff to provide security for the event (see Appendix J).

Exhibit 2.7
Guangzhou Symphony's Honolulu Performance, October 2005

Source: Image from the Hong Kong/China Hawai'i Chambers of Commerce website

Mission funds were also used by the department for a $500 backstage reception following a performance by the Guangzhou Symphony on October 11, 2005 (see Appendix J). An additional $1,168 was spent by the department for artwork given to the Guangdong governor as a gift. The department's decision to use general funds or mission funds for the Guangdong governor's visit was its own. We assert that for the department to decide when it would spend general funds (and comply with procurement procedures) and when it would use mission funds (not covered by the procurement code) is improper.

One other post-mission questionable expenditure involved the use of $6,849 in mission funds to purchase awards for the mission sponsors and other items to stock the department's supply of gifts for future dignitaries. These included pens and briefcases imprinted with the state seal or the department's logo. This expenditure further supports our position that the department had full control of mission funds and spent that money for goods and services both abroad and in Hawai‘i, both before and after the 2005 mission. With no spending guidance or restrictions, the department engaged in procuring a number of goods and services that benefited either a select few or solely the department.

Lack of transparency enabled the department to avoid accountability for its actions during the 2005 trade mission

The department's delayed and inadequate disclosure of information about mission sponsor contributions left it open to criticism by state lawmakers and the media. Questions were raised over whether businesses that sponsored the mission received greater governmental support than non-paying businesses. In June 2005, the *Honolulu Advertiser* requested information regarding the cash and in-kind contributions of private businesses that sponsored the mission. The department did not release that information until January 2006. In a May 18, 2006 opinion, the Office of Information Practices stated that the department's withholding of information was not justified. The lack of transparency subjected the department to criticism by lawmakers and in the media.

This type of public criticism is similar to what the governor of California received regarding another China trade mission that also took place in 2005. The California mission was also funded by private sponsors. The project director for the Center for Public Integrity, a Washington-based watchdog group, was reported as saying that asking private businesses to fund a government trade mission is a clear conflict of interest since those companies have the "most at stake." The executive director of the non-profit group California Clean Money Campaign in Los Angeles was quoted as saying, "How would the state decide to push one particular member of the industry as opposed to another member of another industry?"

In a departmental solicitation letter to prospective sponsors for a number of state missions to Asia for 2006, the department pledged that an "expression of the State of Hawai‘i's support" would be included among the sponsor benefits. The letter pointed out that political and business leaders in China place "significant value on a foreign company's relationship with that company's own government." The director's special assistant said that local companies presented by the State to Chinese government officials helped establish credibility or "legitimacy" for those companies. He also said that "a kind word from the governor" would help establish "legitimacy," which is important to do business in China. He added that Chinese government officials would "not give the time of day" to companies that were not accompanied by officials from their state government.

Exhibit 2.8
***Left* - Gov. Lingle Meets Guangdong Governor; *Right* - Gov. Lingle's Address at Sun Yat Sen Memorial Hall**

Source: Governor's e-newsletter website

The department's director confirmed to us that the department was in charge of soliciting prospective sponsors for the 2005 trade mission. He said the department was also responsible for developing sponsorship tiers with specific benefits to enable sponsors to see "what they would be getting" for their money.

During our investigation, we obtained departmental letters signed by the director that were sent to local companies that had committed to become sponsors of the 2005 trade mission. In these letters, a sample of which is shown in Exhibit 2.9, the department expressed its appreciation to each company and requested to meet with each to review the mission's schedule and activities.

In the letter, the director sought to discuss "talking points" that were of specific interest to each company so that the department could work them into speeches, presentations, and even the governor's comments during the course of the 2005 mission. The director's special assistant, who helped the department secure the 2005 mission sponsors, said that while the department sent sponsor solicitations letters "to everyone," only the companies that committed to pay received the appreciation letters and met with department officials regarding these "talking points."

Exhibit 2.9
DBEDT Appreciation Letter to a Sponsor of the 2005 China/ Korea Mission

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
ACTING DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

April 19, 2005

Mr. Robert Kritzman
Executive Vice President &
Managing Director, Hawaii Operations
Norwegian Cruise Line
700 Bishop Street, Suite 900
Honolulu, Hawaii 96813

Dear Mr. Kritzman:

Thank you again for NCL's support of the Hawaii business and trade mission to China and Korea in June led by Governor Linda Lingle. I am pleased to confirm your position as a Title Sponsor of the Mission.

As you know, the organizers have a multi-faceted and ambitious plan for the Mission. I am very pleased to report that all the components of the plan are coming together very well. As we are now two months away from the start of the Mission, we would like to schedule an appointment with you to review, in some detail, the Mission's schedule and activities.

As we are interested in discussing specifically how the Mission's meetings, venues, events and other activities can be best used to achieve NCL's business objectives, perhaps it would be good to meet with your team that would be our contact on the remaining preparation to be completed before we travel to China. The enclosure with this letter is a preliminary checklist of sponsor's items for your attention, along with their deadlines.

In our meeting, I would also wish to discuss "talking points" of interest to NCL that we could work into the speeches, presentations, Governor's comments, and so forth to be made throughout the Mission. I understand that Rick Manayan of my office has scheduled this meeting for Tuesday, April 26, 4:00 PM at your office.

We all look forward to working with you to ensure that the Mission meets NCL's interests and objectives.

Very truly yours,

Theodore E. Liu

Enclosure

"In our meeting, I would also wish to discuss 'talking points' of interest to NCL that we could work into the speeches, presentations, Governor's comments, and so forth to be made throughout the Mission."

Source: Copy of document obtained from the Office of State Representative Marcus Oshiro

The appreciation letters indicate that the department director offered services to a select number of companies that agreed to sponsor the mission. These services would provide a greater level of "legitimacy" and enhance the companies' chances to do business in the China market. This arguably created an uneven playing field for the other businesses that did not pay. The fact that the letters were sent by the department's director skirts dangerously close to a violation of the Fair Treatment Law, which prohibits state employees from attempting to use their position to secure unwarranted privileges or advantages for others.

Our investigation found the department's failure to fully disclose its role and responsibilities in the 2005 mission to China and Korea enabled the department to avoid accountability for its actions and decision-making. The public criticism the department received following the mission was primarily self-inflicted due to the lack of transparency immediately following the mission regarding sponsor donations. The department's appreciation letters to sponsors (see Exhibit 2.9), which were not made public, also raise questions about the department's role in the 2005 mission and whether the department gave paying sponsors an unfair advantage over non-paying businesses. We find that greater safeguards must be in place to ensure future trade missions are carried out with full transparency in order to avert the possibility or suspicion that any *quid pro quo* exists between the department and trade mission participants.

Department should use federal trade mission policies as guidance

During a 2008 legislative hearing, the departmental director defended the department's fundraising efforts to pay for the 2005 trade mission. The director pointed to a 2006 trade mission by the U.S. Department of Commerce, which charged participants a mission fee. The director added that those funds were used by the federal government in exactly the same way as the department in an effort to offset the costs of business missions and save public funds. We reviewed the U.S. Department of Commerce overseas trade mission policy and spoke with a manager of the Commercial Trade Missions within the U.S. Department of Commerce about the policy.

We found that DBEDT would be well served to use the federal trade mission policy as guidance for future endeavors. However, the departmental director's assertion that funds were used exactly the same way is incorrect. The federal policy states that trade missions are not private rewards for the individuals and companies that participate in them. It adds that the missions can succeed only if the public is confident that they in fact serve the public's interest. To accomplish this, the policy provides objective guidelines to ensure all decisions regarding trade missions are based on written criteria. These standards ensure the trade mission process is transparent, with relevant documentation available to the public without delay. The policy supports a process for recruiting and selecting private sector participants in trade missions based on objective, written criteria in accordance with a mission statement to avoid any perception of favoritism or impropriety.

Parties interested in participating in a mission are required to fill out an application and evaluated on their ability to contribute to the goals and objectives of the mission in accordance with the selection criteria. Those criteria are also tied to performance measures to identify companies that are a good fit for a particular mission. Fees charged to the selected mission participants are used to pay for costs incurred directly by the U.S. Department of Commerce, such as arranging one-on-one business meetings, which are considered the most important activity of the mission. All other costs, such as airfare, lodging, meals, and incidentals, are the responsibility of the participants. The "hospitality" events organized by the U.S. Department of Commerce are closely monitored to ensure they focus on business networking, not "tourist-related" events such as tours or sit-down dinners, which are expensive and do not maximize business networking. The federal mission policy also requires that records be maintained for each mission including a record of the decision process used in the recruitment and selection of mission participants. The records are made public once the mission has been completed.

We find the federal trade mission policy's emphasis on written criteria, performance measures, transparency, timeliness and the restricted use of private sector fees should be adopted by the department. To do so would assuage public concerns about whether there is any *quid pro quo* involved between the government and mission participants. It would also eradicate the government's expending private funds and place the responsibility of paying for travel, lodging, gifts or tourist-like activities onto mission participants, helping mitigate concerns about procurement or ethics issues.

Lack of Effective Management of the Overseas Offices Invites Opportunities for Abuse

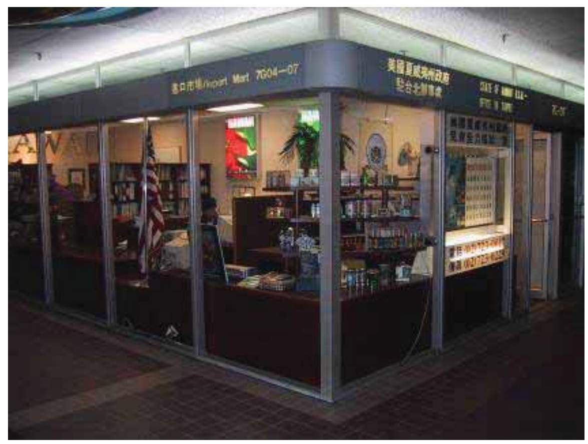
The Strategic Marketing & Support Division's internal controls over its overseas offices are more based on trust instead of verified written documentation. Our investigation found the failure of internal controls within the division could have had significant repercussions on the department's overseas office in Taipei as a result of its participation in the department's 2005 trade mission to China and Korea. In addition, we found that the department has been lax in complying with statutory reporting requirements regarding its overseas offices.

Failure by the department to produce timely information hinders legislative oversight of the overseas offices

In 1988, when the bill to create out-of-state offices was considered by the state Legislature, the department argued that those offices would not be able to function in a foreign country if they were obliged to follow all the requirements of state law. The department requested that overseas offices be exempt from certain laws pertaining to civil service and compensation requirements, procurement procedures, and administrative expenses. Lawmakers struggled to find a balance between providing the offices with enough flexibility to operate overseas without giving them "unbridled discretion in hiring [their] personnel and handling monies." Lawmakers approved a number of statutory exemptions, including most of the provisions of Chapter 40, HRS, which relate to audit and accounting. The exemption to Chapter 40 is noteworthy because one provision therein requires that unused appropriated funds during any fiscal period are to lapse and cannot be spent. As a result of this exemption, none of the funds transferred to overseas bank accounts are subject to the law; they do not lapse and they may be carried over indefinitely.

To provide legislative oversight, state lawmakers required that the department's powers to operate overseas offices and any exemptions from state law for the overseas offices be subject to the approval of the director of finance. Documents show that DBEDT and the director of finance have normally engaged in this approval process every two years. The law also requires DBEDT to submit an annual report to the Legislature on the operations of its overseas offices, including a detailed description of expenditures regarding staffing and contracted personal services.

Exhibit 2.10
DBEDT Overseas Office in Taipei



Source: Department of Business, Economic Development & Tourism 2007 Overseas Offices Report

While the department is exempt from complying with Chapter 40, HRS, generally, it is obliged to comply with Section 40-81, HRS. This provision requires overseas offices to submit a report to the comptroller of all receipts and disbursements on a quarterly basis. Because the overseas offices are allowed to establish and operate bank accounts in out-of-state locations, the department is subject to this requirement. In 1988, the department assured lawmakers it would comply with Section 40-81, HRS, in order "…to ensure fiduciary responsibility and control of State funds." Our investigation found the department has not been in full compliance with Section 40-81, HRS.

In addition, we found that internal controls to ensure the validity and propriety of expenditures are lacking. Moreover, a breakdown in the department's internal controls placed the Taipei office in danger of losing its non-profit status.

Department has not fulfilled its statutory reporting requirements

In 1988, the Legislature granted the department powers and statutory exemptions to provide operational flexibility for the overseas offices. Lawmakers also inserted a number of statutory requirements in order to maintain sufficient legislative oversight of the offices designed to protect the public's interest in the expenditure of state funds.

The department must fulfill two reporting requirements. Under Section 40-81, HRS, the department must submit quarterly reports to the state comptroller of all receipts and disbursements of the overseas offices. Our investigation found that the department has not submitted these reports on a quarterly basis. The department's administrative services office contends it has been unable to obtain information quickly enough in order to comply with the timeframe mandated by law.

Second, the department must submit to the Legislature an annual report on the operations of its overseas offices. The annual report is to include a detailed description of expenditures involving staffing and contracted personal services. We reviewed the department's annual reports for FY2003 through FY2008. The reports contained bank statements from overseas accounts as well as a summary of expenses submitted to the comptroller. The summary of expenses in the annual reports is categorized by fixed and non-fixed costs, such as salaries, office rent, office supplies, printing, travel expenses, petty cash, marketing, promotional services, promotional expenses, services on a fee, and "miscellaneous expenses." Information contained in the annual reports is general in nature and falls short of providing any detailed description that would clarify the purpose of the expenditures. We found that based on the information in the annual reports, it would be difficult for lawmakers to fully understand, and therefore maintain sufficient oversight over, the expenditures of the Out-of-State Offices.

The department has attempted to comply with its two reporting requirements by consolidating the information into one report. We find, however, that this undermines the intent of the law, which is to enable the Legislature to provide oversight of how the overseas offices are expending general funds on a continual basis. Quarterly financial reports would allow the Legislature to actively follow recent expenditures of the overseas offices without having to wait an entire year. We also contend that information in the annual reports lacks sufficient detail as to the purpose of expenditures. In exchange for the unusual operational flexibility the overseas offices enjoy, the department should make every effort to not only meet but exceed its minimal statutory reporting requirements. However, we also recognize that the law is broad.

Therefore, we recommend that the Legislature and the department engage in discussions to establish reporting standards that contain a level of detail sufficient to enable the Legislature to provide adequate oversight of the overseas offices.

A lack of effective internal controls enables the overseas offices to spend moneys with little accountability

Anticipated expenditures of the Beijing office are submitted to the department on a monthly basis through a "Request for Funds" form. The form includes a number of fixed costs such as office rent, office parking, Internet fees, custodial services, and lunch coupons. The form also includes incurred non-fixed costs, which represent expenses already paid by the executive directors or staff from the overseas offices either with petty cash or personal funds. A number of these costs are reimbursed to the overseas offices by the department. Non-fixed costs include telephone, fax, long-distance calls, mobile phone, postage, office supplies and equipment, travel, "miscellaneous/protocol gifts," and project-related expenses. Either of two departmental employees reviews these reports and the division administrator has final approval over the requests for payment/reimbursement.

To enable the department to verify their expenditures, the overseas offices are required to attach receipts and invoices with their monthly Request for Funds forms. However, we found that many invoices and receipts are primarily written in Chinese and the department personnel who review them do not read Chinese. As a result, there is no internal control to ensure expenditures are proper or valid. According to the department's procedure manual for its overseas offices, each invoice or receipt must have a "short English description" of what was purchased. However, the manual provides no criteria as to what the description should include, such as time, date, purpose, activity or event, participants, vendor name or address.

We found the English descriptions on these invoices and receipts were either vague, illegible, or missing altogether. The departmental employees who review the monthly reports admitted that the English description requirement is not consistently followed. They said they simply "trust" or "assume" that the invoices and receipts submitted by the overseas offices are legitimate and justified.

One of the employees who review the monthly reports pointed out that in China, many transactions are in cash. Given that the overseas offices operate in locations thousands of miles away, the employee further admitted that the department does not "have a grip" on such transactions and could not say with any degree of certainty whether the overseas offices are engaged in any unscrupulous activity. The employee said, "Are they taking joy rides in taxis or treating their families to dinner? I don't know."

Department's management history of the overseas offices merits a full financial audit

From 2000 to 2007, tens of thousands of dollars in state funds were deposited into the personal bank account of the executive director of the Beijing office. According to the departmental employee who helps oversee the accounting of the overseas offices, the State did not have permission to open a bank account in its own name during that time period. The division administrator said the only way the department could operate a bank account in Beijing was to have the Beijing office executive director open an account in his own name. The executive director paid out-of-pocket for all office-related costs. The department then reimbursed those costs by transferring general fund moneys into his personal account. The division administrator admitted it "was not the best way to do things" but said it was necessary to keep the Beijing office in operation until the State was officially sanctioned to do business by the Chinese government. The division administrator, as well as the departmental employees who oversee the accounting of the overseas offices, said it has never been determined whether there was any commingling of general and personal funds in the executive director's bank account.

One reimbursement transaction took place in November 2005 when the department approved the transfer of $20,900 to the personal account of the Beijing office executive director. The money was a reimbursement for office-related costs that the executive director reported he incurred over a six-month period (see Appendix K). One departmental employee, who has helped oversee the out-of-state offices' accounting since 2007, said he expressed his objections once he learned of the practice and told our office, "I don't want to get my hands dirty doing this."

We found there have been two limited reviews of the overseas offices accounting system, both conducted by independent firms at the behest of the department. The first report was released in 2005. The second report, which covered the period July 2004 through June 2006, was released in 2007. The latest report cited internal control issues that included checks being issued with the payee left blank; commingling of petty cash and personal funds at the Taipei office; and a lack of documentation on invoices and receipts necessary to provide accountability and ensure the proper use of public funds.

The first report noted that procedures performed were not in accordance with generally accepted accounting standards. The second report stated it was a review, not an audit, and that other findings may have been made had additional (auditing) procedures been performed. The division administrator said the reviews are performed every two years, but added that there has never been a full financial or performance audit of the overseas offices. Although the department currently maintains a bank account in Beijing under its own name and no longer uses the personal account of the executive director of the Beijing office, it behooves the department to conduct an inquiry into past financial practices to ensure the accountability of state funds.

The deposit of 2005 mission sponsor funds jeopardized the non-profit status of the Taipei office

In August and September 2005, the department approved the use of the 2005 China/Korea mission sponsor funds to reimburse $9,500 to its Taipei office and $25,900 to its Beijing office (see Appendix L). The reimbursements were for mission-related costs paid with general funds by the overseas offices. Receipts were submitted by the Beijing office to justify the expenditures. Again, the receipts and invoices were in Chinese with handwritten English descriptions that were either vague or illegible. Other receipts were not accompanied by English descriptions (see Appendix L). On September 14, 2005, the Pacific and Asian Affairs Council approved a funds transfer of $35,425 into the bank account of the department's Taipei office (see Appendix M). A departmental email in August 2005 shows that the director's special assistant, the chief of the Investment & Business Analysis Branch, and a department employee who helps oversee the accounting for the overseas offices, were all aware of the wire transfer. However, it was not until January 2006 that the department's fiscal office inquired about the deposit. The fiscal office received a spreadsheet that provided a general description of mission-related costs incurred by the overseas offices. Included with the document was a handwritten note by the branch chief explaining that the money was a reimbursement to the department from the PAAC "…for expenditures incurred during and on behalf of the Governor's China mission…."

The division administrator, who is the immediate supervisor of the overseas offices, told us he was not aware any private funds were ever directly deposited into an account of one of the overseas offices. The administrator pointed out that state law allows the overseas offices to receive gifts and property, which he interpreted to include "financial property" such as money. However, he added that "we do not engage in that practice" because a direct deposit of private funds into an overseas office account—even for reimbursement purposes—may subject those revenues to taxation in Taiwan or China. He said this action would have also jeopardized the overseas offices' standing as non-profit government offices and could have placed the department's ability to operate a bank account under the State's name at risk. The administrator said that ultimately, it would have impacted the overseas offices' ability to fulfill their purpose. We find that the division administrator's lack of awareness of a transaction that could have jeopardized the operation of the State's Taipei office reflects a management system that lacks proper internal controls and oversight.

Based on our review of departmental documents, interviews with department officials, and the department's management history of the overseas offices, we believe the department should be required to undergo a full financial audit of its out-of-state accounting system. We also urge that such a financial audit be conducted every two years and its findings submitted to the Legislature. Failure of the department to meet the reporting requirements under Section 40-81, HRS, is a breach of trust with state lawmakers and the public. The Legislature's intent was to provide operational flexibility for the overseas offices. In exchange, the department was expected to provide the means for sufficient legislative oversight through both quarterly reports and annual reports.

The department should update its procedures manual for the out-of-state offices and set standards that will provide the department with the means to properly verify expenditures by the overseas offices and determine whether those expenditures are appropriate. The department must also include measures to enforce its policies and procedures. In order to meet these reporting requirements, overseas office employees should be proficient in English and departmental employees who review monthly reports should be able to read Chinese. As to the long-term future of the overseas offices, the department does not appear capable of establishing effective internal controls over an office that operates thousands of miles away. The Legislature and the department should therefore discuss the merits of the overseas offices to clarify the level of risk the Legislature is prepared to accept and what lawmakers expect in terms of transparency and accountability for the overseas offices in the future.

Conclusion

We found that the department has demonstrated a troubling pattern of nondisclosure. It failed to provide or disclose key information to the State Procurement Office and members of the Legislature regarding the 2005 China mission. It also provided misleading and inaccurate information to the Office of Information Practices. As a result, these agencies were not fully informed when they issued opinions regarding the department's actions. Similar concerns arise regarding the department's Market Development Cooperator Program award and the information the department provided to the Department of Budget and Finance and the Legislature that enables it to use hundreds of thousands of dollars in reimbursement funds at its discretion. In addition, in two of the three operational areas we examined, we found internal controls to be seriously lacking, a situation that provides opportunities for fraud and abuse. Our findings are based on actions taken by the department between 2005 and 2008, which represent an established pattern of behavior that reflects poorly on the department and its director. Unless the department reassesses its methods for accomplishing its mission, it will be vulnerable to similar issues in the future and subsequent repercussions that could incur lasting damage to the department's and the State's image and ability to function.

Recommendations

1. We recommend that the Department of Business, Economic Development & Tourism:

    a) Cease expending or transferring any of its remaining federal reimbursement Marketing Development Cooperator Program funds until it consults with the State Legislature and the Department of Budget and Finance to determine whether the funds should remain in the possession of the department or be deposited in the state treasury;

    b) Ensure personnel engaged in both submitting and reviewing expenditures by overseas offices are proficient in reading and writing both English and Chinese.

    c) Update its Overseas Offices Procedures Manual to include specific reporting and enforcement criteria regarding the purpose for expenditures made by overseas offices and ensure the policies are diligently enforced.

    d) Conduct a financial audit (as opposed to a financial review) of the overseas offices accounting system every two years.

    e) Use the trade mission policy of the U.S. Department of Commerce as a guide to ensure future trade missions provide sufficient written criteria and transparency, and to restrict the government's influence in the use of private funds to a minimum.

    f) Provide additional ethics training to departmental employees.

2. We recommend that the State Procurement Office (SPO) ask the Pacific and Asian Affairs Council (PAAC) to review all its fiscal material related to the 2005 trade mission. The SPO should also contact the Hawai'i Pacific Export Council and PAAC represen-

tatives to determine whether the department directly influenced or engaged in the expenditure of the mission funds and was subject to procurement laws.

3. Given the numerous and egregious acts carried out by the department administration under the direction of the director of business, economic development & tourism, and the director's lack of veracity in his interactions with the Legislature over time, we recommend the governor consider removal of the director. Based on the findings from this report as well as previous work conducted by our office on the department's operations, we observed an environment where compliance with laws, rules, and regulations has been compromised over a considerable period of time. As it is the director who sets the "tone at the top" for the entire department, a change in leadership would be appropriate. The Hawai'i State Constitution provides that the governor may remove the director ahead of the end of the term for which the governor was elected; hence, the governor is responsible for the actions of her director and should consider his removal.

4. We recommend that the Legislature:

    a) Engage in discussions with the department to determine the course of action regarding the overseas offices and whether any changes need to be made to the reporting requirements to ensure it maintains legislative oversight of the overseas offices' expenditures;

    b) Review whether to preserve, amend, or rescind the department's Market Development Cooperator Program (MDCP) spending ceiling and engage in discussions with the department and the Department of Budget and Finance to determine whether the MDCP reimbursement funds should be deposited into the state treasury or remain under department control; and

    c) Engage in discussions with the department to ensure there is a clear understanding regarding information provided by the department for any future federal award it may receive to ensure that the Legislature is well-informed before it takes any action that enables the department to spend these funds.

REQUEST FOR ADVANCE OR REIMBURSEMENT (See instructions on back)	OMB APPROVAL NO. 0348-0004			PAGE 1	OF 2 PAGES
	1. TYPE OF PAYMENT REQUESTED	a. "X" one or both boxes: ☐ ADVANCE ☑ REIMBURSEMENT	b. "X" the applicable box: ☐ FINAL ☑ PARTIAL	2. BASIS OF REQUEST: ☑ CASH ☐ ACCRUAL	
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED: Department of Commerce	4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY: 03-2584			5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST	
6. EMPLOYER IDENTIFICATION NUMBER: 99-6001081	7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER	8. PERIOD COVERED BY THIS REQUEST — FROM (month, day, year): October 1, 2003		TO (month, day, year): December 31, 2003	

9. RECIPIENT ORGANIZATION

Name: State of Hawaii DBEDT

Number and Street: 250 South Hotel Street, Room 504

City, State and ZIP Code: Honolulu, HI 96813

10. PAYEE *(Where check is to be sent if different than item 9)*

Name:

Number and Street:

City, State and ZIP Code:

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

PROGRAMS/FUNCTIONS/ACTIVITIES ►	(a) Domestic staffing	(b) Travel	(c) Page 2 Summary	TOTAL
a. Total program outlays to date *(As of date)*	$ 104,122.25	$ 15,638.03	$ 56,533.70	$ 176,293.98
b. *Less:* Cumulative program income				0.00
c. Net program outlays *(Line a minus line b)*	104,122.25	15,638.03	56,533.70	176,293.98
d. Estimated net cash outlays for advance period				0.00
e. Total *(Sum of lines c & d)*	104,122.25	15,638.03	56,533.70	176,293.98
f. Non-Federal share of amount on line e	104,122.25	6,522.00	41,343.86	151,988.11
g. Federal share of amount on line e	0.00	9,116.03	15,189.84	24,305.87
h. Federal payments previously requested				0.00
i. Federal share now requested *(Line g minus line h)*	0.00	9,116.03	15,189.84	24,305.87
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances — 1st month				0.00
2nd month				0.00
3rd month				0.00

12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

a. Estimated Federal cash outlays that will be made during period covered by the advance	$
b. *Less:* Estimated balance of Federal cash on hand as of beginning of advance period	
c. Amount requested *(Line a minus line b)*	$ 0.00

AUTHORIZED FOR LOCAL REPRODUCTION

(Continued on Reverse)

STANDARD FORM 270 (Rev. 7-97)
Prescribed by OMB Circulars A-102 and A-110

FILE COPY

OCT 19 2004

REQUEST FOR ADVANCE OR REIMBURSEMENT (See instructions on back)	OMB APPROVAL NO. 0348-0004		PAGE 1 OF 1 PAGES
	1. TYPE OF PAYMENT REQUESTED	a. "X" one or both boxes ☐ ADVANCE ☑ REIMBURSE-MENT b. "X" the applicable box ☐ FINAL ☑ PARTIAL	2. BASIS OF REQUEST ☑ CASH ☐ ACCRUAL
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED Department of Commerce	4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY 03-2584		5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST 3
6. EMPLOYER IDENTIFICATION NUMBER 99-6001081	7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER	8. PERIOD COVERED BY THIS REQUEST FROM (month, day, year) January 1, 2004	TO (month, day, year) March 31, 2004

9. RECIPIENT ORGANIZATION	10. PAYEE (Where check is to be sent if different than item 9)
Name: State of Hawaii DBEDT	*Name:*
Number and Street: 250 South Hotel Street, Room 504	*Number and Street:*
City, State and ZIP Code: Honolulu, HI 96813	*City, State and ZIP Code:*

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

PROGRAMS/FUNCTIONS/ACTIVITIES ►		(a) State Mktg Expenses	(b) Partners' Expenses	(c) DBEDT Staff Hours	TOTAL
a. Total program outlays to date	(As of date)	$ 148,754.64	$ 102,926.92	$ 64,853.03	$ 316,534.59
b. *Less:* Cumulative program income					0.00
c. Net program outlays (*Line a minus line b*)		148,754.64	102,926.92	64,853.03	316,534.59
d. Estimated net cash outlays for advance period					0.00
e. Total (*Sum of lines c & d*)		148,754.64	102,926.92	64,853.03	316,534.59
f. Non-Federal share of amount on line e		100,736.64	69,702.11	43,918.47	214,357.22
g. Federal share of amount on line e		48,018.00	33,224.81	20,934.56	102,177.37
h. Federal payments previously requested		31,101.37	22,863.67	2,942.65	56,907.69
i. Federal share now requested (*Line g minus line h*)		16,916.63	10,361.14	17,991.91	45,269.68
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances	1st month				0.00
	2nd month				0.00
	3rd month				0.00

12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

a. Estimated Federal cash outlays that will be made during period covered by the advance	$ 45,269.68
Less: Estimated balance of Federal cash on hand as of beginning of advance period	
c. Amount requested (*Line a minus line b*)	$ 45,269.68

AUTHORIZED FOR LOCAL REPRODUCTION (Continued on Reverse) STANDARD FORM 270 (Rev. 7-97)
Prescribed by OMB Circulars A-102 and A-110

FILE COPY
OCT 19 2004

REQUEST FOR ADVANCE OR REIMBURSEMENT

(See instructions on back)

OMB APPROVAL NO. 0348-0004	PAGE 1 OF 1 PAGES	
1. TYPE OF PAYMENT REQUESTED	a. "X" one or both boxes: ☐ ADVANCE ☑ REIMBURSEMENT; b. "X" the applicable box: ☐ FINAL ☑ PARTIAL	2. BASIS OF REQUEST: ☑ CASH ☐ ACCRUAL
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED: Department of Commerce	4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY: 03-2584	5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST: 4
6. EMPLOYER IDENTIFICATION NUMBER: 99-6001081	7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER:	8. PERIOD COVERED BY THIS REQUEST: FROM (month, day, year) April 1, 2004; TO (month, day, year) June 30, 2004

9. RECIPIENT ORGANIZATION

Name: State of Hawaii DBEDT

Number and Street: 250 South Hotel Street, Room 504

City, State and ZIP Code: Honolulu, HI 96813

10. PAYEE *(Where check is to be sent if different than Item 9)*

Name:

Number and Street:

City, State and ZIP Code:

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

ROGRAMS/FUNCTIONS/ACTIVITIES ▶	(a) State Mktg Expenses	(b) Partners' Expenses	(c) DBEDT Staff Hours	TOTAL
a. Total program outlays to date *(As of date)*	$ 196,245.76	$ 141,374.12	$ 120,590.03	$ 458,209.91
b. *Less:* Cumulative program income				0.00
c. Net program outlays *(Line a minus line b)*	196,245.76	141,374.12	120,590.03	458,209.91
d. Estimated net cash outlays for advance period				0.00
e. Total *(Sum of lines c & d)*	196,245.76	141,374.12	120,590.03	458,209.91
f. Non-Federal share of amount on line e	132,897.63	95,738.55	81,663.57	310,299.75
g. Federal share of amount on line e	63,348.13	45,635.57	38,926.46	147,910.16
h. Federal payments previously requested	48,018.00	33,224.81	20,934.56	102,177.37
i. Federal share now requested *(Line g minus line h)*	15,330.13	12,410.76	17,991.90	45,732.79
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances — 1st month				0.00
2nd month				0.00
3rd month				0.00

12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

a. Estimated Federal cash outlays that will be made during period covered by the advance	$ 45,732.79
Less: Estimated balance of Federal cash on hand as of beginning of advance period	
c. Amount requested *(Line a minus line b)*	$ 45,732.79

AUTHORIZED FOR LOCAL REPRODUCTION (Continued on Reverse) STANDARD FORM 270 (Rev. 7-97)
Prescribed by OMB Circulars A-102 and A-110

REQUEST FOR ADVANCE OR REIMBURSEMENT

(See instructions on back)

OMB APPROVAL NO. 0348-0004

PAGE 1 OF 1 PAGES

1. TYPE OF PAYMENT REQUESTED
a. "X" one or both boxes: ☐ ADVANCE ☑ REIMBURSE-MENT
b. "X" the applicable box: ☐ FINAL ☑ PARTIAL

2. BASIS OF REQUEST: ☑ CASH ☐ ACCRUAL

3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED
Department of Commerce

4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY
03-2584

5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST
5

6. EMPLOYER IDENTIFICATION NUMBER
99-6001081

7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER

8. PERIOD COVERED BY THIS REQUEST
FROM (month, day, year) July 1, 2004
TO (month, day, year) September 30, 2004

9. RECIPIENT ORGANIZATION
Name: State of Hawaii DBEDT
Number and Street: 250 South Hotel Street, Room 504
City, State and ZIP Code: Honolulu, HI 96813

10. PAYEE (Where check is to be sent if different than item 9)
Name:
Number and Street:
City, State and ZIP Code:

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

'OGRAMS/FUNCTIONS/ACTIVITIES ►		(a) State Mktg Expenses	(b) Partners' Expenses	(c) DBEDT Staff Hours	TOTAL
a. Total program outlays to date (As of date)		$ 278,897.36	$ 332,093.34	$ 216,540.93	$ 827,531.63
b. *Less:* Cumulative program income					0.00
c. Net program outlays (*Line a minus line b*)		278,897.36	332,093.34	216,540.93	827,531.63
d. Estimated net cash outlays for advance period					0.00
e. Total (*Sum of lines c & d*)		278,897.36	332,093.34	216,540.93	827,531.63
f. Non-Federal share of amount on line e		188,869.29	224,893.61	146,641.52	560,404.42
g. Federal share of amount on line e		90,028.07	107,199.73	69,899.41	267,127.21
h. Federal payments previously requested		63,348.13	45,635.57	38,926.46	147,910.16
i. Federal share now requested (*Line g minus line h*)		26,679.94	61,564.16	30,972.95	119,217.05
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances	1st month				0.00
	2nd month				0.00
	3rd month				0.00

12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

a. Estimated Federal cash outlays that will be made during period covered by the advance	$
Less: Estimated balance of Federal cash on hand as of beginning of advance period	
c. Amount requested (*Line a minus line b*)	$ 0.00

AUTHORIZED FOR LOCAL REPRODUCTION (Continued on Reverse) STANDARD FORM 270 (Rev. 7-97) Prescribed by OMB Circulars A-102 and A-110

REQUEST FOR ADVANCE OR REIMBURSEMENT

(See instructions on back)

OMB APPROVAL NO. 0348-0004

PAGE 1 OF 1 PAGES

1. TYPE OF PAYMENT REQUESTED
   a. "X" one or both boxes: ☐ ADVANCE ☑ REIMBURSEMENT
   b. "X" the applicable box: ☐ FINAL ☑ PARTIAL

2. BASIS OF REQUEST: ☑ CASH ☐ ACCRUAL

3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED: Department of Commerce

4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY: 03-2584

5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST: 5

6. EMPLOYER IDENTIFICATION NUMBER: 99-6001081

7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER:

8. PERIOD COVERED BY THIS REQUEST
FROM (month, day, year): October 1, 2004
TO (month, day, year): December 31, 2004

9. RECIPIENT ORGANIZATION
Name: State of Hawaii DBEDT
Number and Street: 250 South Hotel Street, Room 504
City, State and ZIP Code: Honolulu, HI 96813

10. PAYEE (Where check is to be sent if different than item 9)
Name:
Number and Street:
City, State and ZIP Code:

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

PROGRAMS/FUNCTIONS/ACTIVITIES ►	(a) State Mktg Expenses	(b) Partners' Expenses	(c) DBEDT Staff Hours	TOTAL
a. Total program outlays to date (As of date)	$ 307,192.37	$ 361,795.84	$ 272,277.93	$ 941,266.14
b. *Less:* Cumulative program income				0.00
c. Net program outlays (*Line a minus line b*)	307,192.37	361,795.84	272,277.93	941,266.14
d. Estimated net cash outlays for advance period				0.00
e. Total (*Sum of lines c & d*)	307,192.37	361,795.84	272,277.93	941,266.14
f. Non-Federal share of amount on line e	208,030.67	245,008.11	184,386.61	637,425.39
g. Federal share of amount on line e	99,161.70	116,787.70	87,891.32	303,840.72
h. Federal payments previously requested	90,028.07	107,199.73	69,899.41	267,127.21
i. Federal share now requested (*Line g minus line h*)	9,133.63	9,587.97	17,991.91	36,713.51
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances — 1st month				0.00
2nd month				0.00
3rd month				0.00

12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

a. Estimated Federal cash outlays that will be made during period covered by the advance	$
b. *Less:* Estimated balance of Federal cash on hand as of beginning of advance period	
c. Amount requested (*Line a minus line b*)	$ 0.00

AUTHORIZED FOR LOCAL REPRODUCTION (Continued on Reverse) STANDARD FORM 270 (Rev. 7-97)
Prescribed by OMB Circulars A-102 and A-110

REQUEST FOR ADVANCE OR REIMBURSEMENT *(See instructions on back)*	OMB APPROVAL NO. 0348-0004		PAGE 1 OF 1 PAGES
	1. TYPE OF PAYMENT REQUESTED	a. "X" one or both boxes ☐ ADVANCE ☑ REIMBURSE-MENT b. "X" the applicable box ☐ FINAL ☑ PARTIAL	2. BASIS OF REQUEST ☑ CASH ☐ ACCRUAL
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED Department of Commerce	4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY 03-2584		5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST 6

6. EMPLOYER IDENTIFICATION NUMBER	7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER	8. PERIOD COVERED BY THIS REQUEST FROM (month, day, year)	TO (month, day, year)
99-6001081		January 1, 2005	March 31, 2005

9. RECIPIENT ORGANIZATION	10. PAYEE (Where check is to be sent if different than item 9)
Name: State of Hawaii DBEDT	*Name:*
Number and Street: 250 South Hotel Street, Room 504	*Number and Street:*
City, State and ZIP Code: Honolulu, HI 96813	*City, State and ZIP Code:*

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

PROGRAMS/FUNCTIONS/ACTIVITIES		(a) State Mktg Expenses	(b) Partners' Expenses	(c) DBEDT Staff Hours	TOTAL
a. Total program outlays to date	(As of date)	$ 339,227.85	$ 365,995.84	$ 328,014.93	$ 1,033,238.62
b. *Less:* Cumulative program income					0.00
c. Net program outlays *(Line a minus line b)*		339,227.85	365,995.84	328,014.93	1,033,238.62
d. Estimated net cash outlays for advance period					0.00
e. Total *(Sum of lines c & d)*		339,227.85	365,995.84	328,014.93	1,033,238.62
f. Non-Federal share of amount on line e		229,725.10	247,852.38	222,131.71	699,709.19
g. Federal share of amount on line e		109,502.75	118,143.46	105,883.22	333,529.43
h. Federal payments previously requested		99,161.70	116,787.70	87,891.31	303,840.71
i. Federal share now requested *(Line g minus line h)*		10,341.05	1,355.76	17,991.91	29,688.72
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances	1st month				0.00
	2nd month				0.00
	3rd month				0.00

12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

a. Estimated Federal cash outlays that will be made during period covered by the advance	$
b. *Less:* Estimated balance of Federal cash on hand as of beginning of advance period	
c. Amount requested *(Line a minus line b)*	$ 0.00

AUTHORIZED FOR LOCAL REPRODUCTION *(Continued on Reverse)* STANDARD FORM 270 (Rev. 7-97)
Prescribed by OMB Circulars A-102 and A-110

REQUEST FOR ADVANCE OR REIMBURSEMENT

(See instructions on back)

OMB APPROVAL NO. 0348-0004

PAGE 1 OF 1 PAGES

1. TYPE OF PAYMENT REQUESTED	
a. "X" one or both boxes	☐ ADVANCE ☑ REIMBURSEMENT
b. "X" the applicable box	☐ FINAL ☑ PARTIAL

2. BASIS OF REQUEST: ☑ CASH ☐ ACCRUAL

3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED: Department of Commerce

4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY: 03-2584

5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST: 7

6. EMPLOYER IDENTIFICATION NUMBER: 99-6001081

7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER:

8. PERIOD COVERED BY THIS REQUEST

FROM *(month, day, year)*: April 1, 2005

TO *(month, day, year)*: June 30, 2005

9. RECIPIENT ORGANIZATION

Name: State of Hawaii DBEDT

Number and Street: 250 South Hotel Street, Room 504

City, State and ZIP Code: Honolulu, HI 96813

10. PAYEE *(Where check is to be sent if different than item 9)*

Name:

Number and Street:

City, State and ZIP Code:

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

PROGRAMS/FUNCTIONS/ACTIVITIES ►		(a) State Mktg Expenses	(b) Partners' Expenses	(c) DBEDT Staff Hours	TOTAL
a. Total program outlays to date	*(As of date)*	$ 392,074.24	$ 377,963.25	$ 383,751.93	$ 1,153,789.42
b. *Less:* Cumulative program income					0.00
c. Net program outlays *(Line a minus line b)*		392,074.24	377,963.25	383,751.93	1,153,789.42
d. Estimated net cash outlays for advance period					0.00
e. Total *(Sum of lines c & d)*		392,074.24	377,963.25	383,751.93	1,153,789.42
f. Non-Federal share of amount on line e		265,512.68	255,956.71	259,876.81	781,346.20
g. Federal share of amount on line e		126,561.56	122,006.54	123,875.12	372,443.22
h. Federal payments previously requested		109,502.75	118,143.46	105,883.22	333,529.43
i. Federal share now requested *(Line g minus line h)*		17,058.81	3,863.08	17,991.90	38,913.79
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances	1st month				0.00
	2nd month				0.00
	3rd month				0.00

12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

a. Estimated Federal cash outlays that will be made during period covered by the advance	$
b. *Less:* Estimated balance of Federal cash on hand as of beginning of advance period	
c. Amount requested *(Line a minus line b)*	$ 0.00

AUTHORIZED FOR LOCAL REPRODUCTION *(Continued on Reverse)*

STANDARD FORM 270 (Rev. 7-97)
Prescribed by OMB Circulars A-102 and A-110

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UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

SEP 30 2003

Mr. Richard Bahar
State of Hawaii
Department of Business, Economic Development and Tourism
250 South Hotel Street
Honolulu, HI 96813

Re: International Trade Administration Award No. 03-2584

Dear Mr. Bahar:

The U.S. Department of Commerce has completed its evaluation of applications for Federal assistance under the Market Development Cooperator Program (MDCP). I am pleased to inform you that your application has been approved.

I am enclosing three (3) copies of the award. Please review the award document, and, if you agree with its provisions, sign the three copies, keep one, and return the other two to the address listed below.

U.S. Department of Commerce
Office of Executive Assistance Management, Room H6054
14th Street and Constitution Avenue, N.W.
Washington, DC 20230

The approval of the enclosed Financial Assistance Award constitutes an obligation to make this award, which is subject to the Special and Standard Terms and Conditions in the award document. This obligation will be terminated without further cause if the two signed copies of the Financial Assistance Award are not received within 15 days of your receipt of this letter.

If you have any questions concerning this award, please contact MDCP Manager Brad Hess at 202-482-2969 or the Office of Executive Assistance Management at 202-482-1370.

Sincerely,

Robert W. Pearson

Robert W. Pearson
Director
Office of Planning, Coordination
and Management

FORM CD-450 (REV 10/98) U.S. DEPARTMENT OF COMMERCE	☐ GRANT X COOPERATIVE AGREEMENT
FINANCIAL ASSISTANCE AWARD	**ACCOUNTING CODE** 301/258402/6010/4180
RECIPIENT NAME State of Hawaii Department of Business, Economic Development, and Tourism	**AWARD NUMBER** 03-2584
STREET ADDRESS 250 South Hotel Street	**FEDERAL SHARE OF COST** $399,500
CITY, STATE, ZIP CODE Honolulu, Hawaii 96813	**RECIPIENT SHARE OF COST** $838,182
AWARD PERIOD November 1, 2003 - October 31, 2006	**TOTAL ESTIMATED COST** $1,237,682
AUTHORITY 15 U.S.C. 4723	
CFDA NO. AND PROJECT TITLE 11.112 - Market Development Cooperator Program	

This Award approved by the Grants Officer is issued in triplicate and constitutes an obligation of Federal funding. By signing the three documents, the Recipient agrees to comply with the Award provisions checked below and attached. Upon acceptance by the Recipient, two signed Award documents shall be returned to the Grants Officer and the third document shall be retained by the Recipient. If not signed and returned without modification by the Recipient within 30 days of receipt, the Grants Officer may unilaterally terminate this Award.

X Department of Commerce Financial Assistance Standard Terms and Conditions

X Special Award Conditions

☐ Line Item Budget

☐ 15 CFR Part 14, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, Other Non-Profit, and Commercial Organizations

X 15 CFR Part 24, Uniform Administrative Requirements for Grants and Agreements to State and Local Governments

☐ OMB Circular A-21, Cost Principles for Educational Institutions

X OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

☐ OMB Circular A-122, Cost Principles for Nonprofit Organizations

☐ 48 CFR Part 31, Contract Cost Principles and Procedures

X OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

X Other(s) 68 FR 13270 (March 19, 2003)

SIGNATURE OF DEPARTMENT OF COMMERCE GRANTS OFFICER	TITLE	DATE
Beverly A. Manley	Acting Grants Officer Office of Acquisition Management	9/30/03
TYPED NAME AND SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL	**TITLE** Business Development Manager	**DATE** 10/10/03

SPECIAL AWARD CONDITIONS

1. This award number 03-2584 to State of Hawaii Department of Business, Economic Development, and Tourism, supports the work described in the Recipient's proposal entitled "Market Development Cooperator Program" dated May 9, 2003, is incorporated into the award by reference. Where the terms of the award and proposal differ, the terms of the award shall prevail.

2. The Recipient Contact's name, title, address, and telephone number are:

   Richard Bahar
   Business Development Manager
   State of Hawaii Department of Business,
   Economic Development, and Tourism
   250 South Hotel Street
   Honolulu, Hawaii 96813
   808 587-2769

3. The Grants Officer's name, address, and telephone number are:

   Beverly A. Manley
   Acting Grants Officer
   U.S. Department of Commerce
   Office of Acquisition Management
   14th Street & Constitution Avenue, N.W., Room H6054
   Washington, D.C. 20230
   202 482-1370

4. The Grant/Cooperative Agreement Specialist's name, telephone number, and email address are:

   Carol A. Smith
   202 482-2292
   CSmith19@doc.gov

5. The Federal Program Officer's name, address, telephone number, and email address are:

   Brad Hess
   U.S. Department of Commerce
   Market Development Cooperator Program
   International Trade Administration
   14th Street & Constitution Avenue, N.W., Room H3215
   Washington, D.C. 20230
   202 482-2969
   Brad_Hess@ita.doc.gov

6. The Recipient shall submit all refund checks to the Department of Commerce (DOC) accounting office identified below. All checks must identify on their face the name of the DOC agency funding the award, award number, and no more than a two-word description to identify reason for refund.

National Business Center
Products and Services
Mail Stop D-2761
P.O. Box 272025
Denver, Colorado 802257-9025

7. The line item budget for this award is as follows:

	Federal	Non-Federal	Total
Personnel	$ 225,000	$560,417	$ 785,417
Fringe Benefits	0	101,316	101,316
Travel	54,000	63,950	117,950
Equipment	19,700	0	19,700
Supplies	3,000	18,000	21,000
Contractual	54,000	0	54,000
Other	43,800	94,500	138,300
Total Direct	$399,500	$838,182	$1,237,682
Indirect Charges	0	0	0
Total	$399,500	$838,182*	$1,237,682*

* Difference in totals are due to rounding in the electronic spreadsheet.

8. Program income earned during the award period shall be retained by the Recipient and used in accordance with 15 CFR Part 14, Sec. 14.24(b)(2), or 15 CFR Part 24, Sec. 24.25(g)(3), to finance the non-Federal share. Program income earned in excess of the amount necessary to meet the Recipient's cost share shall be used in accordance with 15 CFR Part 14, Sec.14.24(b)(1), or 15 CFR Part 24, Sec. 24.25(g)(2).

9. Notwithstanding Sec. A.01 of the DoC Financial Assistance Standard Terms and Conditions dated October 2001, the Recipient shall submit a Financial Status Report (SF-269) on a quarterly basis for the calendar quarters ending September 30, December 31, March 31, and June 30, or any portion thereof. Reports are due no later than 30 days following the end of each reporting period. A final SF-269 shall be submitted within 90 days after the expiration date of the award.

10. The recipient shall provide to the Federal Program Officer pre-award review and procurement documents, such as request for proposals or invitations for bids, independent cost estimates, etc., when any of the following conditions apply:

a. The recipient's procurement procedures or operation fails to comply with the procurement standards in 15 CFR Part 14 and 15 CFR Part 24.

b. The procurement is expected to exceed the small purchase threshold fixed at 41 U.S.C. 403(11) (currently $100,000) and is to be awarded without competition or only one bid or offer is received in response to a solicitation.

c. The procurement, which is expected to exceed the small purchase threshold, specifies a "brand name" product.

d. The proposed award over the small purchase threshold is to be awarded to other than the apparent low bidder under a sealed bid procurement.

e. A proposed contract modification changes the scope of a contract or increases the contract amount by more than the amount of the small purchase thresh hold.

The Federal Program Officer will review these documents and make a recommendation to the Grants Officer. The Grants Officer shall provide the recipient with a written determination as to whether the proposed action is in compliance with the terms and conditions of the award.

11. Substantial Federal involvement with the Recipient in the performance of this award is anticipated as the Federal Government shall collaborate and participate in the management of the project. Within 30 days of the start date of the award, the Recipient and the Federal Program Officer shall establish a project team to include individuals needed to ensure the success of the project. The project team will include personnel from the Department of Commerce's International Trade Administration (ITA). ITA personnel includes representatives from Trade Development, Market Access and Compliance, and U.S. and Foreign Commercial Service. One of the ITA personnel on the team will be designated as team leader. The project team will:

a. Collaborate in carrying out the scope of work of the project effort.

b. Formulate an annual operating plan based on the approved project timeline included in the Recipient's application. The annual operating plan sets forth a timetable for specific activities. In addition to this timetable, the annual operating plan includes team responsibilities for accomplishing each activity, and the budgeted cost of each activity.

c. Determine the mode of project operations and other management processes, coupled with close monitoring or operational involvement during performance of the project.

d. Determine, as necessary, other areas of substantial involvement to ensure the successful accomplishment of the objectives of the project.

12. The Recipient shall submit quarterly programmatic reports to the designated team leader, who forwards them to the Federal Program Officer. These reports should be one-to-four pages, plus attachments as needed. In the first four pages of these reports, the Recipient shall

describe progress relative to the scope of work of the project and the approved project timeline. This description shall include the progress of the Recipient and all of its partners, including ITA, that results from project-related work. Measures of this progress shall include:

a. Project goals and objectives proposed for the quarter, in accordance with Recipient's annual operating plan.

b. Performance on selected ITA performance measures summarized below.

(1) How does MDCP project activity increase:

(a) Awareness and understanding of ITA products and services,

(b) Satisfaction with the quality of ITA products and services,

(c) Ease of use of ITA's Internet portal,

(d) Ease of access of ITA export and trade information and data.

(2) Number of deals executed by U.S. businesses.

(3) Dollar value of exports of U.S. businesses.

(4) Number of U.S. businesses that are new to export.

(5) Number of U.S. businesses that are new to market.

(6) Brief description of each partnership between ITA and a public or private entity that is established or enhanced.

(7) Number of export activities undertaken by U.S. businesses including the examples of initiatives outlined in Section V.A.1. of the MDCP request for applications (68 <u>Fed. Reg.</u> 13270 at 13277 (March 19, 2003).

c. Problems and obstacles.

d. Programmatic changes, if any. See Standard Term and Condition B.03, page 5.

e. Evaluative data collected.

f. Reports, documents, publications, or other work projects produced.

g. Budgetary highlights.

h. Anecdotal information describing noteworthy successes.

i. Outcome measures regarding the degree of customer satisfaction (value of outputs determined by perception of the output versus the plan, an agreed-upon specification, or other criteria).

13. The non-Federal share shall consist of two elements. The first element must be Recipient's cash equal to the Federal share. The second element, which must equal, and may exceed the Federal share, may consist of in-kind contributions (goods and services) or Recipient's cash or both.

FORM CD-451
(REV 10/98)

U.S. DEPARTMENT OF COMMERCE

AMENDMENT TO FINANCIAL ASSISTANCE AWARD

☐ GRANT X COOPERATIVE AGREEMENT

CFDA NO. AND PROJECT TITLE
11.112 Market Development Cooperator Program

AWARD NUMBER
03-2584

RECIPIENT NAME State of Hawaii Department of Business, Economic Development, and Tourism	AMENDMENT NUMBER Three (3)
STREET ADDRESS 250 South Hotel Street	EFFECTIVE DATE Upon Execution
CITY, STATE, ZIP CODE Honolulu, Hawaii 96813	EXTEND WORK COMPLETION TO October 31, 2007

BUREAU	FUND	FCFY	PROJECT-TASK	ORGANIZATION	OBJECT CLASS
ITA	13x1250	601	2584602	0610	4180

COSTS ARE REVISED AS FOLLOWS: N/A	PREVIOUS ESTIMATED COST	ADD	DEDUCT	TOTAL ESTIMATED COST
FEDERAL SHARE OF COST	$	$	$	$
RECIPIENT SHARE OF COST	$	$	$	$
TOTAL ESTIMATED COST	$	$	$	$

REASON(S) FOR AMENDMENT

To extend the award period at no additional cost to the Government, in accordance with the Recipient's September 19, 2006, e-mail which is incorporated into the award by reference.

This Amendment approved by the Grants Officer is issued in triplicate and constitutes an obligation of Federal funding. By signing the three documents, the Recipient agrees to comply with the Amendment provisions checked below and attached, as well as previous provisions incorporated into the Award. Upon acceptance by the Recipient, two signed Amendment documents shall be returned to the Grants Officer and the third document shall be retained by the Recipient. If not signed and returned without modification by the Recipient within 30 days of receipt, the Grants Officer may unilaterally terminate this Amendment.

☐ Special Award Conditions

☐ Line Item Budget

☐ Other(s) ____________________

SIGNATURE OF DEPARTMENT OF COMMERCE GRANTS OFFICER Beverly A. Manley Grants Officer Office of Acquisition Management Beverly A. Manley	DATE 9/26/2006
TYPED NAME, TYPED TITLE, AND SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL FILE COPY	DATE OCT 9 2006

MBP430-A ***** OPTION: 2 ****** STATE OF HAWAII FINANCIAL ACCOUNTING & MANAGEMENT INFORMATION SYSTEM **************** DEPT: B

STATUS OF APPROPRIATION ACCOUNT BALANCES REPT PAGE: 142

02/16/06 (18:18)********** PRIOR MONTH ****************** AS OF 01/31/06 ** RUN PAGE: 29,901

DEPT: B BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM

FUND: S SPECIAL FUNDS

**	70,975.00	.00	.00	.00	5,000.00	65,975.00	.00	.00

QUARTERLY ALLOTMENT DISTRIBUTION

CAT	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL
10	.00	.00	.00	.00	.00
20	70,975.00	.00	.00	4,025.00	75,000.00
**	70,975.00	.00	.00	4,025.00	75,000.00

UNENCUMBERED CASH BALANCE

CAT	CASH	EXPENDITURES	FEDERAL BAL	CONTRACTS	STATE OPER. BAL	CLAIMS	OTHER BAL
00	5,000.00	5,000.00	.00	65,975.00	65,975.00-	.00	65,975.00-

UNINVESTED CASH BALANCE

CAT	CASH	EXPENDITURES	S-T INVESTMENTS	BALANCE	L-T INVESTMENT	LOANS OUT	LOANS IN
00	5,000.00	5,000.00	.00	.00	.00	.00	.00

*** APPN: S-06-231-B MARKET DEVELOPMENT COOPERATOR PROGRAM APPN TYPE: A FEDERAL OPERATING ALLOT LAPSE DATE: 06/30/2006

APPROPRIATION AND REVENUE BALANCES

CAT	APPROPRIATIONS	RESTRICTIONS	TRANSFERS	LAPSED	ALLOTMENTS	AVAILABLE	EST REVENUE	REVENUE
00	250,000.00	.00	.00	.00	129,003.22	120,996.78	97,000.00	.00

CURRENT ALLOTMENT BALANCES

CAT	ALLOTMENTS	RESTRICTIONS	TRANSFERS	REVERSIONS	EXPENDITURES	CONTRACTS	CLAIMS	AVAILABLE
10	.00	.00	.00	.00	.00	.00	.00	.00
20	187,500.00	.00	.00	120,996.78	4,590.72	.00	.00	61,912.50
**	187,500.00	.00	.00	120,996.78	4,590.72	.00	.00	61,912.50

QUARTERLY ALLOTMENT DISTRIBUTION

CAT	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL
10	.00	.00	.00	.00	.00
20	62,500.00	62,500.00	62,500.00	62,500.00	250,000.00
**	62,500.00	62,500.00	62,500.00	62,500.00	250,000.00

UNENCUMBERED CASH BALANCE

CAT	CASH	EXPENDITURES	FEDERAL BAL	CONTRACTS	STATE OPER. BAL	CLAIMS	OTHER BAL
00	252,170.35	4,590.72	247,579.63	.00	247,579.63	.00	247,579.63

UNINVESTED CASH BALANCE

CAT	CASH	EXPENDITURES	S-T INVESTMENTS	BALANCE	L-T INVESTMENT	LOANS OUT	LOANS IN
00	252,170.35	4,590.72	.00	247,579.63	.00	.00	.00

MBP430-A ***** OPTION: 2 ****** STATE OF HAWAII FINANCIAL ACCOUNTING & MANAGEMENT INFORMATION SYSTEM **************** DEPT: B
STATUS OF APPROPRIATION ACCOUNT BALANCES REPT PAGE: 148
11/16/07 (18:18) ********** PRIOR MONTH ******************* AS OF 10/31/07 ** RUN PAGE: 30,607

DEPT: B BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM
FUND: S SPECIAL FUNDS

*** APPN: S-08-223-B STATE ENERGY PROGRAM APPN TYPE: A FEDERAL OPERATING ALLOT LAPSE DATE: 06/30/2008

APPROPRIATION AND REVENUE BALANCES

CAT	APPROPRIATIONS	RESTRICTIONS	TRANSFERS	LAPSED	ALLOTMENTS	AVAILABLE	EST REVENUE	REVENUE
00	500,000.00	.00	.00	.00	474,188.37	25,811.63	.00	125,672.49

CURRENT ALLOTMENT BALANCES

CAT	ALLOTMENTS	RESTRICTIONS	TRANSFERS	REVERSIONS	EXPENDITURES	CONTRACTS	CLAIMS	AVAILABLE
10	200,000.00	.00	.00	11,146.50	112,853.08	.00	.00	76,000.42
20	50,000.00	.00	.00	14,665.13	11,061.04	.00	.00	24,273.83
**	250,000.00	.00	.00	25,811.63	123,914.12	.00	.00	100,274.25

QUARTERLY ALLOTMENT DISTRIBUTION

CAT	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL
10	100,000.00	100,000.00	100,000.00	100,000.00	400,000.00
20	25,000.00	25,000.00	25,000.00	25,000.00	100,000.00
**	125,000.00	125,000.00	125,000.00	125,000.00	500,000.00

UNENCUMBERED CASH BALANCE

CAT	CASH	EXPENDITURES	FEDERAL BAL	CONTRACTS	STATE OPER. BAL	CLAIMS	OTHER BAL
00	156,667.72	123,914.12	32,753.60	.00	32,753.60	.00	32,753.60

UNINVESTED CASH BALANCE

CAT	CASH	EXPENDITURES	S-T INVESTMENTS	BALANCE	L-T INVESTMENT	LOANS OUT	LOANS IN
00	156,667.72	123,914.12	.00	32,753.60	.00	.00	.00

*** APPN: S-08-231-B MARKET DEVELOPMENT COOPERATOR PROGRAM APPN TYPE: A FEDERAL OPERATING ALLOT LAPSE DATE: 06/30/2008

APPROPRIATION AND REVENUE BALANCES

CAT	APPROPRIATIONS	RESTRICTIONS	TRANSFERS	LAPSED	ALLOTMENTS	AVAILABLE	EST REVENUE	REVENUE
00	250,000.00	.00	.00	.00	247,000.00	3,000.00	.00	.00

CURRENT ALLOTMENT BALANCES

CAT	ALLOTMENTS	RESTRICTIONS	TRANSFERS	REVERSIONS	EXPENDITURES	CONTRACTS	CLAIMS	AVAILABLE
10	.00	.00	.00	.00	.00	.00	.00	.00
20	83,000.00	.00	.00	3,000.00	.00	.00	.00	80,000.00
**	83,000.00	.00	.00	3,000.00	.00	.00	.00	80,000.00

QUARTERLY ALLOTMENT DISTRIBUTION

CAT	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL
10	.00	.00	.00	.00	.00
20	3,000.00	80,000.00	87,000.00	80,000.00	250,000.00
**	3,000.00	80,000.00	87,000.00	80,000.00	250,000.00

UNENCUMBERED CASH BALANCE

CAT	CASH	EXPENDITURES	FEDERAL BAL	CONTRACTS	STATE OPER. BAL	CLAIMS	OTHER BAL
00	309,828.75	.00	309,828.75	.00	309,828.75	.00	309,828.75

DEPT: B BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM
FUND: S SPECIAL FUNDS

*** APPN: S-08-231-B MARKET DEVELOPMENT COOPERATOR PROGRAM APPN TYPE: A FEDERAL OPERATING ALLOT LAPSE DATE: 06/30/2008

UNINVESTED CASH BALANCE

CAT	CASH	EXPENDITURES	S-T INVESTMENTS	BALANCE	L-T INVESTMENT	LOANS OUT	LOANS IN
00	309,828.75	.00	.00	309,828.75	.00	.00	.00

*** APPN: S-08-234-B US AIR FORCE MORD-HEVDP APPN TYPE: A FEDERAL OPERATING ALLOT LAPSE DATE: 06/30/2008

APPROPRIATION AND REVENUE BALANCES

CAT	APPROPRIATIONS	RESTRICTIONS	TRANSFERS	LAPSED	ALLOTMENTS	AVAILABLE	EST REVENUE	REVENUE
00	2,950,551.00	.00	3,106.00	.00	2,948,315.88	5,341.12	3,618,000.00	41,055.65

CURRENT ALLOTMENT BALANCES

CAT	ALLOTMENTS	RESTRICTIONS	TRANSFERS	REVERSIONS	EXPENDITURES	CONTRACTS	CLAIMS	AVAILABLE
10	131,610.00	.00	.00	1.43	81,722.45	.00	.00	49,886.12
20	1,911,500.00	.00	.00	5,339.69	258,006.65	398,615.95	.00	1,249,537.71
**	2,043,110.00	.00	.00	5,341.12	339,729.10	398,615.95	.00	1,299,423.83

QUARTERLY ALLOTMENT DISTRIBUTION

CAT	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL
10	61,110.00	70,500.00	66,500.00	65,500.00	263,610.00
20	211,500.00	1,700,000.00	500,000.00	278,547.00	2,690,047.00
**	272,610.00	1,770,500.00	566,500.00	344,047.00	2,953,657.00

UNENCUMBERED CASH BALANCE

CAT	CASH	EXPENDITURES	FEDERAL BAL	CONTRACTS	STATE OPER. BAL	CLAIMS	OTHER BAL
00	398,658.40	339,729.10	58,929.30	398,615.95	339,686.65-	.00	339,686.65-

UNINVESTED CASH BALANCE

CAT	CASH	EXPENDITURES	S-T INVESTMENTS	BALANCE	L-T INVESTMENT	LOANS OUT	LOANS IN
00	398,658.40	339,729.10	.00	58,929.30	.00	.00	.00

*** APPN: S-08-236-B EXXON OIL OVERCHARGE FUNDS APPN TYPE: A FEDERAL OPERATING ALLOT LAPSE DATE: 06/30/2008

APPROPRIATION AND REVENUE BALANCES

CAT	APPROPRIATIONS	RESTRICTIONS	TRANSFERS	LAPSED	ALLOTMENTS	AVAILABLE	EST REVENUE	REVENUE
00	.00	.00	.00	.00	.00	.00	79,000.00	22,605.53

UNENCUMBERED CASH BALANCE

CAT	CASH	EXPENDITURES	FEDERAL BAL	CONTRACTS	STATE OPER. BAL	CLAIMS	OTHER BAL
00	2,002,367.57	.00	2,002,367.57	.00	2,002,367.57	.00	2,002,367.57

UNINVESTED CASH BALANCE

CAT	CASH	EXPENDITURES	S-T INVESTMENTS	BALANCE	L-T INVESTMENT	LOANS OUT	LOANS IN
00	2,002,367.57	.00	.00	2,002,367.57	.00	.00	.00

DEPT: B BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM
FUND: S SPECIAL FUNDS

*** APPN: S-08-231-B MARKET DEVELOPMENT COOPERATOR PROGRAM APPN TYPE: A FEDERAL OPERATING ALLOT LAPSE DATE: 06/30/2008

APPROPRIATION AND REVENUE BALANCES

CAT	APPROPRIATIONS	RESTRICTIONS	TRANSFERS	LAPSED	ALLOTMENTS	AVAILABLE	EST REVENUE	REVENUE
00	250,000.00	.00	.00	215,555.91	34,444.09	.00	.00	.00

CURRENT ALLOTMENT BALANCES

CAT	ALLOTMENTS	RESTRICTIONS	TRANSFERS	REVERSIONS	EXPENDITURES	CONTRACTS	CLAIMS	AVAILABLE
10	.00	.00	.00	.00	.00	.00	.00	.00
20	250,000.00	.00	.00	215,555.91	34,444.09	.00	.00	.00
**	250,000.00	.00	.00	215,555.91	34,444.09	.00	.00	.00

QUARTERLY ALLOTMENT DISTRIBUTION

CAT	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL
10	.00	.00	.00	.00	.00
20	3,000.00	80,000.00	87,000.00	80,000.00	250,000.00
**	3,000.00	80,000.00	87,000.00	80,000.00	250,000.00

UNENCUMBERED CASH BALANCE

CAT	CASH	EXPENDITURES	FEDERAL BAL	CONTRACTS	STATE OPER. BAL	CLAIMS	OTHER BAL
00	309,828.75	34,444.09	275,384.66	.00	275,384.66	.00	275,384.66

UNINVESTED CASH BALANCE

CAT	CASH	EXPENDITURES	S-T INVESTMENTS	BALANCE	L-T INVESTMENT	LOANS OUT	LOANS IN
00	309,828.75	34,444.09	.00	275,384.66	.00	.00	.00

*** APPN: S-08-234-B US AIR FORCE MORD-HEVDP APPN TYPE: A FEDERAL OPERATING ALLOT LAPSE DATE: 06/30/2008

APPROPRIATION AND REVENUE BALANCES

CAT	APPROPRIATIONS	RESTRICTIONS	TRANSFERS	LAPSED	ALLOTMENTS	AVAILABLE	EST REVENUE	REVENUE
00	2,950,551.00	.00	3,106.00	753,649.60	2,200,007.40	.00	5,096,400.00	195,370.82

CURRENT ALLOTMENT BALANCES

CAT	ALLOTMENTS	RESTRICTIONS	TRANSFERS	REVERSIONS	EXPENDITURES	CONTRACTS	CLAIMS	AVAILABLE
10	263,610.00	.00	.00	17,151.92	246,458.08	.00	.00	.00
20	2,690,047.00	.00	.00	736,497.68	956,763.43	996,785.89	.00	.00
**	2,953,657.00	.00	.00	753,649.60	1,203,221.51	996,785.89	.00	.00

QUARTERLY ALLOTMENT DISTRIBUTION

CAT	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL
10	61,110.00	70,500.00	66,500.00	65,500.00	263,610.00
20	206,161.00	705,298.00	1,100,000.00	678,588.00	2,690,047.00
**	267,271.00	775,798.00	1,166,500.00	744,088.00	2,953,657.00

UNENCUMBERED CASH BALANCE

CAT	CASH	EXPENDITURES	FEDERAL BAL	CONTRACTS	STATE OPER. BAL	CLAIMS	OTHER BAL
00	2,991,199.19	1,203,221.51	1,787,977.68	996,785.89	791,191.79	.00	791,191.79

FINANCIAL AND BUDGET INFORMATION - DATAMART - STATE OF HAWAII

HOME FAMIS BUDGET REPORTS HELP LOGOUT

FAMIS - Account Summary

Department	Division	Program ID	MOF	Appn Type	Fund	Fiscal Year	Appn Acct (F-FY-ACCT)	AS OF		
B (BED)	-ALL-	BED100	-ALL-	-ALL-	-ALL-	-ALL-	S-09-231	YTD	Submit	Download

Records: 1

Account Title	MARKET DEVELOPMENT COOPERATOR PROGRAM			Appn Type	A
Appropriation	250,000.00	Beginning Cash	0.00		
Transfer	0.00	+ Revenues	0.00	Details	By Source Code
Allotment	200,000.00	+ Cash Transfer	275,384.66		
Appropriation Balance	50,000.00	- Expenditures	50,000.00	Details	By Object Code
Allotment 10 Balance	0.00	= Ending Cash	225,384.66		
Allotment 20 Balance	50,000.00				
Encumbrance					
Contracts Balance	0.00	Details	List Contracts		
Claims (POs) Balance	0.00	Details	List Claims (POs)	Total Records Found: 1	

User: Theodore Liu Data is Balanced FAMIS as of: 02/04/2009 BUDGET as of: 10/12/2004 V 3.0.037

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Naomi Chinen/DBEDT
07/18/2008 11:04 AM

To bowu@263.net, hoku48@yahoo.com
cc Dennis Ling/DBEDT@DBEDT, Alex Watanabe/DBEDT@DBEDT, Milton Kwock/DBEDT@DBEDT, Tommilyn
bcc
Subject Wire Transfer

Hi Bo, Niki,

We have wired transfered $30,000.00 to the MDCP checking account (see attachment). We are in the process of transferring another $50,000 shortly. Wire transfer 7-17-08.pdf

Dennis request that these new procedures be followed as of August 1, 2008. If you have any questions please let us know.

- All office expenses and payrolls shall be paid from the MDCP checking account.
- Please try to change the petty cash withdrawal from the MDCP checking account.
- As of August 1, 2008, no payments shall be made from SMSD checking account, except for petty cash withdrawal, only if you are not able to change it to MDCP checking account. If this can be done SMSD checking account will stay open, but dormant until further notice.

Thanks Naomi

Alex Watanabe/DBEDT

01/05/2009 10:04 AM

To bowu@263.net

cc nshishido@gmail.com, Dennis Ling/DBEDT@DBEDT, Tommilyn Soares/DBEDT@DBEDT, Naomi Chinen/DBEDT@DBEDT

bcc

Subject Fw: Beijing Office - Expenditures

Hi Bo,

Happy New Year!

I would appreciate if you would confirm your receipt of the e-mail below concerning your offices expenditures hereafter.

Aloha,
Alex

----- Forwarded by Alex Watanabe/DBEDT on 01/05/2009 10:00 AM -----

Alex Watanabe/DBEDT

12/23/2008 12:02 PM

To bowu@263.net

cc nshishido@gmail.com, Dennis Ling/DBEDT@DBEDT, Tommilyn Soares/DBEDT@DBEDT, Naomi Chinen/DBEDT@DBEDT

Subject Beijing Office - Expenditures

Hi Bo,

Effective January 1, 2009, please revert back to using **only** SMSD's account for any/all expenditures. This also includes using SMSD's account for any/all expenditures for Niki. Therefore, effective January 1, 2009, please "freeze" the use of the MDCP's checking account until further notified. Dennis has decided to set aside the MDCP account for our future use as or should our existing budget expenditures becomes tighter.

Dennis has also authorized our transfer of $50,000 to Beijing - SMDS's saving account.

Have a Safe and Happy Holidays!

Aloha,
Alex

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LIEUTENANT GOVERNOR

STATE OF HAWAII
OFFICE OF THE LIEUTENANT GOVERNOR
OFFICE OF INFORMATION PRACTICES
NO. 1 CAPITOL DISTRICT BUILDING
250 SOUTH HOTEL STREET, SUITE 107
HONOLULU, HAWAII 96813
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www.hawaii.gov/oip

LESLIE H. KONDO
DIRECTOR

MEMORANDUM OPINION

Requester: Mr. Sean Hao
Agency: The Honolulu Advertiser
Date: May 18, 2006
Subject: Request for Opinion on DBEDT's Business Development Missions (U RFO-P 05-16)

Request for Opinion

The Honolulu Advertiser, through its business reporter Sean Hao, requested records, under the Uniform Information Practices Act (Modified), chapter 92F, Hawaii Revised Statutes ("HRS") (the "UIPA"), from the Department of Business, Economic Development, and Tourism ("DBEDT") about trade and business development missions undertaken by the State of Hawaii. In response, DBEDT provided a part of the requested information but withheld the requested data on the specific cash contributions and in-kind contributions by private businesses which sponsored the trade missions.[1]

Unless otherwise specified, this opinion is based solely upon the June 20, 2005, e-mail request from Requester to DBEDT Public Information Officer David Young, the June 20, 2005, memorandum from Mr. Young to DBEDT Director Theodore E. Liu, the June 30, 2005, letter from DBEDT to Requester, the July 6, 2005, letter from Requester to OIP, the July 21, 2005, memorandum from DBEDT to OIP, and a September 19, 2005, conversation with Mr. Liu.

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[1] Subsequent to Requester's appeal to OIP, DBEDT disclosed the specific information at issue in this request to Requester. However, because similar public-private partnerships will likely be employed in the future, OIP has elected to issue this opinion regarding whether the UIPA required disclosure of the requested records to advise DBEDT of its obligations with respect to future requests for similar records.

Opinion

The specific cash contributions and in-kind contributions by business sponsors of state trade missions do not fall within an exception to disclosure under the UIPA, and the records containing that information maintained by DBEDT were therefore required to be disclosed under the UIPA.

Statement of Reasons for Opinion

DBEDT represents that the disputed information, data on specific cash contributions and in-kind contributions by business sponsors of state trade missions, originated with the Pacific and Asian Affairs Council ("PAAC"), a non-profit corporation, which provided the information to DBEDT. PAAC, DBEDT, and the Hawaii District Export Council, another non-profit corporation, jointly organized the 2005 China-Korea Business Mission and other trade missions. According to DBEDT, all three entities were involved in negotiating sponsorship programs with private businesses and the decisions to accept sponsorships were made by consensus. However, because PAAC was the entity that entered into all the contracts, it essentially had veto power over those decisions. The contributions from private sector sponsors toward trade mission expenses were made directly to PAAC, which then paid the private sector expenses for, e.g., setting up events in China and doing translations. PAAC authenticated all bills and invoices for those expenses. DBEDT notes that the private sector sponsors wanted to make clear that their contributions were not donations to government or political donations. The individual business members attending the trade missions paid for their own travel expenses, and the government attendees' travel expenses were paid for by either the government or the attendees themselves.

DBEDT's arguments for withholding the contribution data are based on the UIPA's "frustration" exception, section 92F-13(3), HRS. DBEDT first argues that PAAC voluntarily provided the contribution data to DBEDT and that disclosure of the information would frustrate DBEDT's ability to get such information from PAAC in the future. Under the UIPA's frustration exception, there is a presumption that the release of financial or commercial information voluntarily provided to an agency would impair the agency's ability to obtain such information in the future insofar as the information is of a kind that would customarily not be released to the public by the person from whom it was obtained. See, e.g., OIP Op. Ltr. No. 5-13 at 3. Thus, if the contribution data assisted DBEDT in performing one of its legitimate functions, DBEDT could only obtain that information if PAAC voluntarily provided it, and DBEDT would likely not be able to obtain the information in the future if the information was disclosed, DBEDT could withhold the information under the frustration exception.

In this case, though, DBEDT was itself a party to the consensus decisions on sponsorships. DBEDT's involvement in these trade missions was not merely as a keynote speaker or other invited participant; rather, DBEDT was instrumental in organizing the missions. DBEDT was not dependent on PAAC for information about the contribution amounts that DBEDT itself helped to negotiate, and for this reason, OIP concludes that DBEDT's ability to obtain similar information in the future would not be frustrated by disclosure of the information.

DBEDT also argues that its ability to obtain private sector sponsors would be frustrated by disclosure of the contribution data because businesses would be less willing to sponsor trade missions if they knew that the details of their sponsorship contributions would become public. However, OIP concluded in an earlier opinion that details of corporate donations to the University of Hawaii Foundation "d[id] not rise to the level of detailed financial information that is protected under the UIPA," and thus did not fall under the UIPA's frustration exception.[2] OIP Op. Ltr. 97-03 at 9. OIP therefore concludes that the details of the business sponsors' contributions are not protected under the UIPA as confidential business or financial information. See id.

DBEDT further asserts that if businesses were aware of what other business had paid or contributed in-kind for a certain level of sponsorship billing, DBEDT would not be able to obtain as favorable a sponsorship deal from each business. This argument is generally compelling when applied to a government agency's negotiations for the purchase or sale of goods and services. See OIP Op. Ltr. Nos. 93-5 at 12, 94-18 at 14-16, and 94-26 at 8-11 (frustration exception protects information which, if disclosed, would raise the cost of government procurements or give a manifestly unfair advantage to a potential bidder). However, the procurement process is not analogous to the process by which DBEDT sought private sector sponsors. DBEDT's decisions on the level of sponsorship billing cannot be regarded as a "sale" of government services for which the government has a legitimate interest in obtaining the best price because "selling" the appearance of government approval or government access would not be a legitimate function of an agency.[3] For the purpose of analysis of whether the records may be withheld under

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2 OIP also held that in the case of donations to the UH Foundation the identity of corporate donors who "require[d] anonymity as a condition of the gift" could be withheld under the frustration exception. OIP Op. Ltr. No. 97-03 at 9. Because DBEDT has not represented that any trade mission business sponsors asked to remain anonymous as a condition of their sponsorship, OIP need not determine whether DBEDT could withhold the identity of such a business sponsor.

3 OIP notes that, as has been extensively reported in, e.g., the Honolulu Advertiser, DBEDT's partial control over the organization of the trade missions has led the media and members of the Legislature to question whether the business sponsors of the missions were given a greater level of government support than non-sponsors. This opinion does not address that issue.

purchased by the sponsor. For that reason, DBEDT's argument is ultimately unsound.

In conclusion, DBEDT has not met its burden to establish that it was justified in withholding the contribution data under the UIPA's frustration exception. See Haw. Rev. Stat. § 92F-15(c) (1993). Because DBEDT is not dependent on PAAC for information about contribution amounts that DBEDT itself helped to negotiate, its ability to obtain similar information in the future would not be frustrated by disclosure of the information. DBEDT's argument that its ability to obtain as favorable a sponsorship deal as possible from each private sector sponsor would be frustrated by disclosure also fails because the procurement analogy is inapposite; the sponsorship billing of a private sector sponsor is better described as an acknowledgment of support than as a good or service purchased by the sponsor.

Right to Bring Suit

You are entitled to bring an action against the agency denying access to compel disclosure of the record you requested. Haw. Rev. Stat. § 92F-15 (1993). This action must be brought within two years after the agency denial. If you prevail, the court will assess against the agency your reasonable attorney's fees and costs incurred in your action. Haw. Rev. Stat. § 92F-15(d).

OFFICE OF INFORMATION PRACTICES

Jennifer Z. Brooks
Staff Attorney

APPROVED:

Leslie H. Kondo
Director

U MEMO-P 06-20

Appendix F

LINDA LINGLE
GOVERNOR

MARK J. BENNETT
ATTORNEY GENERAL

LISA M. GINOZA
FIRST DEPUTY ATTORNEY GENERAL

STATE OF HAWAII
DEPARTMENT OF THE ATTORNEY GENERAL
425 QUEEN STREET
HONOLULU, HAWAII 96813
(808) 586-1500

April 5, 2005

Mr. Theodore E. Liu
Director
Department of Business, Economic
Development & Tourism
No. 1 Capitol District Building
5th Floor, Diamond Head Wing
250 South Hotel Street
Honolulu, Hawaii 96813

Re: Trade Mission to China and Korea

Dear Mr. Liu:

This is to respond to your e-mails of April 1, 2005 concerning the planned State of Hawaii Trade Mission to China and Korea. It is our understanding that DBEDT is a co-organizer of the mission with the Hawaii District Export Council ("DEC"). DEC is a non-profit organization created by the federal Department of Commerce, whose members have been appointed by the Secretary of Commerce. DEC was set up as an export promotion organization. DEC will handle the fees paid by participants for the mission, will employ the service providers needed and will be responsible for payment to service providers. A sub-committee of three members appointed by DEC, one of whom will be a DBEDT representative will supervise and operate the bank account set up specifically for the mission. Payment of the expense of some governmental participants may be made from this fund. You have requested our review of the above structure for any problem areas in liability, procurement, and ethics. We respond by stating that there is a problem area in our review of the structure and relationship between DEC and DBEDT.

Although there is an exemption from the procurement law for "facility costs for conferences, meeting, and training sessions" in Hawaii Administrative Rules § 3-120-4, it appears that funds may be used for purposes beyond the scope of this exemption. The fact that DBEDT has a member on the DEC sub-

135618_1.DOC

committee that will supervise and operate the bank account may be a violation of the State's procurement law. Though the DBEDT member is in the minority on the sub-committee, the DBEDT member may be able to exert influence over the other members and direct expenditure of funds without complying with the procurement law. It is strongly suggested that there be no DBEDT member on the sub-committee. Another possibility would be to obtain a waiver from procurement due to the fact that the service providers will be in a foreign country. However, if the funds are used for other services in this State, including payment for government personnel, it may be better if the sub-committee did not have a DBEDT representative.

Otherwise, because DEC has been organized in Hawaii for thirty years and is comprised of twenty-five officers and directors, two of which are State employees, Sandra Lee Kunimoto, Chairperson of the Board of Agriculture and Mark K. Anderson, Administrator of Foreign Trade Zone No. 9, DEC is clearly a separate entity not controlled by DBEDT. Thus, other potential liability based upon a claim that DBEDT is using DEC as an alter ego to funnel money would not be sustainable. We see no further potential violations of the State's procurement laws since there will be no payment of funds from DBEDT to DEC for services, and no DBEDT funds will be paid into the mission bank account.

DBEDT may face some liability as a co-organizer of the mission. This liability may result from injury to participants of the mission should unforeseen events occur such as food poisoning, or a bus accident. Liability can be mitigated by obtaining indemnification clauses in the agreements entered into with the service providers. Further, it is suggested that in any literature or documents given to the participants it is clearly set forth that DBEDT does not vouch for any of the participants from China or Korea who meet with the Hawaii participants, and that DBEDT is only giving participants the opportunity to meet with participants from China and Korea.

Some ethical consideration should be given to how sponsors are solicited for the mission, and care should be given in contacting potential sponsors. Also, any State employee whose trip may be paid by DEC or the fees charged to participants should clear the payment of their trip with the ethics commission and submit the proper paperwork required by the ethic commission, see sections 84-11 and 84-11.5, Hawaii Revised Statutes.

135618_1.DOC

We will be happy to review any Memorandum of Understanding between DBEDT and DEC that may further define the relationship between the parties for the mission.

Very truly yours,

John W. K. Chang
Deputy Attorney General

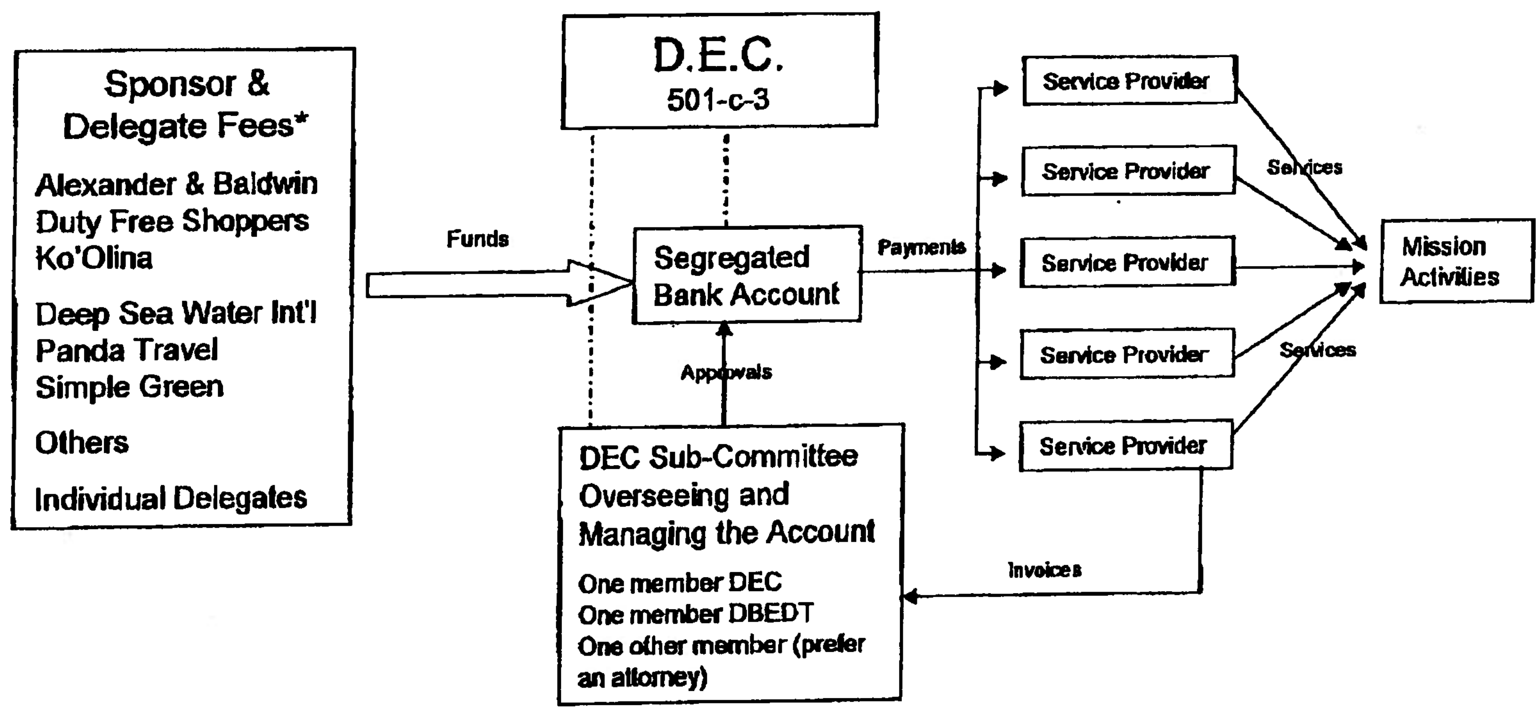
APPROVED:

for Mark J. Bennett
Attorney General

135618_1.DOC

Business and Trade Mission to China/Korea
Flow of Funds

Funds flow from the Sponsors and delegates through the DEC 501-c-3 to service providers (printing, receptions, luncheons, collateral materials, etc.) providing services to the mission activities.



*The Sponsor names are ones confirmed to date; no individual delegates have yet been registered

COPY

Appendix G

LINDA LINGLE
GOVERNOR

AARON S. FUJIOKA
ADMINISTRATOR

STATE OF HAWAII
STATE PROCUREMENT OFFICE
P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 587-4700 Fax: (808) 587-4703
www.spo.hawaii.gov

SPO 06-0221

March 3, 2006

MEMORANDUM

TO: The Honorable Theodore E. Liu
Department of Business, Economic Development and Tourism

FROM: Aaron S. Fujioka, Administrator

SUBJECT: China/Korea Trade Mission

I have attached a chronology of events from Assistant Administrator Ruth Yamaguchi, clarifying SPO's position during her tenure as Acting Administrator/Chief Procurement Officer. Her memo conflicts with your statement quoted in 2 separate articles (2/12 and 2/28/06) in the *Honolulu Advertiser* saying, "Based on discussions at that time with the . . . State's Chief Procurement Officer, no competitive selection process was required." It appears there has been a misunderstanding of the procurement compliance requirements. You may have misconstrued our position on certain procurement applicability by misapplying what was discussed during the April 20, 2005 meeting to a separate matter.

This is to request information from your department on the process in which Pacific and Asian Affairs Council was selected.

If you have any questions, please call me at 587-4700.

attachment

c: Russ K. Saito, Comptroller

STATE PROCUREMENT OFFICE

February 28, 2006

TO: Aaron S. Fujioka

FROM: Ruth Yamaguchi

SUBJECT: DBEDT China/Korea Trip

This chronology of events is documented for your information due to the attention on the subject issue, to assist you in any necessary responses. The matter occurred during my tenure as Acting Administrator for the State Procurement Office.

- 2/18/05 PE 05-71-C received; and disapproved on 3/8/05. See attached PE-05-71-C for CPO comments. Formal competitive solicitation was recommended since no dollar amount was provided on the request.

- 4/7/05 Email from DBEDT requesting for meeting to discuss AG memo (attached to email), specifically page 2, line 7; concerns upcoming Governor's China/Korea trip in June.

- 4/20/05 @ 4pm meeting with Ted Liu – DBEDT, and Justin Fo/Colin Tanaka/Ruth Yamaguchi – SPO (Meeting previously scheduled for 4/13/05 @ 10:30 am; postponed by DBEDT)

  The State Procurement Office and the Director of DBEDT had an informal discussion focused on a *Business and Trade Mission to China/Korea Flow of Funds* chart and the memorandum from the Office of the Attorney General to DBEDT (attached for reference).

  Specifically DBEDT called attention to page 2, line 7 of the memo that stated in part, "...Another possibility would be to obtain a waiver from procurement due to the fact that the service providers will be in a foreign country...." The SPO advised Mr. Liu that he should seek clarification from the Office of the Attorney General regarding the "waiver from procurement" mentioned in the AG memorandum to DBEDT.

  Points of the AG memo discussed with DBEDT:
  - DBEDT a co-organizer with Hawaii District Export Council (DEC) and would not be able to exert influence on planned Business and Trade Missions since DBEDT's involvement was limited to only one member of several members on the committee.
  - DEC is a non-profit corporation "...created by the federal Department of Commerce, whose members have been appointed by the Secretary of Commerce. DEC was set up as an export promotion organization."
  - DEC to handle the fees paid by participants for the mission, employ the service providers, responsible for payments to service providers.
  - DEC sub-committee, one is DBEDT personnel.
  - No State funds would be involved.

SPO comments on these points to Mr. Liu was that there didn't seem to be a procurement issue with this arrangement based on his assessment of DBEDT's role provided in this meeting and the fact that no state funds were involved. DEC was to be the organizing entity, and the State (DBEDT) has one member on the subcommittee, with responsibility was shared by all members. DEC was to be the lead organizer/sponsor, therefore, the State's (DBEDT) involvement was minimal. This arrangement was viewed as the event organizer is the lead, and State (DBEDT) goes along with the decisions of the organizer.

Mr. Liu pointed out that no state funds were involved (only Sponsor and Delegate Fees) and that the DBEDT participation (one member) in DEC would have minimal influence in the decisions. Based on what was represented to the SPO by Mr. Liu with regards to the Business and Trade Mission to China/Korea, the SPO did not see any procurement issues at this time.

Attachments

C: Justin Fo
Colin Tanaka

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
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Telephone: (808) 586-2355
Fax: (808) 586-2377

'06 MAR 23 P2:31

ADMINISTRATION
STATE PROCUREMENT OFFICE
STATE OF HAWAII

March 22, 2006

TO: Aaron S. Fujioka
Administrator, State Procurement Office
State of Hawaii

FROM: Theodore E. Liu

SUBJECT: Governor's China and Korea Trade Mission

This responds to your memorandum to me dated March 3, 2006, regarding the above-captioned subject.

To first answer your request for information: The Pacific and Asian Affairs Council (PAAC) was requested by the District Export Council (DEC) to assist DEC in certain aspects of DEC's responsibilities in connection with the mission. PAAC and DEC share one or more common directors and have worked together in the past. It is my understanding that a common board member suggested to both boards that the organizations work together on the mission. DBEDT's only role was to consent to the two organizations working together.

My recollection of the substance of my meetings with Assistant SPO Administrator, Ruth Yamaguchi, differs from her recollection. Specifically, at the April meeting with Ms. Yamaguchi, three questions among others were discussed. These three questions related to issues raised in the Attorney General's letter to me dated April 5, 2005. These questions were:

1. Is there a procurement waiver for service providers located in a foreign country? (5th sentence of the second paragraph of the AG's letter.)
2. Was DBEDT's participation in the DEC subcommittee a violation of the State's procurement law? (2nd sentence of second paragraph of AG's letter.)
3. Are there any other procurement issues related to the proposed working relationship with DEC? (3rd sentence of the third paragraph of the AG's letter.)

With regard to the first question, Ms. Yamaguchi advised us to seek a clarification from the AG's office.

With regard to the second question, Ms. Yamaguchi advised that there was no procurement issue involved. Her analysis was based on the fact that DBEDT was only one member of a subcommittee of three members who were to operate the bank account. As such, DBEDT was not in the position to exert sole influence over the subcommittee decisions.

With regard to the third question, I specifically recall pointing to the relevant sentence in the AG's letter (3rd sentence of the third paragraph) and asking whether there were any procurement issues relating to the DEC relationship. The answer was an affirmation of that statement.

Setting aside any new analysis of "realizations" (discussed below), it seems to me the accuracy of my statement, "Based on discussions at that time with ... State's Chief Procurement Officer, no competitive selection process was required," is based on the totality of my discussions with Ms. Yamaguchi, but particularly on the response to Question 3.

In order to be able to discuss each of Questions 1 and 2, I had to explain the overall structure of the proposed working relationship with DEC and what we, as co-organizers of the Governor's Mission, intended to achieve. I note that it would have not been possible for me to state that "DEC was to be the lead organizer/sponsor" or that "the State's (DBEDT) involvement was minimal." The mere fact that I sought the AG's opinion, and the content of the opinion itself, indicate otherwise.

Had competitive selection been required, as you and I have discussed, it would have been a simple matter of following a small purchase procedure. However, no competitive selection was required at the time I had the discussions. I therefore stand by my statement.

Our understanding is that your office now believes Chapter 103D may apply as DEC, a private entity engaging in voluntary (no State funds expended) support of a State program, gained some benefit, such as access to State officials or increased prestige in the community. We also understand that your office believes Chapter 103D also applies when it is the State agency that engages in voluntary support of a private entity program and that private entity and/or the State gains a similar benefit. We suggest these are inappropriate and unnecessary expansions of Chapter 103D's reach.

HRS § 103D-102(a) provides that the chapter shall apply to "procurement contracts made by governmental bodies whether the consideration for the contract is cash, revenues, realizations, receipts, or earnings . . . in-kind benefits; or forebearance." In this case, we understand that your office is interpreting "realizations" and "in-kind-benefits" to include intangibles, such as the increased prestige to the non-governmental body.

The statute and regulations do not provide definitions for these terms. Furthermore, we believe the underlying purposes of the procurement code requires that "realizations" or "in-kind-benefits" have some identifiable and measurable economic value before they would trigger Chapter 103D coverage. Otherwise, many long-established voluntary programs will be invalidated.

For instance, voluntary participation by private entities to remove litter from highways or maintain local parks and recreation facilities will require open and public competition. Likewise, the State's voluntary participation in a private entity's recognition event, workshop or seminar or support for an industry organization's sector promotion efforts, all of which create, among other things, attention or prestige, would require prior open and public competition. Many more examples can be offered as, by definition, anytime a State agency even "touches" a project, some intangible benefit can be construed.

The immeasurable "value" of the "realization," whether it is additional attention, a gain in prestige, or so forth for the private group or for the State will make it impossible to determine whether small purchase procedures are to be used in the procurement or more formal sealed bid or sealed proposal procedures. The absence of economically measurable benefits to the private group would make application of the procurement code difficult if not impossible.

In fact, attempting to apply the standard of "realization" for the State or for DEC as the result of the working relationship on the mission, I am struggling with defining and putting substance to what was realized for each party. Nothing DEC did or contributed provided the State with a realization or value that the State did not create for itself. In turn, nothing the State did or contributed provided DEC with any more access, prestige and so forth than any other participant in the mission. It may be that the only intangible realization for DEC was an "association" with the State. But, this would be true of any time the State associates with someone or somebody.

Under these circumstances, we believe Chapter 103D should be interpreted to apply only to those agreements where the contract consideration is a "realization" or "in-kind benefit" of measurable economic value that would be reportable as income subject to taxation. We do not believe Chapter 103D was intended, or should be interpreted, to apply to agreements for voluntary participation in programs of interest to the State where the benefit is, for example, association or public recognition.

It may be the case that the DBEDT/DEC example has shed light on a new model that needs to be considered for Chapter 103D coverage. In this regard, we hereby request that your office analyze the practical and legal issues presented. We are committed to ensuring full compliance with the State's procurement code. However, we are also concerned that an overbroad interpretation of the code's requirements will damage the culture of volunteerism or government support that is so important to the State and its programs.

Thank you for your attention to this matter. We are available to meet with you and your staff to discuss these issues and provide any additional information you may need.

COPY

LINDA LINGLE
GOVERNOR

AARON S. FUJIOKA
ADMINISTRATOR

STATE OF HAWAII
STATE PROCUREMENT OFFICE
P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 587-4700 Fax: (808) 587-4703
www.spo.hawaii.gov

SPO 06-0251

March 31, 2006

MEMORANDUM

TO: The Honorable Theodore Liu, Director
Department of Business, Economic Development & Tourism

FROM: Aaron S. Fujioka

SUBJECT: China/Korea Trade Mission

This is in response to your March 22, 2006 correspondence regarding the China and Korea Trade Mission. We are seeking clarification on your response to clearly comprehend your statements. In the second paragraph of your memo, you state that DBEDT's only role was to consent to the two organizations working together. Based on that statement, are you confirming that DBEDT only participated with the efforts of DEC and PAAC and that DBEDT did not select and/or contract with either entity for services.

In regards to your reference on the meetings with Assistant Administrator Ruth Yamaguchi, the State Procurement Office stands by her February 28th memo. As I've stated earlier in previous conversations, the public procurement code applies to all procurement contracts made by governmental bodies whether the consideration for the contract is cash, revenues, realizations, earnings and other forms.

The remainder of your letter contains a lengthy discussion of the term "realization" in a general context. We do not view realizations as you've analyzed being applicable to the procurement code unless the "realization" is derived from a procurement contract. Your examples of the department's involvement in voluntary participation in a private entity's recognition event, workshop, seminar, promotion efforts, would not be viewed as applicable to the procurement code.

A reply clearly stating DEBDT's position would be appreciated. If you have any questions, please call me at 587-4700. Thank you.

c: Russ K. Saito, Comptroller

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

'06 APR 11 P1:41

ADMINISTRATION
STATE PROCUREMENT OFFICE
STATE OF HAWAII

April 10, 2006

Mr. Aaron S. Fujioka
State Procurement Officer
State of Hawaii
P.O. Box 119
Honolulu, Hawaii 96810-0119

RE: China/Korea Trade Mission

Dear Mr. Fujioka:

On April 3, 2006, I received your memorandum dated March 31, 2006, requesting a clarification to my March 22, 2006, correspondence regarding the China and Korea Trade Mission conducted in 2005.

I hereby confirm that DBEDT did not select, contract or procure any services from the Hawaii District Export Council or the Pacific Asian Affairs Council.

To further clarify the discussion I had with the State Procurement Office in April, 2005, I understood that no competitive bidding process was required as there was no procurement contract and the State's procurement code did not apply.

Please let me know if you have any further questions.

Very truly yours,

Theodore E. Liu

LINDA LINGLE
GOVERNOR

AARON S. FUJIOKA
ADMINISTRATOR

STATE OF HAWAII
STATE PROCUREMENT OFFICE
P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 587-4700 Fax: (808) 587-4703
www.spo.hawaii.gov

SPO 06-0280

April 19, 2006

MEMORANDUM

TO: The Honorable Theodore E. Liu
Department of Business, Economic Development & Tourism

FROM: Aaron S. Fujioka, Administrator

SUBJECT: China and Korea Trade Mission

This memorandum is in response to issues raised about the procurement aspects of the Department of Business, Economic Development & Tourism's (DBEDT) trade mission to China and Korea. We have based our review on your statements and earlier communications to the State Procurement Office (SPO) that DBEDT's only role was to consent to the Hawaii District Export Council (DEC) and the Pacific and Asian Affairs Council (PAAC) working together on the trade mission, that DBEDT's only involvement was as a participant in the activities resulting from DEC's and PAAC's coordinated efforts, and that DBEDT did not select, contract or procure any services from either entities. Based on the above representations, and the fact that the SPO has not been aware of any contract between DBEDT and DEC or DBEDT and PAAC, the SPO reaffirms these participatory activities by DBEDT would not be subject to the requirements of HRS Chapter 103D, Hawaii Public Procurement Code (Procurement Code). The SPO is aware of the unsigned document entitled "Protocol and Procedural Framework for DBEDT – DEC . . ." outlining the respective participant's responsibilities, but it is not considered to be a procurement contract because, among other things, it is unsigned and does not indicate the parties' agreement to be bound by it.

In March 2005, the SPO disapproved DBEDT's request for a procurement exemption to contract directly with Events International (EI) for services to develop a series of projects and programs for the creation of promotional events in Asia. The SPO determined that this request was subject to competition.

SPO 06-0280

We understand that subsequently, PAAC, providing services to DEC, utilized the services of EI. The PAAC's selection of subcontractors or vendors, such as EI, to provide various goods or services for PAAC or any other fiduciary agent, is not subject to the requirements of the Procurement Code. The Procurement Code is applicable only to governmental bodies whether the consideration for the contract is cash, revenues, realizations, earnings and other forms. Note that the source or means of financing is not a determining factor as to whether the use of such funds to procure goods and services subjects such procurements to the Procurement Code. Again, the applicability of the Procurement Code is not based on the source of funds.

The DBEDT's solicitation and expenditure of sponsorship funds was not reviewed by the SPO, as fundraising is not addressed by the Procurement Code. Additionally, the DBEDT's deposit of such solicited sponsorship funds with a fiduciary agent for securing goods and services is not subject to compliance with the Procurement Code. Fundraising activities undertaken by governmental agencies such as the solicitation of sponsorship funds would require statutory amendments to HRS chapter 103D in order to be subject to the Procurement Code. Accordingly, the review of external accounts created for the purpose of receiving solicited funds is not within the purview of the Procurement Code, and would need to be addressed by the Legislature to clarify this issue.

The SPO advocates having departments utilize the Procurement Code when obtaining vendors/contractors to provide goods, services or construction, to further enhance disclosure and open government practices and we look forward to working with DBEDT in the future.

c: Russ K. Saito, Comptroller
Mark Bennett, Attorney General

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
ACTING DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

June 2, 2005

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Cash Payment

This is to authorize cash payment of $20,000 for China in-country expenses.

Requested by: Rick Manayan – DBEDT

I certify that goods/services were satisfactorily received.

RECOMMEND APPROVAL:

RICK MANAYAN

APPROVED FOR PAYMENT:

THEODORE E. LIU

Attachment

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
ACTING DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
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Requested by: Rick Manayan – DBEDT

WITHDRAWAL NOT NEGOTIABLE

Bank of Hawaii

PACIFIC AND ASIAN AFFAIRS 1601 EAST-WEST RD. 4th FL.

6/3/05 Keeaumoku [redacted]

Received from my Bank of Hawaii ☒ Checking Account ☐ Savings Account

Twenty Thousand DOLLARS $ 20,000.00

SIGNATURE

FOR PAYMENT:

E. LIU

Pacific and Asian Affairs Council

1601 East-West Rd. Honolulu, HI 96848
tel. (808) 944-7780 fax (808) 944-7785
email: ed@paachawaii.org website: www.paachawaii.org

I acknowledge that I have received $20,000 in cash from the Pacific and Asian Affairs Council. I have counted the bills and feel satisfied that the amount is exactly $20,000.

Date: 6/3/05

Signature: ____________________

Name (please print): RICK MANAYAN

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

July 12, 2005

HI LISA,
THESE ITEMS HAVE BEEN PAID IN FULL W/ THE CASH FUNDS.
THANKS,
RICK

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Invoice Payment

This is to authorize payment for the attached invoice.

Date invoice received ____________________

Invoice China in-country expenses

Invoice Date ____________________

Amount of invoice $12,745.97

Requested by ____________________

I certify that goods/services were satisfactorily received.

RECOMMEND APPROVAL:

RICK MANAYAN

APPROVED FOR PAYMENT:

THEODORE E. LIU

Attachment

PAYEE	PAY BY INVOICE	PAID-REIMBURSE	PAID IN FULL	DATE	TOTAL ALL
SHANGHAI					
Super Translation Services			$183.41	6/11/2005	
DFS Airport - Business Gifts (Shanghai)			$351.02	6/5/2005	
Xintiandi Graphics/Simon Zhang			$170.37	6/10/2005	
Sponsor Entertainment Expense			$111.22	6/11/2005	
FedEx Kinkos - Color Copies			$29.27	6/10/2005	
Paradise Café - VIP After Concert Event			$4,000.00	6/10/2005	
Jean Georges - VIP Sponsors Mahalo Dinner		$3,137.71		6/9/2005	
Office Supplies & Transportation-War Room			$40.12	5/6/2005	
Jin Jiang Tower - Hospitality Room			$348.31	6/12/2005	
Jin Jiang Tower - Hospitality Room			$125.87	6/12/2005	
Alex Ho - Lost property for Translators			$97.56	6/8/2005	
Jin Jiang Tower - Computer Charges		$186.93		6/12/2005	
Alex Ho - Reimbursement for Freight Forwarder	$139.15				
BEIJING					
Bo Wu - Reimbursement for Cargo Transport (U-Link)			$487.80	6/12/2005	
Waianae Searider Productions - Per Diem			$400.00	6/14/2005	
Sponsor Entertainment Expense-Beijing Hotel			$155.85	6/13/2005	
Air China - Excess Baggage (Delegation)			$729.27	6/14/2005	
Alex Ho - Phone Cards			$48.78	6/13/2005	
GUANGZHOU					
White Swan Hotel - Sponsor Entertainment Exp.			$21.10	6/14/2005	
Shopid Duty Free - Business Gift			$110.00	6/16/2005	
White Swan Hotel - PCC Meals			816.68	6/15/2005	
White Swan Hotel - Hospitality Room Phone			$12.30	6/16/2005	
China Southern Airlines - Excess Baggage (GZ-Seoul)		$185.76		6/16/2005	
Lotte - Business Gifts			$102.11	6/17/2005	
Rick Manayan - Phone Cards			$21.95	6/15/2005	
SEOUL					
Grand Hyatt - Sponsor Entertainment Expense			$73.40	6/19/2005	
Grand Hyatt - Hospitality/Business Center			$660.03	6/21/2005	
					?
TOTALS	$ 139.15	$ 3,510.40	$9,096.42		$ 12,745.97

Three-On-The-Bund
** Jean Georges **
515 Nico 1

TBL 12A/1 CHK 2332 GST 36
09JUN'05 6:50PM

2	Coffee	64.00
2	English Brkfst	64.00
21	Dom Perignon Gl	5208.00
1	Sauv. Blanc	75.00
4	105 Wolf.B Char	1880.00
6	415 L.J Cot Vill	4050.00
20	San Pellegrino	960.00
20	Evian	960.00
3	English Brkfst	96.00
8	Coffee	256.00
2	Decaf	64.00
2	Chamomille	64.00
6	Green Tea	192.00
	SET MENU	
11	OPEN FOOD	6050.00
	FOOD	6850.00
	Beve	13133.00
	PAYMENT	19983.00

[redacted]
Amount:19983.00
Exp:0706 0:322820
App:52AAAA B: 486
AMEX 19983.00
----253 CLOSED 09JUN 9:02PM----

Tips : 3000 RMB

TOTAL 22,983. RMB
NAME :

SIGNATURE :

PAID *

7

PAID

* reimburse

7

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
ACTING DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

June 2, 2005

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Invoice Payment

This is to authorize payment for the attached invoice.

Date invoice received 6/2/05

Invoice ______________________

Invoice Date ______________________

Requested by: Three On The Bund Limited

I certify that goods/services were satisfactorily received.

RECOMMEND APPROVAL:

RICK MANAYAN

APPROVED FOR PAYMENT:

THEODORE E. LIU

Attachment

Bank of Hawaii

FUNDS TRANSFER PAYMENT ORDER

ORIGINATOR INFORMATION

NAME	PHONE NO.	WIRE NO.	
PACIFIC AND ASIAN AFFAIRS COUNCIL	808-944-7780/7781	00405666	
ADDRESS	CITY	STATE	ZIP CODE
1601 EAST-WEST ROAD 4TH FLOOR	HONOLULU	HI	96848

TRANSACTION TYPE

☒ Single Transfer Only

☐ Repetitive Transfers—authorization will be given separately for each transfer (Must have signed Funds Transfer Agreement form, EX-23, on file)

☐ Standing Payment Order (valid until amended or cancelled – no verification before each transfer):
☐ $ _____ or ☐ Daily collected balance (immediately available funds) or ☐ Collected balance in excess of $ _____ in account on the: ☐ _____ day of each month or ☐ _____ day of each week (if a holiday, then on the next business day)
(Must have signed Funds Transfer Agreement form, EX-23, on file)

BENEFICIARY (PAYEE) INFORMATION

NAME	ACCOUNT NUMBER TO BE CREDITED
THREE ON THE BUND, LTD.	[redacted]
ADDRESS	OTHER BENEFICIARY INFORMATION (140 CHARACTER LIMIT)
NO. 5 THE BUND 4TH FL. 5 ZHONGSHANDONGYI RD.	
CITY: SHANHGAI; STATE: ; ZIP CODE / COUNTRY: CHINA	

BENEFICIARY (ACCOUNT WITH) BANK

NAME	ABA ROUTING NO./SWIFT CODE
CHINA MINSHENG BANKING CORP. LTD	[redacted]
ADDRESS	BANK-TO-BANK INFORMATION (140 CHARACTER LIMIT)
93 GUANG DONG RD.	SHANGHAI BRANCH
CITY: SHANGHAI; STATE: ; ZIP CODE / COUNTRY: CHINA	WHAMPOA CLUB USD $2121.20 JEAN GEORGES USD $1666.70

INTERMEDIARY BANK (OPTIONAL)

NAME	ABA ROUTING NO./SWIFT CODE	CITY	STATE	COUNTRY

PAYMENT

VALUE DATE (MM/DD/YY)	AMOUNT OF TRANSFER (USD)	PROCESSING FEE:	AMOUNT DUE FROM ORIGINATOR:
6/6/2005	$3,787.90	$40.00	$3,827.90

☐ FOREIGN CURRENCY TRANSFER — F/X CODE: — RATE: — FOREIGN AMOUNT:

ADDITIONAL PAYING BANK FEES: ☒ ORIGINATOR'S ACCT. ☐ BENEFICIARY ACCT.

ORIGINATOR'S BANK OF HAWAII ACCOUNT NUMBER TO BE CHARGED: [redacted]

☐ CASH RECEIVED ☐ CTR GENERATED

AGREEMENT

The Originator agrees that all funds transfers originated under this authorization will be governed by the Bank of Hawaii "Funds Transfer Agreement", as amended from time-to-time. A summary of the Agreement's terms appears on the second page of this form.

X [signature] X ____________________

Printed Name :	LISA T. MARUYAMA	Printed Name:	
Title:	EXECUTIVE DIRECTOR	Title:	
Date:	6/3/2005	Date:	

FOR BANK USE ONLY

ACCEPTED BY (Sign & print name):	AUTHORIZED BY (Sign & print name):
A. VOROUS Amanda Vorous	L. STEVENS LStevens

☒ CURRENT COLLECTED VERIFIED

BRANCH/DEPT. NAME AND COST CTR. NO.:	BRANCH/DEPT. TELEPHONE NO.	DATE
KEEAUMOKU #4	973-4448	6/3/2005

CALLED & FAXED-IN ORDERS

CUSTOMER CALLER:	☐ RECEIVED BY FAX; SIGNATURE(S) VERIFIED	CALL/FAX TAKEN & FORM PREPARED BY (Sign & print name):	DATE & TIME
CALL BACK TO:	TELEPHONE NO.	PERFORMED BY (Sign & print name):	DATE & TIME

WALK-IN ORDERS

NAME	TIN OF PERSON PRESENT	ADDRESS (STREET ADDRESS, CITY, STATE, ZIP CODE)	
LISA T. MARUYAMA	[redacted]	[redacted]	
IDENTITY CARD TYPE, NUMBER, ISSUER, EXPIRATION DATE:		IDENTITY VERIFIED BY (Sign & print name):	DATE & TIME
[redacted]		A. VOROUS Amanda Vorous	6/3/2005 3:38pm
CALL BACK TO:	TELEPHONE NO.	PERFORMED BY (Sign & print name):	DATE & TIME
		A. VOROUS Amanda Vorous	6/3/2005 3:38pm
TEST KEY:	RECUR ID:	VERIFIED BY FUNDS TRANSFER DEPT. (Sign & print name):	DATE & TIME
ENTERED BY FUNDS TRANSFER DEPT.:	REFERENCE NUMBER:	VERIFIED BY FUNDS TRANSFER DEPT. (Sign & print name).	DATE & TIME

JEAN GEORGES

INVOICE 发票

Bht
6/2/05

Function Name:

Private Dinning Invoice No.:		**Function Date:**	**09-Jun-05**
FOOD食物:	**Price价格/人数**	**Quantity 人数**	**Total 总金额**
Hot food	¥550.00	25	¥13, 750.00
		Total:	¥13, 750.00 (USD 1, 666.7)
BEVERAGES饮料:	**Price 价格**	**Quantity 数量**	**Total 总金额**
		Total:	¥0.00
MISCELLANEOUS其它:			

	Price 价格	**Quantity 数量**	**Total 总金额**
Sub Total总数:			USD 1, 666.7
Less Deposit定金:			
Less the deposit in TOTB			
Balance Due应付款:			USD 1, 666.7

No.5 The Bund 4th Floor 5 Zhong Shan Dong Yi Road Shanghai 200002 China
中国上海 中山东一路五号四楼，外滩 T 8621 6323 3355 F 6323 3344
www.threeonthebund.com

Note: This invoice is only for food. We have been noticed that we will be paid off the outstanding payment by credit card straight after the dinner

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Appendix I

2005:0825002

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

SEP 15 2005
DBEDT-DIRECTOR'S OFFICE

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

RECEIVED
SEP 7 2005
AGS 05-0494
OFFICE OF THE COMPTROLLER
STATE OF HAWAII

COPY

August 31, 2005

TO: Russ Saito
State Comptroller

FROM: Theodore E. Liu

SUBJECT: Request for Approval of Supplies and Services Expenditures

We would like to request your approval to pay for the purchase of certain supplies and services as part of the activities relating to the visit of The Honorable Huang Huahua, Governor of Guangdong Province, China.

In June 2005, Governor Lingle led a trade mission to Guangdong to celebrate the 20th Anniversary of the Hawaii-Guangdong Province sister relationship. Governor Lingle and the 120 person delegation were warmly welcomed in Guangdong Province. Governor Huang accepted Governor Lingle's invitation to visit Hawaii to continue the dialog on cooperation and exchanges. The Governor Huang and a delegation of approximately 50 officials and businessmen will be arriving on October 11, 2005, and leaving on October 13, 2005.

We are planning a reception for Governor Huang, his delegation and leaders of Hawaii's business and educational community for the evening of October 11, 2005. The reception will allow participants the opportunity to meet and explore opportunities for further cooperation. Both governors will offer comments pertaining to the anniversary and the close friendship between Guangdong and Hawaii.

The Department of Business, Economic Development & Tourism will be co-sponsoring the reception with a private-sector company from Taiwan. DBEDT expenses will be:

Catering (heavy pupus)	$ 8,000.00
Leis – 10 @ $15	150.00
VIP Gifts and Favors	500.00
Honorarium for Entertainment	600.00
Transportation	2,500.00
Total Cost	$11,750.00

Russ Saito, State Comptroller
Request for Approval of Supplies and Services Expenditures
Activities Relating to the Visit of Governor Huang Huahua
August 31, 2005
Page 2

We would greatly appreciate your approval of these expenditures. Should you have any questions, please contact Mr. Richard Bahar at 587-2769.

✓
APPROVED/DISAPPROVED

Russ K Saito
Comptroller

Sept 13, 2005
Date

STATE OF HAWAII
DBEDT/SMSD - STRATEGIC MARKETING & SUPPORT DIVISION
P-CARD PURCHASE
Date:

Vendor:	Service Printers Hawaii Inc.	Account:	55612
Contact:	Pat	Branch:	IBAB
Phone:	841-7644	Contact:	Naomi Chinen
Fax:	847-1487	Phone:	587-2783
Address:	1829 Dillingham Blvd.	Fax:	587-2787
	Honolulu, Hawaii 96819-4020	Address:	250 South Hotel Street, #504
		Mailing:	P.O. Box 2359
			Honolulu, HI 96804

Qty.	Description	Item #	Cost	Total
275	Gov. inivitation w/rsvp			-
100	Gov. inivitation w/o rsvp			-
375	Envelopes			-
				-
				-
				-
				-
				-
				-
				-
				-
	Sub - Total			290.00
	4.167% Tax			12.06
	Total			302.06

√	Proj. code		√	Proj. code		√	Proj. code	
√	SM3000	China Mission		SM3003	IBAB Operating		SM3006	Immigrant Investors
✓	SM3001	Beijing Office		SM3004	Immigrant Investor		SM3007	Sister State
	SM3002	Greater China		SM3005	MDCP		SM3008	Taiwan Office
	Object code	[illegible]						

☑ Approved ☐ Disapproved

Requestor's Signature Date

Dennis T. Ling, Adminstrator 9/22/05 Date

Comments:

INVOICE

Page:

Service Printers Hawaii Inc
1829 Dillingham Boulevard
Honolulu, Hawaii 96819-4020
Phone: (808) 841-7644 Fax: (808) 847-1487

INVOICE NUMBER: 55612
INVOICE DATE: 9/14/2005
SALESPERSON: Pat
STATE TAX CODE: HI

CUSTOMER NO. GOVINV
CUSTOMER P.O. RICHARD B.

(GI) STATE-DBEDT
250 SO. HOTEL ST.; 5TH FLOOR
Honolulu HI 96813

TERMS: COD

CONTACT:

Code	Description	Amount
		290.00
RS	GOV. HUANG HUAHUA of GUANGDONG PROVINCE	0.00
RS	275 - GOV. INVITATION w/RSVP	0.00
RS	100 - GOV. INVITATION w/o RSVP	0.00
RS	375 - OUTER MAIL ENVLPS w/OOGOV RETURN	

Date Invoice Received ________
Date Goods/Services Received ________
I certify that goods/services were satisfactorily received.
APPROVED FOR PAYMENT:
By Naomi Chenen
Authorized Person Directly Responsible

SERVICE PRINTERS HAWAII INC
1829 DILLINGHAM BLVD.
HONOLULU, HI. 96819
808-841-7644

MERCHANT ID: 150550574
DATE: 09/16/05 10:28:05 AM

RECORD NUMBER: 001
ACCOUNT: [redacted]5597 06/07
CARD TYPE: MASTERCARD
TRAN TYPE: SALE
INV NBR 00055612
FORMT CODE: 001
AUTH CODE: 041351

AMOUNT: 302.06

X phone/mail charge
I AGREE TO PAY ABOVE TOTAL AMOUNT
ACCORDING TO CARD ISSUER AGREEMENT
PLEASE IMPRINT CARD

BOTTOM COPY CUSTOMER-TOP COPY MERCHANT

DATE PAID 9/16/05
CHECK NO. M/C

ease Note
ame Change
Printers Hawaii, Inc.

y certify that this
riginal invoice.

zed Signature

Net Invoice	290.00
Sales Tax	12.06
Invoice Total	$302.06

1 all overdue accounts.

STATE OF HAWAII
DBEDT/SMSD - STRATEGIC MARKETING & SUPPORT DIVISION
P-CARD PURCHASE
Date: 10/17/05

Vendor:	Duke's Limousine, Inc.	Account:	
Contact:	Duke	Branch:	IBAB
Phone:	738-1878	Contact:	Naomi Chinen
Fax:	738-1881	Phone:	587-2783
Address:	3134 Brokaw Street	Fax:	587-2787
	Honolulu, HI 96815	Address:	250 South Hotel Street, #504
		Mailing:	P.O. Box 2359
			Honolulu, HI 96804

Qty.	Description	Item #	Cost	Total
0	Ground transportation for Guangdong's Governor and delegation			-
				-
				-
				-
				-
				-
				-
				-
				-
				-
				-
	Sub - Total			3,675.00
	4.167% Tax			153.10
	Total			3,828.10

SM3000	China Mission	SM3003	IBAB Operating	SM3006	[illegible]
SM3001	Beijing Office	SM3004	Immigrant Investor	SM3007	Sister State
✓ SM3002	Greater China	SM3005	MDCP	SM3008	Taiwan Office
Object code	[illegible]				

☑ Approved ☐ Disapproved

Requestor's Signature Date

10/21/05
Dennis T. Ling, Adminstrator Date

Comments:

STATE OF HAWAII
RECORD OF SMALL PURCHASE

Agency: DBEDT/SMSD/IBAB P.O. No. ____________

Date: 8/30/05 Project/Requisition/Work Order No. ____________

QUOTATIONS RECEIVED:

Part A. Description of good/service/construction:

Transportation service for Guangdong Province Governor, Vice Governor and delegation for their visit during October 11 – 13, 2005.

Part B. Quotations Solicited:

	Vendor Name	Representative	Phone No.	Date of Quote	Amount Quoted
1.	Ichiban Limousine		595-7733	8/30/05	$75.00 per hr.
2.	Duke's Limousine, Inc.		738-1878	8/30/05	$70.00 per hr.
3.	Sakura Limounsine		927-5955	8/30/05	$75.00 per hr.
4.					
5.					

Part C. Justification for inability to obtain minimum three quotations, if applicable:

Part D. Justification for award made to other than lowest quotation (not applicable for construction above $5,000 as award shall be to lowest quotation):

Signature: Employee soliciting quotations

Date: 8/30/05

Signature: Procurement Officer/Designee approval

Date: 9/2/05

FILE A COPY AS SUPPORTING DOCUMENTATION IN THE PROCUREMENT FILE.

SPO Form-10 (Rev. 11/97)

Duke's Limousine, Inc.

3134 Brokaw Street. Honolulu, Hawaii 96815
Telephone (808) 738-1878 Fax (808) 738-1881

Invoice

10/14/2005

Dept of Business, Economic Development & Tourism
Attn:. Accounts Payment
250 S. King Street, 5th Floor
Honolulu, Hawaii 96813

DATE	INVOICE NO.	DESCRIPTION	AMOUNT
10/11/2005	99335	1 Limo from 9:30am to 10pm	$ 875.00
10/11/2005		1 Limo cancel	$ 140.00
10/12/2005		2 Limos from 6:30am to 8:30pm	$ 1,960.00
10/13/2005		2 Limos from 8:30am to 1:30pm	$ 700.00
		Tax	$ 153.10

PAID
10/17/05
Duke

Date Invoice Received ____
Date Goods/Services Received ____
I certify that goods/services were satisfactorily received.
APPROVED FOR PAYMENT:
By Sammi Chinen
Authorized Person Directly Responsible

Total Purchases: $ 3,828.10

DATE	CHECK NO.	DESCRIPTION	AMOUNT

Total Credits: $ -

Please Pay This Amount: $ 3,828.10

THANK YOU

STATE OF HAWAII
REQUISITION & PURCHASE ORDER

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM

STRATEGIC MARKETING & SUPPORT DIV. IBAB

ORGANIZATION | FUNCTION AND ACTIVITY

PURCHASE ORDER NO. 00011913

Date 1/20/06

Deliver Before

NOTICE TO VENDORS

Conditions of purchase are listed on the back side of this purchase order. Please read carefully. Payments may be delayed if all steps are not followed.

Halau Hula Olana
98-614 Aloalii Street
Aiea, HI 96701

DELIVERY ADDRESS
Investment & Bus. Analysis Br.
No.1 Capitol District Building
250 South Hotel Street, #504
Honolulu, Hawaii 96813

BILLING ADDRESS
P.O. Box 2359
Honolulu, Hawaii 96804

Contact: Naomi Chinen @ 587-2783

The State of Hawaii is an EQUAL EMPLOYMENT OPPORTUNITY and AFFIRMATIVE ACTION employer. We encourage the participation of women and minorities in all phases of employment.

QUAN.	UNIT	DESCRIPTION	OBJECT	UNIT PRICE	AMOUNT
		Performance service on October 11, 2005, at Washington Place - Governor's reception for Governor of Guangdong, China.			425.00

REQUISITIONER | TELEPHONE

VOUCHER NUMBER

AUTHENTICATED BY:

AUTHORIZED SIGNATURE

GOODS/SERVICES RECEIVED IN GOOD ORDER AND CONDITION BY | DATE

REQUISITION NO.

FOR DEPARTMENT USE ONLY

VENDOR NUMBER	SFX
XXXXXXXXXX	XX

SFX	TC	F	YR	APP	D	OBJECT	CC	PROJ NO.	PH	ACT	ESTIMATED COST		ACTUAL COST		M	R	OPT DEPT DATA
XX	XXX	X	XX	XXX	XX	XXXX	XXXX	XXXXXX	XX	XXX	XXXXXXXXXXX	XX	XXXXXXXXXXX	XX	X	X	XXXXXXXXXXX
01		G	06	100	B	7101	0001	SM3002			425	00					

STATE ACCOUNTING FORM C-03
JULY 1, 1983 (REVISED)

PURCHASE ORDER NO.	00011906

STATE OF HAWAII
REQUISITION & PURCHASE ORDER

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM

STRATEGIC MARKETING & SUPPORT DIV. — ORGANIZATION

IBAB — FUNCTION AND ACTIVITY

Date 10/18/05

Deliver Before

DELIVERY ADDRESS
Investment & Bus. Analysis Br.
No.1 Capitol District Building
250 South Hotel Street, #504
Honolulu, Hawaii 96813

BILLING ADDRESS
P.O. Box 2359
Honolulu, Hawaii 96804

Contact: Naomi Chinen @ 587-2783

NOTICE TO VENDORS

Conditions of purchase are listed on the back side of this purchase order. Please read carefully. Payments may be delayed if all steps are not followed.

Stanley I. Sato
[redacted]

The State of Hawaii is an EQUAL EMPLOYMENT OPPORTUNITY and AFFIRMATIVE ACTION employer. We encourage the participation of women and minorities in all phases of employment.

QUAN.	UNIT	DESCRIPTION	OBJECT	UNIT PRICE	AMOUNT
1		sm. inlay koa box for Guangdong Governor			175.00
		Tax			7.29
		Total			182.29

REQUISITIONER — TELEPHONE

VOUCHER NUMBER

AUTHENTICATED BY:

AUTHORIZED SIGNATURE

GOODS/SERVICES RECEIVED IN GOOD ORDER AND CONDITION BY — DATE

REQUISITION NO.

FOR DEPARTMENT USE ONLY

Vendor doesn't accept credit card.

VENDOR NUMBER	SFX
XXXXXXXXXX	XX

SFX	TC	F	YR	APP	D	OBJECT	CC	PROJ.NO.	PH	ACT	ESTIMATED COST		ACTUAL COST		M	R	OPT DEPT DAT
XX	XXX	X	XX	XXX	XX	XXXX	XXXX	XXXXXX	XX	XXX	XXXXXXXXXXX	XX	XXXXXXXXXXX	XX	X	X	XXXXXXXXXX
01		G	06	100	B	7230	0001	SM3003			182	29					

INVOICE NO.
6702

STANLEY I SATO
[redacted]

Ph: 235-2595

SOLD TO: STATE of Hawaii	SHIP TO:
ADDRESS:	ADDRESS:
CITY, STATE, ZIP	CITY, STATE, ZIP

CUSTOMER'S ORDER	SOLD BY:	TERMS:	F.O.B.	DATE: 9-7-05

QUANTITY		DESCRIPTION	PRICE	AMOUNT
1	1	5in Inlay Koa Bwl		175.00
	2	For Governor Huang Huahua		
	3	TAX		7.29
	4			
	5			182.29
	6			
	7			
	8			
	9	Oyamu Chinen		
	10			

APPROVED AS TRADE SHOW PROMOTIONAL ITEM(S):
SEP 09 2005
Director Date

Date Invoice Received 9/7/05
Date Goods/Services Received 9/7/05
I certify that goods/services were satisfactorily received.
APPROVED FOR PAYMENT
By Oyamu Chinen
Authorized Person Directly Responsible

JEANNE - 529-2823 FAX 529-2321

INVOICE 7L721 ©2001 REDIFORM® 030901

STATE OF HAWAII
DBEDT/SMSD - STRATEGIC MARKETING & SUPPORT DIVISION
P-CARD PURCHASE
Date: 10/17/05

Vendor:	The Art Board		Account:	
Contact:			Branch:	IBAB
Phone:	949-0700		Contact:	Naomi Chinen
Fax:			Phone:	587-2783
Address:	1931 S. Beretania St., Ste. 1		Fax:	587-2787
	Honolulu, HI 96826		Address:	250 South Hotel Street, #504
			Mailing:	P.O. Box 2359
				Honolulu, HI 96804

Qty.	Description	Item #	Cost	Total
0	Framing of Chinese Scroll			-
				-
				-
				-
				-
				-
				-
				-
				-
				-
				-
	Sub - Total			-
	4.167% Tax			-
	Total			400.00

√ SM3000	China Mission	SM3003	IBAB Operating	SM3006	Pub/Video/Multimed
SM3001	Beijing Office	SM3004	Immigrant Investor	SM3007	Sister State
SM3002	Greater China	SM3005	MDCP	SM3008	Taiwan Office
Object code	7200				

☑ Approved ☐ Disapproved

Requestor's Signature Date

Dennis T. Ling, Administrator 10-24-05 Date

Comments:

STATE OF HAWAII
DBEDT/SMSD - STRATEGIC MARKETING & SUPPORT DIVISION
P-CARD PURCHASE
Date: 10/17/05

Vendor: Cindy's Lei & Flower Shoppe
Contact:
Phone: 536-6538
Fax:
Address: 1034 Maunakea Street
Honolulu, HI 96817

Account:
Branch: IBAB
Contact: Naomi Chinen
Phone: 587-2783
Fax: 587-2787
Address: 250 South Hotel Street, #504
Mailing: P.O. Box 2359
Honolulu, HI 96804

Qty.	Description	Item #	Cost	Total
				-
0	Lei's for Guangdong Governor's reception and Tourism seminar.			187.50
				-
				-
				-
				-
				-
				-
				-
				-
				-
	Sub - Total			187.50
	4.167% Tax			7.81
	Total			195.31

SM3000	China Mission	SM3003	IBAB Operating	SM3006	Pub Video/Multimedia
SM3001	Beijing Office	SM3004	Immigrant Investor	SM3007	Sister State
✓ SM3002	Greater China	SM3005	MDCP	SM3008	Taiwan Office

Object code 7200

☒ Approved ☐ Disapproved

Requestor's Signature Date

Dennis T. Ling, Administrator 10/24/05 Date

Comments:

5677

Cindy's Lei & Flower Shoppe
1034 Maunakea Street
Honolulu, HI 96817
536-6538

DBEDT-DIRECTOR'S OFFICE

CUSTOMER'S ORDER NO.	DEPT.	DATE: 10-11-05

NAME: EMOGENE ESTORES
ADDRESS: 250 S. HOTEL ST. Room 504
CITY, STATE, ZIP: HONOLULU HAWAII 96817

SOLD BY:	CASH	C.O.D.	CHARGE	ON ACCT.	MDSE RTD.	PAID OUT

QUANTITY		DESCRIPTION	PRICE	AMOUNT
	1	FOR 2005 CHINA KOREA		
	2	MISSION % DBEDT.		
1	3	WHITE CHRISTINA		25.00
1	4	KUKUI/KUKUNCKAHA		17.50
1	5	GREEN FANCY		15.00
1	6	CIGAR/CROWN		20.00
4	7	PURPLE; WHITE BUTTERFLY @15.00		60.00
2	8	3 COLOR FANCY @20.00		40.00
	9	DELIVERY		10.00
	10			187.50
	11		TAX	7.81
	12			195.31
	13			
	14			
	15			

Date Invoice Received ____
Date Goods/Services Received ____
I certify that goods/services were satisfactorily received.
APPROVED FOR PAYMENT
By [signature]
Authorized Person Directly Responsible

RECEIVED BY: [signature]

KEEP THIS COPY FOR YOUR RECORDS
©2001 REDIFORM® 5L320

EMOGENE ESTORES
CINDY'S LEI & FLOWER SHOPPE
1034 MAUNAKEA STREET
HONOLULU, HAWAII 96817
(808) 536-6538
#200056878

Sale

Clerk: 17 Ref #: 0002
ID: 56878328 13:55:27
10/17/05
Batch #: 950

MASTERCARD
[redacted]
CVV2 Code: [redacted]
Appr Code: [redacted] Inv#: 000002
Total: $ 195.31

Customer Copy
ALOHA FROM CINDY'S!

©2001 REDIFORM® 5L320

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LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

October 13, 2005

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Invoice Payment

This is to authorize payment for the attached invoice.

Date invoice received 10/13/05

Invoice 101105

Invoice Date 10/11/05

Amount of invoice $13,575.63

Requested by Catering Connection

I certify that goods/services were satisfactorily received.

RECOMMEND APPROVAL:

RICK MANAYAN

Attachment

APPROVED FOR PAYMENT:

THEODORE E. LIU

143

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

STATE OF HAWAII 1959

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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Telephone: (808) 586-2355
Fax: (808) 586-2377

October 13, 2005

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Invoice Payment

This is to authorize payment for the attached invoice.

Date invoice received 10/13/05

PACIFIC & ASIAN AFFAIRS COUNCIL

142

Conference Exp.- China Mission 13,575.63

PAYMENT RECORD

10/18/05 142 Catering Connection $13,575.63

519332 (3/05)

Attachment

RECEIVED
OCT 13 2004
DBEDT-DIRECTOR'S OFFICE

Catering Connection
P.O. Box 12024
Honolulu, Hawaii 96828

October 11, 2005 | Invoice 101105

Name:	Emogene Estores	Bill To:	State of HI
	2005 China-Korea Mission		

QTY	Description	Unit price	Total
325	Menu Per Guest	$ 36.00	$ 11,700.00
1	Tenting	$ 1,153.44	$ 1,153.44
1	Additional Rentals	$ 180.00	$ 180.00

Sub Total	$	13,033.44
Tax	$	542.19
Total	$	13,575.63

Terms

50% Deposit and a signed acceptance will confirm this event
A final balance will be appreciated on the day of the event

Note: The renter will be held liable for all damages that may occur either accidental or intentional. You, the renter, will be responsible for repairing any damaged item(s) to their original condition. If the damaged item(s) cannot be repaired, the renter must replace the item(s) at the current price plus the cost of shipping.

PLEASE READ CAREFULLY SIGN AND DATE BELOW

By Signing, You are indicating that you have read and agree to the terms above.

Signature ______________________ Date ______________
Acceptance

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

October 13, 2005

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Invoice Payment

This is to authorize payment for the attached invoice.

Date invoice received 10/13/05

Invoice ______________________

Invoice Date 10/12/05

Amount of invoice $500.00

Requested by Hawaii Opera Theatre

I certify that goods/services were satisfactorily received.

RECOMMEND APPROVAL:

RICK MANAYAN

Attachment

APPROVED FOR PAYMENT:

THEODORE E. LIU

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

October 13, 2005

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Invoice Payment

This is to authorize payment for the attached invoice.

PACIFIC & ASIAN AFFAIRS COUNCIL

144

Conference Exp.- China Mission 500.00

PAYMENT RECORD

10/21/05 144 Hawaii Opera Theater $500.00

519332 (3/05)

RICK MANAYAN THEODORE E. LIU

Attachment

IVE[illegible]
1 3 2004
DIRECTOR'S O[illegible]

HAWAII OPERA THEATRE

987 Waimanu Street
Honolulu, Hawaii 96814

Invoice No. 2005-DBEDT

INVOICE

Customer

Name	Department of Business, Economic Development and Tourism
Address	250 S. Hotel Street Suite 504
City	Honolulu State HI ZIP 96813
Phone	586-2364

Date	10/12/2005
Order No.	
Rep	Gordon
FOB	Honolulu

Qty	Description	Unit Price	TOTAL
1	Guangzhou Symphony Backstage Reception food and supplies 2005 China - Korea Mission Attention Judy Drosd	$500.00	$500.00

SubTotal	$500.00
Shipping & Handling	$0.00
Taxes Hawaii State	
TOTAL	$500.00

Payment Details

- ○ Cash
- ● Check
- ○ Credit Card

Name ______________

CC # ______________

Expires ______________

Office Use Only

Renting organization and/or its Agent will be held responsible for returning the items listed above in complete and same condition as when rented. Any replacement or maintenance costs for items above, incurred as a result of this rental will be charged to the rentor.Except as noted no items may be altered.

Opera, Ain't it Grand!!!!!!

Approved. Judy Drosd 10/12/05

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

October 13, 2005

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Invoice Payment

This is to authorize payment for the attached invoice.

Date invoice received 10/13/05

Invoice 33448

Invoice Date 10/06/05

Amount of invoice $1,168.77

Requested by Robyn Buntin of Honolulu

I certify that goods/services were satisfactorily received.

RECOMMEND APPROVAL:

RICK MANAYAN

APPROVED FOR PAYMENT:

THEODORE E. LIU

Attachment

Robyn Buntin of Honolulu

Robyn Buntin of Honolulu
848 S. Beretania Street
Honolulu, HI 96813

(808) 523-5913 x
info@robynbuntin.com

Invoice

DATE	INVOICE #
10/06/2005	33448

TERMS
Due on receipt

BILL TO	SHIP TO
DBED Contact: Richard Bahar / Richard Fassler	DBED

Sales Rep
Aisha

Activity	Amount
• Unframing & Re-fitting of existing artwork, WO #7627, 1 @ $135.42	135.42
• Giclee reproduction of artwork (Setup + 2 copies), 1 @ $986.61	986.61
• Sales Tax, 1,122.03 @ 0.04166	46.74
TOTAL	$1,168.77

RECEIVED
OCT 13 2004
DBEDT-DIRECTOR'S OFFICE

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

October 14, 2005

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Invoice Payment

This is to authorize payment for the attached invoice.

Date invoice received 10/14/05

Invoice ____________

Invoice Date 10/11/05

Amount of invoice $120.00

Requested by Alex Ho

I certify that goods/services were satisfactorily received.

RECOMMEND APPROVAL:

RICK MANAYAN

Attachment

APPROVED FOR PAYMENT:

THEODORE E. LIU

ATTENTION: ALEX HO
FAX # 581-2787

DEPARTMENT OF PUBLIC SAFETY
SHERIFFS DIVISION

SPECIAL DUTY INVOICE

PERSONAL INFORMATION

NAME: Sean S. WONG

ADDRESS: [redacted]

SSN: [redacted]

CONTRACTOR INFORMATION

CONTRACTOR: DBET

DATE OF SERVICE: 10-11-2005

LOCATION: Washington Place

HOURS: START 4:30 ~~am~~/pm

END 8:30 am/pm

Total Hours 4.00

HOURLY RATE: ($30.00)

TOTAL: $ 120.00

SIGNATURE: Sean S Wong

DATE: 10-11-2005

PAYMENT DUE WITHIN FIVE DAYS OF RECEIPT

PLEASE MAKE PAYMENT DIRECTLY TO INDIVIDUAL LISTED

Paid in full on 10-11-2005

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

INVESTMENT AND BUSINESS ANALYSIS BRANCH
No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 587-2766
Fax: (808) 587-2787

To: Ms. Ruby Shou
Shung Shan Branch
Bank Sinopac

From: Mr. Ken Kitamura, Administrative Services Officer
Mr. Dennis T. Ling, Division Administrator

Subject: Transfer of Funds from State of Hawaii Office in Taipei Savings Account.

VIA FACSIMILE NUMBER 9-011-886-2-27680140

Transfer from Savings Account [redacted]	US $20,924.38
To	TWENTY THOUSAND NINE HUNDRED TWENY-FOUR AND 38/100 DOLLARS
Checking Account [redacted]	US $20,924.38

11/16/05
Dennis T. Ling Date

11/16/05
Ken N. Kitamura Date

Bank Sinopac Transfer Confirmed By:

Ms. Ruby Shou Date

(Please deduct all transfer charges from savings account)

Request for Funds Beijing Office
Summary Request

6/1/05 $50,000 advance to Bo Wu for 2005 China/Korea Mission

		50,000.00
May	7,899.86	
June	35,029.10	
July	6,972.29	
August	5,720.69	
September	7,242.20	
October	8,060.24	
Total expenditures	70,924.38	70,924.38
Total owing to Bo Wu		20,924.38

Recommend payment 11/15/05 Date

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
P.O. Box 2359
Honolulu, Hawaii 96804
Phone: (808) 587-2766
Fax: (808) 587-2787
Website: www.hawaii.gov/dbedt

TO:	Alex Lei	FROM: Richard Bahar
FAX # :	9011-886227230229	11/17/05
		PAGES:

We have instructed Bank Sinopac on 11/17/05 to transfer funds in the amount of

$20,924.38 for:

[ ] Taipei Office (see attached request)

[X] Beijing Office $20,924.38

Please acknowledge:

[X] Receipt of Transfer

[X] Transfer to Bo Wu

Alex Lei ______________ Date

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LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

August 17, 2005

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Invoice Payment

This is to authorize payment for the attached invoice.

Date invoice received August 16, 2005

Invoice ______________

Invoice Date ______________

Amount of invoice $9,504.91

Requested by Alex Lei – SOH Office in Taipei

RECEIVED
AUG 30 2005

I certify that goods/services were satisfactorily received.

RECOMMEND APPROVAL:

RICK MANAYAN

Attachment

APPROVED FOR PAYMENT:

THEODORE E. LIU

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

September 6, 2005

RECEIVED
SEP 08 2005

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Invoice Payment

This is to authorize payment for the attached invoice.

Date invoice received ______________________

Invoice See attached invoices and spreadsheet summary

Invoice Date ______________________

Amount of invoice Total amount of invoices $25,919.86

Requested by State of Hawaii Office in Beijing

I certify that goods/services were satisfactorily received.

RECOMMEND APPROVAL:

RICK MANAYAN

Attachment

APPROVED FOR PAYMENT:

THEODORE E. LIU

Naomi Chinen/DBEDT
08/17/2005 03:59 PM

To Norilei Manibog/DBEDT@DBEDT
cc Richard Bahar/DBEDT@DBEDT, Rick Manayan/DBEDT@DBEDT
bcc
Subject Re: Invoice Payment

Could you please give us a copy of all wire transfers that are made into this account

State of Hawaii Office in Taipei
Savings Account # [redacted]
at
Bank Sinopac
Shung Shan Branch
No. 12 Dungshing Road
Taipei 105, Taiwan
Swift: SINOTWTP006
Tel: 886-2-2746-9888 Fax: 886-2-2768-5996

Norilei Manibog/DBEDT

Norilei Manibog/DBEDT
08/17/2005 03:44 PM

To nchinen@dbedt.hawaii.gov
cc Richard Bahar/DBEDT@DBEDT, Rick Manayan/DBEDT@DBEDT
Subject Invoice Payment

Hi Naomi,

As discussed this morning, I am preparing request for payment of Taipei Office invoices (total of $9,504.91). Could you please advise account information to wire amount to? PAAC will be issuing payment and wiring the check.

Thank you,
Lei

9,504.91
+ 25,919.86
35,424.77

Reimbursement for Beijing Office

Receipt #s	Description	RMB8.214	USD
10-1	Stage setup at GHOP	24,642.00	3,000.00
10-2	Printing of materials	4,260.00	518.63
10-3	On site supply & support	4,741.40	577.23
10-4	Pay to Guangdong government	49,634.60	6,042.68
10-5	Printer & extra ink	3,250.00	395.67
10-6	On-site and Beijing police escort	16824.00	2,048.21
10-8	Printing of Hawaii Guide	19,600.00	2,386.17
10-9	Interpreters & Workshop	63,784.80	7,765.38
10-10	Mobile Phone Charge	1,600.00	194.79
10-11	Translation	3,260.00	396.88
10-12	Taxi for the mission	1,096.00	133.43
10-13	Shipments & overweight by air	20,212.96	2,460.79
	TOTALS:	212,905.76	25,919.86

Empire Graphics Duplication Order Form

EMPIRE Graphics

Level
MGR.

Order Taken Date
接活日期

Company Name 公司名称 English 中文名

Customer Name 客户名称 Ms 任

Tel. Number 电话号码 6327

注：详细的工作内容请注
如果同一家公司需要
及价格。

客户自带请柬
由客户提供
右边中文 左右
胸纸张：80g
黑白打印
内页数：50
黑白打印 1/张
胶头问技：

Deliver 送货 Yes 是

地址 中粮A-5
Contact 联系人 任鹏

中粮店 电话Tel: (86) 10 6526 7847 / 7496 传真Fax: (86) 10 6526 7082

PRINTING OF INVITATIONS HAWAII MISSION TO CHINA & KOREA

北京市工商企业专用发票
BEIJING INDUSTRIAL CORPORATION INVOICE
发票联 INVOICE

111000511011

No 00513072

二 SECOND INVOICE 付款方收执

客户名称 Payer: 美国夏威夷州政府工商经济及观光事业部
支票号 Check No.:

编号 Serial No.	商品名称或经营项目 Merchandise's name	规格 Specification	单位 Unit	数量 Quantity	单价 Unit Price	金额 Amount 十万千百十元角分
	印刷费					¥2000.00
合计 Total Amount						

大写金额 Total Amount In Words: ⊗ 万 ⊗ 仟 贰 佰 零 拾 零 元 零 角 零 分

2005年 5月 3日

开票单位（盖章）Payee(Seal)　开票人 Filler: 李

Deposit
l and
ed payment
欠未付

A4/A3	1:1 1:2 / 2:1 2:2	Sets 复印套数
尺寸 / 颜色		
Front Cover 封面		
Back Cover 封底		
Clear Cover 透明封面		
Tabs 分页纸		

A4/A3	1:1 1:2 / 2:1 2:2	Sets 复印套数
尺寸 / 颜色		
Front Cover 封面		
Back Cover 封底		
Clear Cover 透明封面		
Tabs 分页纸		

A4/A3	1:1 1:2 / 2:1 2:2	Sets 复印套数
尺寸 / 颜色		
Front Cover 封面		
Back Cover 封底		
Clear Cover 透明封面		
Tabs 分页纸		

Spiral 塑环式 ①

10-2

PAYMENT FOR:

北京市定额专用发票
BEIJING QUOTA SPECIAL INVOICE
发票联
INVOICE

此发票经北京市地方税务局批准印制·11·04.01
PRINTING OF THE INVOICE IS RATIFIED BY BEIJING LOCAL TAXATION BUREAU

发票号 INVOICE NO. 20090401010203 2704
密码 PASSWORD [redacted]
税务登记号: TAX REGISTRY NO.
付款单位（个人）: PAYER
经营项目: SERVICE ITEM
伍 拾 元 ¥: 50.00
FIFTY YUAN
收款单位（盖章有效） PAYEE(SEAL)
开票日期 DATE ISSUED 年 Y 月 M 日 D

奖区 AWARD AREA [redacted]

1.刮开奖区覆盖层后显示中奖金额或"谢谢您"。
2.告知事项：中奖后，在兑奖前不得将发票联和兑奖联撕开。否则，不予以办理兑奖手续。
1.Scratching the covering area, you will get the award or the words for thanks.
2.Notice:Before encash the award don't separate the award area from the invoice. Otherwise,you can't encash.

发票号 INVOICE NO. 2009040101 02032704

Printing of ... in Beijing

北京市定额专用发票
BEIJING QUOTA SPECIAL INVOICE
发票联
INVOICE

此发票经北京市地方税务局批准印制·11·04.01
PRINTING OF THE INVOICE IS RATIFIED BY BEIJING LOCAL TAXATION BUREAU

发票号 INVOICE NO. 20090401010203 2703
密码 PASSWORD [redacted]
税务登记号: TAX REGISTRY NO.
付款单位（个人）: PAYER
经营项目: SERVICE ITEM
伍 拾 元 ¥: 50.00
FIFTY YUAN
收款单位（盖章有效） PAYEE(SEAL)
开票日期 DATE ISSUED 年 Y 月 M 日 D

奖区 AWARD AREA [redacted]

1.刮开奖区覆盖层后显示中奖金额或"谢谢您"。
2.告知事项：中奖后，在兑奖前不得将发票联和兑奖联撕开。否则，不予以办理兑奖手续。
1.Scratching the covering area, you will get the award or the words for thanks.
2.Notice:Before encash the award,don't separate the award area from the invoice. Otherwise,you can't encash.

发票号 INVOICE NO. 2009040101 02032703

10-2

100

海南省服务业专用发票(卷)
INVOICE FOR SERVICE TRADE OF HAINAN PROVINCE
发票联 INVOICE

发票号: 246000471704
INVOICE № 01743379
密码 PASSWORD

机打票号: 01743379
PRINTING №

机器编号: 26642002
RECEIVER №
收款单位: 海南宝岛大酒店
PAYEE
税务登记号: 4601006200045552
TAX REGISTRY №
开票日期: 2005-06-20 收款员: 开票员星
DATE ISSUED PAYEE
付款单位(个人):
PAYER

项目 SERVICE ITEM 金额 AMOUNT CHARGED
饮食 ¥211.00

除付款单位外手写无效 HANDWRITING INVALID EXCEPT PAYER

收款单位签章 PAYEE(SEAL)

海南宝岛大酒店有限公司 海口市地税 手册号: 02493 460100620004555 法人代表: 沈国強 发票专用章

合计(小写): ¥211.00
TOTAL IN FIGURES
合计(大写): 零零拾零万零仟贰佰壹拾壹元零角零分
TOTAL IN CAPITAL
税控码: A2E153E0E39CC21E
ANTI-FORGERY CODE

兑奖联
奖区 AWARD AREA 发票号 INVOICE №
246000471704
01743379

海南省服务业专用发票(卷)
INVOICE FOR SERVICE TRADE OF HAINAN PROVINCE
发票联 INVOICE

发票号: 246000471704
INVOICE № 02455926
密码 PASSWORD

机打票号:
PRINTING №

机器编号:
RECEIVER № 02455926
收款单位:
PAYEE 26642004
税务登记号:
TAX REGISTRY №
开票日期: 海南宝岛大酒店 收款员:
DATE ISSUED PAYEE
付款单位(个人): 4601006200045552
PAYER

2005-06-19 开票员星

项目 SERVICE ITEM 金额 AMOUNT CHARGED
饮食 ¥266.00

除付款单位外手写无效 HANDWRITING INVALID EXCEPT PAYER

收款单位签章 PAYEE(SEAL)

海南宝岛大酒店有限公司 海口市地税 手册号: 02493 460100620004555 法人代表: 沈国強 发票专用章

合计(小写):
TOTAL IN FIGURES
合计(大写): ¥266.00
TOTAL IN CAPITAL
税控码: 零零拾零万零仟贰佰陆拾陆元零角零分
ANTI-FORGERY CODE 8F13B37B5B69

兑奖联
246000471704
02455926

NY25520N

10-3

627

627 -

In Yunnan

Something

?

Richard + Bo

DL Morrow W

海南省服务业定额发票
HAINAN QUOTA GENERAL INVOICE FOR SERVICE INDUSTRY
发票联 INVOICE

密码 PASSWORD
发票号: 246000470535
INVOICE № 01868299
项目:
SERVICE ITEM
付款单位(个人):
PAYER

伍拾元 ¥50.00
FIFTY YUAN
收款单位(盖章有效) 开票日期 年 月 日
PAYEE(SEAL) DATE ISSUED Y M D

发票专用章

PAYER
伍拾元 ¥50.00
FIFTY YUAN
收款单位(盖章有效) 开票日期 年 月 日
PAYEE(SEAL) DATE ISSUED Y M D

PAYER
伍拾元 ¥50.00
FIFTY YUAN
收款单位(盖章有效) 开票日期 年 月 日
PAYEE(SEAL) DATE ISSUED Y M D

兑奖联
奖区 AWARD AREA
发票号: 246000470535
INVOICE № 01868299

告知事项: 1.中奖后,在兑奖前不得将发票联和兑奖联撕开,否则,不予兑奖。
2.刮开奖区覆盖层后显示中奖金额或"谢谢您"。

Notice: 1. Before encash the award, don't separate award area from the invoice, otherwise, you can't encash.
2. Scratching the covering area, you will get the award or the words for "thank you".

don't separate award area from the invoice, otherwise, you can't encash.
2. Scratching the covering area, you will get the award or the words for "thank you".

Notice: 1. Before encash the award, don't separate award area from the invoice, otherwise, you can't encash.
2. Scratching the covering area, you will get the award or the words for "thank you".

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MISSION

10-3

广东省广州市服务业定额发票

发 票 联

Dinner with [illegible]

查询电话：(020)12366-3 地 税 监

440170133

查询号码：5413686588710

顾客名称：

人民币金额 伍 佰 元

收款人：

(顾客报销凭证) 16 JUN 2005 20 年 月 日

使用范围：饮食业、娱乐业及其他服务业。

615.

顾客名称：

人民币金额 壹 佰 元

收款人：

(顾客报销凭证) 20 年 月 日

使用范围：饮食业、娱乐业及其他服务业。

615.- ✓

Verify amount

广东省广州市

服务业限额发票

发 票 联

顾客报销凭证

440170193 地 税 监

查询号码：

5133228871109

顾客名称

收款单位（盖章）

收款人：

20 年 月 日

查询电话：(020)12366-3

营业金额（人民币）	壹	贰	叁	肆	伍	陆	柒	捌	玖	拾
	元	元	元	元	元	元	元	元	元	元
税务机关 查验金额	1 元	2 元	3 元	4 元	5 元	6 元	7 元	8 元	9 元	

使用范围：饮食业、娱乐业及其他服务业。

报销凭证

5133828876892

顾客名称

收款单位（盖章）

收款人

20 年 月 日

查询电话：(020)12366-3

壹	贰	叁	肆	伍
元	元	元	元	元
税务机关 查验金额	1 元	2 元	3 元	4 元

使用范围：饮食业、

收条

今收到美国夏威夷州政府工商经济发展观光事业部支付摄影费 ¥2400元

（贰仟肆佰元整）

事由：商务拍摄夏威夷州州长一行代表团在上海期间摄影记录，时间：6月9日至6月11日。

钟伯相 2005/6/11.

身份证：310107520303003

DL(?)
RMB 2,400
Photographer?

MY255200

10-9

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[redacted]

北京市出租汽车专用发票
BEIJING TAXI RECEIPT
发票联
INVOICE

发票号 1000050101
No. 14803083
监督电话: Supervision Tel
市发展改革委: 12358
Development and Innovation Council of Beijing
市交通委员会: 68351150
Communication Council of Beijing
北京市出租汽车发票专用章

[redacted] 机打发票 手写无效

单位 Section 0043
电话 Tel 83611888
车号 Taxi No 京B-98546
证号 Certificate No 000000
日期 Date 2005-06-13
上车 ON 12:17
下车 OFF 12:22
单价 Unit Price 1.60
里程 Mileage 2.5
等候 Wait 00:01:23
状态 State 1
金额 Sum ¥10.00
密码 PASSWORD [redacted]

密码 PASSWORD [redacted]
存根 STUB

[redacted]

北京市出租汽车专用发票
BEIJING TAXI RECEIPT
发票联
INVOICE

发票号 1001050105
No. 07963254
单位 Section 0452
电话 Tel 81530319
[redacted] 车号 Taxi No 京B-F4935
证号 Certificate No 000000
日期 Date 2005-06-13
时间 Time 13:13-13:22
单价 Unit Price 1.60
里程 Mileage 3.0
等候 Wait 00:03:17
状态 State 0
金额 Sum ¥12.00
卡号 Card No
卡原额 Card Original Sum
卡余额 Card Balance Sum
北京市出租汽车发票专用章
机打发票 手写无效

M1SSION

10-12

存根 STUB

[redacted]

北京市出租汽车专用发票
BEIJING TAXI RECEIPT
发票联
INVOICE

发票号 1001050105
No. 07949314
单位 Section 0452
电话 Tel 00521234
[redacted] 车号 Taxi No 京B-F5691
证号 Certificate No 000000
日期 Date 2005-06-12
时间 Time 22:46-22:56
单价 Unit Price 1.60
里程 Mileage 4.3
等候 Wait 00:01:50
状态 State 0
金额 Sum ¥12.00
卡号 Card No
卡原额 Card Original Sum
卡余额 Card Balance Sum
北京市出租汽车发票专用章
机打发票 手写无效

[redacted]

北京市出租汽车专用发票
BEIJING TAXI RECEIPT
发票联
INVOICE

发票号 1000050103
No. 05606624
监督电话: Supervision Tel
市发展改革委: 12358
Development and Innovation Council of Beijing
市交通委员会: 68351150
Communication Council of Beijing
北京市出租汽车发票专用章

[redacted] 机打发票 手写无效

单位 Section 0657
电话 Tel 61205596
车号 Taxi No 京B-E3867
证号 Certificate No
日期 Date 2005-06-13
上车 ON 23:36
下车 OFF 23:44
单价 Unit Price 1.92
里程 Mileage 4.5
等候 Wait 00:00:28
状态 State 1
金额 Sum ¥15.80
密码 PASSWORD [redacted]

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[redacted]

北京市出租汽车专用发票
BEIJING TAXI RECEIPT
发票联
INVOICE

发票号 1001050103
No. 02041638
单位 Section 005
电话 Tel 84674090
[redacted] 车号 Taxi No 京B-F1919
证号 Certificate No 203393
日期 Date 2005-06-16
时间 Time 17:42-18:26
单价 Unit Price 1.60
里程 Mileage 35.8
等候 Wait 00:08:11
状态 State 0
金额 Sum ¥82.00
卡号 Card No
卡原额 Card Original Sum
卡余额 Card Balance Sum
北京市出租汽车发票专用章
机打发票 手写无效
密码 PASSWORD [redacted]
存根 STUB

141

密码 PASSWORD [redacted]

[redacted]

北京市出租汽车专用发票
BEIJING TAXI RECEIPT
发票联
INVOICE

发票号 1000040116
No. 00538188
监督电话: Supervision Tel
市发展改革委: 12358
Development and Innovation Council of Beijing
市交通委员会: 68351150
Communication Council of Beijing
北京市出租汽车发票专用章

[redacted] 机打发票 手写无效

单位 Section 3015
电话 Tel 84821005
车号 Taxi No 京B-D5080
证号 Certificate No 000000
日期 Date 2005-06-13
上车 ON 08:15
下车 OFF 08:20
单价 Unit Price 1.60
里程 Mileage 2.3
等候 Wait 00:00:33
状态 State 1
金额 Sum ¥10.00
密码 PASSWORD [redacted]

MISSION (10-13)

中国邮政 CHINA POST

收据 SENDER'S RECEIPT

邮 2104
CP72

包裹号码 No of Parcel

CP085451096CN

本件可径行开拆 The parcel may be opened officially

货样 Commercial sample | 文件 Documents | X 礼品 Gift | 退回的商品 Returned goods | 其他 Others

保价金额 Insured value: 人民币(元) 10000

特别提款权 SDR

包裹总重量(g) Total gross weight of parcel: 03296g

总价值(元) Total Value

收寄人员 黎庆姬

检查人员 王喜丹

包裹种类 Category of parcel: X 航空 Air | 水陆路 Surface | 空运水陆路 SAL

寄件人姓名地址 Name and address of sender:
BO WU
北京[illegible] 8号A座606

电话号码 Telephone number: 6527-7530

收件人姓名地址 Name and address of addressee:
MR. LENNY KLOMPUS
EXECUTIVE CHAMBERS
STATE CAPITOL HONOLULU, HAWAII

电话号码 Telephone number: 808-586-0034

内装物品名称 Detailed description of contents	物品件数 Quantity	净重 g Net weight	价值 Value	协调系统税则号列 HS tariff Number	货物原产国 Country of origin of goods	海关印记 Stamp (Customs)
ARTS & CRAFTS					China.	

只对商业包裹填写 For commercial items only

备注:(例如需要动植物检疫、卫生检疫等)
Comments: (eg: goods subject to quarantine, sanitary/phytosanitary inspection, etc)

许可证 Licence No. | 证书 Certificate No. | 发票 Invoice No.

无法投递处理意见 Sender's instructions in case of non-delivery

X 立即退回寄件人 Return immediately to sender

在右列天数后退回寄件人 Return to sender after ___ 天数 days

改按下列地址投交收件人 Redirect to address below

退回/改寄时 用右列邮路 Return/Redirect: 按放弃处理 Treat as abandoned; 水陆路/空运水陆路 By surface/S.A.L.; 航空 By air

地址 Address

我保证本报关单内所列情况属实,此邮件内未装寄邮政禁止寄递的任何危险物品以及中华人民共和国海关禁止出境物品,我并且同意支付由于执行左列无法投递处理意见而产生的全部费用。
I certify that the particulars given in the customs declaration are correct and that this item does not contain any dangerous article prohibited by postal regulations as well as those forbidden for exportation by the Customs of P.R. China. I also agree to pay the costs related to my adjacent instructions in case of non-delivery.

日期和寄件人签字 Date and sender's signature

原寄局和收寄日期 Office of origin and Date of posting: 2005.06.16

为使各页清晰,请您用力书写。Please press hard so as to make every page legible.

邮2105甲

国际、港、澳包裹收据

RECEPISSE DE DEPOT D'UN COLIS POSTAL

第 ______ 号 No 0214989

CP085451096CN

收寄局日戳 2005.06.16-18 Timbre à date du bureau d'origine

收件人姓名地址: Adresse du destinataire: 香港

内装物品: 工艺 Désignation détaillée du contenu

重量: 03296g 克 Poids grammes

包裹价值: Valeur: Yuan(s)	邮费: Taxes postales: Yuan(s) 405.50
保价金额: Valeur déclarée: Yuan(s) 10000.	保价费: Droits d'assurance: Yuan(s) 150

455.50

寄件人姓名地址: Adresse de l'expéditeur:

黎庆姬
收寄人员签名 Signature de l'agent du bureau d'origine

Before completing the manifold set, please read instructions on back carefully
填写七联单以前,请仔细阅读背面的注意事项

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Bank of Hawaii

FUNDS TRANSFER PAYMENT ORDER

ORIGINATOR INFORMATION

NAME	PHONE NO.	WIRE NO.	
Pacific and Asian Affairs Council	944-7781		
ADDRESS	CITY	STATE	ZIP CODE
1601 EAST WEST RD 4^{TH} FLOOR	HONOLULU	HI	96848

TRANSACTION TYPE

☒ Single Transfer Only

☐ Repetitive Transfers—authorization will be given separately for each transfer (Must have signed Funds Transfer Agreement form, EX-23, on file)

☐ Standing Payment Order (valid until amended or cancelled – no verification before each transfer):
☐ $ _____ or ☐ Daily collected balance (immediately available funds) or ☐ Collected balance in excess of $ _____ in account on the: ☐ _____ day of each month or ☐ _____ day of each week (if a holiday then on the next business day)
(Must have signed Funds Transfer Agreement form, EX-23, on file)

BENEFICIARY (PAYEE) INFORMATION

NAME	ACCOUNT NUMBER TO BE CREDITED
STATE OF HAWAII OFFICE IN TAIPEI	[redacted]
ADDRESS	OTHER BENEFICIARY INFORMATION (140 CHARACTER LIMIT)
CITY / STATE / ZIP CODE / COUNTRY	

BENEFICIARY (ACCOUNT WITH) BANK

NAME	ABA ROUTING NO./SWIFT CODE
BANK SINOPAC SHUNG SHAN BRANCH	[redacted]
ADDRESS: NO. 12 DUNGSHING RD	BANK-TO-BANK INFORMATION (140 CHARACTER LIMIT)
CITY: TAIPEI 105 / STATE: / ZIP CODE / COUNTRY: TAIWAN	

INTERMEDIARY BANK (OPTIONAL)

NAME	ABA ROUTING NO./SWIFT CODE	CITY	STATE	COUNTRY

PAYMENT

VALUE DATE (MM/DD/YY)	AMOUNT OF TRANSFER (USD)	PROCESSING FEE:	AMOUNT DUE FROM ORIGINATOR:
09/15/05	$35,424.77	$75.00	$35,499.77

☐ FOREIGN CURRENCY TRANSFER | F/X CODE | RATE: | FOREIGN AMOUNT

ADDITIONAL PAYING BANK FEES: ☑ ORIGINATOR'S ACCT. ☐ BENEFICIARY ACCT.

ORIGINATOR'S BANK OF HAWAII ACCOUNT NUMBER TO BE CHARGED: [redacted]

☐ CASH RECEIVED ☐ CTR GENERATED

AGREEMENT

The Originator agrees that all funds transfers originated under this authorization will be governed by the Bank of Hawaii "Funds Transfer Agreement", as amended from time-to-time. A summary of the Agreement's terms appears on the second page of this form.

X [signature] X ____________

Printed Name : LISA MARUYAMA	Printed Name:
Title:	Title:
Date: 9/14/05	Date:

FOR BANK USE ONLY

ACCEPTED BY (Sign & print name):	AUTHORIZED BY (Sign & print name):
Meagan Torres [signature]	Randall Hee [signature]

☒ CURRENT COLLECTED VERIFIED

BRANCH/DEPT. NAME AND COST CTR. NO.:	BRANCH/DEPT. TELEPHONE NO.	DATE
Keeaumoku/ 04	Keeaumoku/	09/14/05

CALLED & FAXED-IN ORDERS

CUSTOMER CALLER:	☐ RECEIVED BY FAX; SIGNATURE(S) VERIFIED	CALL/FAX TAKEN & FORM PREPARED BY (Sign & print name):	DATE & TIME
CALL BACK TO:	TELEPHONE NO.	PERFORMED BY (Sign & print name):	DATE & TIME

WALK-IN ORDERS

NAME	TIN OF PERSON PRESENT	ADDRESS (STREET ADDRESS, CITY, STATE, ZIP CODE)	
Lisa Maruyama	[redacted]	[redacted]	
IDENTITY CARD TYPE, NUMBER, ISSUER, EXPIRATION DATE: [redacted]		IDENTITY VERIFIED BY (Sign & print name): M. TORRES [signature]	DATE & TIME 09/14/05 11:21AM
CALL BACK TO:	TELEPHONE NO.	PERFORMED BY (Sign & print name):	DATE & TIME
TEST KEY:	RECUR ID:	VERIFIED BY FUNDS TRANSFER DEPT. (Sign & print name):	DATE & TIME
ENTERED BY FUNDS TRANSFER DEPT.:	REFERENCE NUMBER:	VERIFIED BY FUNDS TRANSFER DEPT. (Sign & print name).	DATE & TIME

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	A	B	C	D	E	F	G
1	Class	Sponsor_Level	Cities	Salutation	Name	Title	Company_Org
2	GOV			Honorable	Lingle, Linda	Governor	State of Hawaii
3	Delegate		S B G	Mr.	Aumer-Ryan, Katherine		Cause & fx Pictures
4	Delegate		S B G	Mr.	Aumer-Ryan, Paul		Cause & fx Pictures
5	Delegate		S B G	Mr.	Bovaird, Steven (Kai)		Cause & fx Pictures
6	Delegate		S	Ms.	Brown, Frances	Spouse	Philip White & Assoc.
7	Delegate		S B G	Rep.	Chang, Jerry	Representative	Hawaii State House of Representatives
8	Delegate		S B G	Mr.	Choi, Johnson		TIM International
9	Delegate		S B G	Mr.	Craven, Stephen	General Manager	Kekapana International Services
10	Delegate		S B G	Mr.	Davis, James	???	Eovino & Associates
11	Delegate		S B G	Mr.	Efrein, Joel	Owner	Festival Arts Trading
12	Delegate		S B G	Mr.	Enos, John Heizer Bergau		Pacific Music Foundation
13	Delegate		S B G	Mr.	Eovino, Donald	President	Eovino & Associates
14	Delegate		S B	Ms.	Fang, Wei	Curator of Education	The Contemporary Museum
15	Delegate		S B	Mr.	Fidell, Jay	???	Bedet, Fidell, Sakai & Lee
16	Delegate		S B G	Mr.	Gee, Chuck		TIM International
17	Delegate			Mr.	Grace, Puataata Alfred	Vice President of Marketing	Polynesian Cultural Center
18	Delegate		S B	Ms.	Hayashi, Stacey Terumi	President	PainaGirl.com
19	Delegate		S B G	Mr.	Hurd, George Edward	President	Aloha Aquatics
20	Delegate			Ms.	Ito, Joyce		
21	Delegate		S B G	Mr.	Ito, Kenneth	Representative	Hawaii State House of Representatives
22	Delegate		S	Ms.	Johnston, Jo Ann Love		Jo Ann Johnston & Company
23	Delegate		S B	Mr.	Karamatsu, Jon Riki	Representative	Hawaii State House of Representatives
24	Delegate			Mr.	Kim, Richard		E & K Electronics
25	Delegate		S B G	Mr.	Klatt, John	???	Eovino & Associates
26	Delegate		S B	Mr.	Knox, Steven A.	Executive Director	Ballet Hawaii
27	Delegate		S B G K	Mr.	Lahens, Gary	???	???
28	Delegate		S B G K	Ms.	Lamoureux, Valerie	President	Waikiki Aloe, Ltd.
29	Delegate		B G	Ms.	Lee, Lai Sin	Chairperson	Hong Kong Business Association of Hawaii
30	Delegate		G	Ms.	Lo, Nancy Elvira	President	Hibiscus Aloha Corporation
31	Delegate		G	Mr.	Lo, Terry Yan	Vice President	Hibiscus Aloha Corporation
32	Delegate			Mr.	Ma, Alan	Attorney At Law	Law Offices of Alan C. Ma
33	Delegate			Mr.	Martin, Daniel A+		
34	Delegate		S B G	Ms.	McNeil, Waynella	Owner	Unicity International/ Momentum LLC
35	Delegate		S B	Ms.	Miyasato, Leigh-Ann	Managing Director	Dragon Bridge Capital
36	Delegate		S B G	Ms.	Moberg, Haruko	Designer	Haruko
37	Delegate			Mr.	Morakis, Christopher	????	????
38	Delegate			Ms.	Morakis, Monica, Riecke	????	????
39	Delegate		S B G K	Mr.	Morey, Roger	Senior Vice President	Hawaiian Natural Water Co.
40	Delegate			Mr.	Nihipali, Albert Kofoed	Manager - Asia Sales	Polynesian Cultural Center
41	Delegate			Mr.	Pelayre, Gregory	???	Pacific Music Foundation
42	Delegate			Mr.	Riecke, Hans		
43	Delegate		S B G	Mr.	Schimmel, Alan, Jordan	CEO	The Outer Reefs Unlimited
44	Delegate		S B G	Mr.	Shao, Guouang (Charlie)	Executive Director	Pacific Culture and Education Foundation
45	Delegate		S B G	Ms.	Sismar, Lois		TIM International
46	Delegate		S B G	Mr.	Skaggs, Joseph		Joey Skaggs
47	Delegate		S B G	Mr.	Talisman, David Michael	President/CEO	True Digital
48	Delegate		S B	Mr.	Tang, Kenneth	Chairman and CEO	Trex Enterprises
49	Delegate		S B	Mr.	Tom, Stephen G.	Executive Director	Pacific Telecommunications Council
50	Delegate		S B	Mr.	Weinman, Barry -A+	Managing Director	Dragon Bridge Capital
51	Delegate		S B	Ms.	Weinman, Virginia -A+	Spouse	

Note: The format of the spreadsheet was altered to conform to the size of the report. One participant's name on the original document was omitted after it was determined the participant did not make the trip.

	A	B	C	D	E	F	G
1	Class	Sponsor_Level	Cities	Salutation	Name	Title	Company_Org
52	Delegate		S	Mr.	White, Philip	President	Philip White & Assoc.
53	Delegate		S B	Mr.	Wong, Victor		Bioxene
54	Delegate		S B		Wu, Po-Chi	Managing Director	Dragon Bridge Capital
55	Delegate		S B G	Mr.	Yeung, Stan	Managing Director	Savant Works (QHTB) / HKBAH
56	Entertainer			Mr.	Alisa, David Mataumu	Dancer & Singer	Polynesian Cultural Center
57	Entertainer			Ms.	Alisa, Tali M	Dancer & Singer	Polynesian Cultural Center
58	Entertainer			Mr.	Bejer, Rodney Marsistoso	Bass & Vocals	Ka'ala Boys
59	Entertainer			Ms.	Booth, Jackie Kanlaulono	Dancer	Worldsound
60	Entertainer			Mr.	Brotman, Charles Michael	Musician / Guitar	Worldsound
61	Entertainer			Ms.	Cariaga, Klara Del	Dancer	Ka'ala Boys
62	Entertainer			Ms.	Dela Rosa, Ellen Gay Amui	Musician & Singer	Polynesian Cultural Center
63	Entertainer			Mr.	Dela Rosa, Pewa	Dancer & Singer	Polynesian Cultural Center
64	Entertainer			Ms.	Fa'amufi, Candace Folaalela	Dancer & Singer	Polynesian Cultural Center
65	Entertainer			Mr.	Folk, Eric David	Drums	Ka'ala Boys
66	Entertainer			Mr.	Fonoioana JR, Kurt Kosega	Dancer & Singer	Polynesian Cultural Center
67	Entertainer			Ms.	Gilliom, Amy Rene	Musician & Singer	Worldsound
68	Entertainer			Mr.	Kaanapu, Henry Piwa	Technician Sound	Worldsound
69	Entertainer			Mr.	Kaka, Milton Randell	Musician & Singer	Polynesian Cultural Center
70	Entertainer			Ms.	Langi, Larie Kuulei	Dancer & Singer	Polynesian Cultural Center
71	Entertainer			Mr.	Lauano, Boyd Willy	Dancer & Singer	Polynesian Cultural Center
72	Entertainer			Ms.	Mechler, Lindsay	Dancer	Ka'ala Boys
73	Entertainer			Mr.	Moe, Sam Stanley	Dancer & Singer	Polynesian Cultural Center
74	Entertainer			Ms.	Nagy, Crystal Kapua	Dancer & Singer	Polynesian Cultural Center
75	Entertainer			Mr.	Ofoia, Jack Poutoa	Musician & Singer	Worldsound
76	Entertainer			Mr.	Regidor, Kawika Benjamin	Guitar & Vocals	Ka'ala Boys
77	Entertainer			Ms.	Reid, Keleise Siva	Dancer & Singer	Polynesian Cultural Center
78	Entertainer			Mr.	Sibbett, Thomas	Dancer & Singer	Polynesian Cultural Center
79	Entertainer			Mr.	Van Blyenburg, George Aaron	Uke & Vocals	Ka'ala Boys
80	Entertainer			Ms.	Vimahi, Luseane Eniti	Dancer & Singer	Polynesian Cultural Center
81	Entertainer			Mr.	Yim, Patrick Kuhio	Musician & Singer	Polynesian Cultural Center
82	GOV		S B G K	Ms.	Aveiro, Stephanie		
83	GOV		S B G K	Mr.	Cha, Hyung Kwon		
84	GOV		S B G K	Ms.	Eikenberry, Ching		
85	GOV		S B G K	Admiral	Fargo, Thomas		
86	GOV		S B G K	Rep.	Hale, Helene		
87	GOV		S B G K	Ms.	Hammond, Mary	Dean, Education Program	East West Center
88	GOV		S B G K	Ms.	Hellreich, Janice M		
89	GOV		S B G K	Mr.	Hirota, Dennis		
90	GOV		S B G K	Mrs.	Hirota, Kathryn		
91	GOV		S B G K	Ms.	Kapaku, Mona		
92	GOV		S B G K	Mr.	Kaya, George		
93	GOV		S B G K	Mrs.	Kaya, Pearl		
94	GOV		S B G K	Mr.	Klompus, Lenny		
95	GOV		S B G K	Ms.	Klompus, Marcia		
96	GOV		S B G K	Mr.	Lau , Hin Chin		
97	GOV		S B G K	Mr.	Lau , Hin Chin (Guest)		
98	GOV		S B G K	Mr.	Lau , Hin Chin (Guest)		
99	GOV		S B G K	Mr.	Lau , Hin Chin (Guest)		
100	GOV		S B G K	Mr.	Lee, Robert		
101	GOV		S B G K	Mr.	Lee, Willes		
102	GOV		S B G K	Mr.	Lum, Francis		

	A	B	C	D	E	F	G
1	Class	Sponsor_Level	Cities	Salutation	Name	Title	Company_Org
103	GOV		S B G K	Mr.	Meyer, Colleen		
104	GOV		S B G K	Rep.	Meyer, George		
105	GOV		S B G K	Mr.	Morrison, Charles	President	East West Center
106	GOV		S B G K	Mr.	Ontai, Guy		
107	GOV		S B G K	Ms.	Ontai, Pennylyn		
108	GOV		S B G K	Mr.	Pang, Russell		
109	GOV		S B G K	Mr.	Thompson, Ali		
110	GOV		S B G K	Ms.	Thompson, Travis		
111	GOV		S B G K	Ms.	Trommald, Gae-Bergquist		
112	GOV		S B G K	Ms.	Wienert, Marsha		
113	KOR		K	Asst. Dean	Choi , Song		
114	KOR		K	Mr.	Jung, David		
115	KOR		K		Kang, Jun		
116	KOR		K	Mr.	Kim, Bruce		
117	KOR		K	Ms.	Kim, Chrissy		Merrill Lynch
118	KOR		K	Mr.	Kim, Rex		
119	KOR		K		Kim, Taeyong	President	Environmental Communications, Inc.
120	KOR		K	Ms.	Lee, June		
121	KOR		K	Ms.	Murabayashi, Duk Hee		
122	KOR		K	Ms.	Nakamura , Gina Kim		
123	KOR		K	Mr.	Pyun,Daniel		
124	KOR		K		Yoo , Jun	UH History Prof.	
125	KOR		K		Yoon, KJ		
126	SPONSOR	Title	S B	Ms.	Andrasick, Ginger	Spouse	Matson Navigation
127	SPONSOR	Title	S B	Mr.	Andrasick, James Stephen	President and CEO	Matson Navigation
128	SPONSOR	Gold	S B G	Mr.	Bradley, Todd	Vice President of Sales	Simple Green
129	SPONSOR	Gold	S B G	Mr.	Bretschneider, Steven	VP Marketing	Deep Seawater International, Inc.
130	SPONSOR	Bronze	S B	Mr.	Cavanah, James E.	Vice President	China Warranty Corporation
131	SPONSOR	Silver	S B G	Mr.	Chang, Jerry	President	HI Sweets of Hawaii
132	SPONSOR	Silver	S B G	Ms.	Chang, Shawna	Vice President	HI Sweets of Hawaii
133	SPONSOR	Bronze	S B	Mr.	Cutter, Nick S.	Chairman	China Warranty Corporation
134	SPONSOR	Silver	K	Mr.	Davies, Matthew	Regional Sales Director	FedEx Korea
135	SPONSOR	Title	S B G	Mr.	Dennis, Alvin	Vice President, Purchasing and Logistics	NCL-America
136	SPONSOR	Title	S	Mr.	Doane, Wilton Allen	President and CEO - Matson Navigation	Alexander & Baldwin
137	SPONSOR	Bronze	S B G	Ms.	Fong, Au Sandra A+	SVP	Market City, Ltd
138	SPONSOR	Bronze	S B G	Mr.	Fong, Marvin A+	President	Market City, Ltd
139	SPONSOR	Gold	S B G	Mr.	Fox, Michael G.	President	Hawaii Modular Space, Inc.
140	SPONSOR	Title	S B		Gao, Qiang	Director of Asia, Matson Navigation Company	Matson Navigation
141	SPONSOR	Title	S B G	Ms.	Hahn, Dale Sachiko Chikuami	Director, Community Relations	NCL-America
142	SPONSOR	Title	S B G	Mr.	Holland, Braydon	Director, Sales and Marketing, Australia/New Zealand	NCL-America
143	SPONSOR	Bronze	S B G	Mr.	Hong, Wai (Richard)	Sales Manager- Asia Pacific	Marriott International
144	SPONSOR	Title	B	Mr.	Hui, Ernest	Principle Partner	Ko Olina Resort and Marina
145	SPONSOR			Ms.	Hurd, Sharon		All Nippon Airways
146	SPONSOR	Bronze	S B	Mr.	Jones, Herman S.	President	China Warranty Corporation
147	SPONSOR	Title	S B G	Mr.	Kritzman, Robert Matthew	Executive V.P. and Managing Director- HI Operations	NCL-America
148	SPONSOR	Silver	S B G		Lee, Chi-Wai	Regional Sales Director	FedEx China
149	SPONSOR	Silver	S B G K		Lee, Wai-Leung	Vice President of Sales	FedEx China & Korea
150	SPONSOR	Title	S B G K	Mr.	Levy, Julian M.	President, DFS U.S. Group	DFS Hawaii
151	SPONSOR	Title	S B G K	Mr.	Nelson, Michael	Executive Vice President And Chief Operating Officer	Ko Olina Resort and Marina
152	SPONSOR	Silver		Ms.	Portugal, Malou		FedEx
153	SPONSOR	Title		Mr.	Prideaux, James	President	Dole China

1	A Class	B Sponsor_Level	C Cities	D Salutation	E Name	F Title	G Company_Org
154	SPONSOR	Title		Mr.	Saunders*, Harry		Castle & Cooke, Inc.
155	SPONSOR			Ms.	Takesue, Millie		All Nippon Airways
156	SPONSOR	Title	S B G K	Ms.	Weiner , Sharon	Group Vice President, DFS U.S. Group	DFS Hawaii
157	SPONSOR	Title	S B G K	Ms.	Wong, Linda		DFS Hawaii
158	STAFF		S B G	Mr.	Bahar, Richard	Business Meetings / IDG	State of Hawaii DBEDT
159	STAFF			Mr.	Booth, David	Hawaii Experience - Event Producer	Events International
160	STAFF		S B	Mr.	Bossert, Philip		HTDC/ Hawaii Life Sciences
161	STAFF			Ms.	Chan, Elizabeth		Global Resources, LLC
162	STAFF			Ms.	Dong, Jane	Consumer Promotions Manager, China	Marketing Garden / Hawaii Tourism China
163	STAFF		S B G K	Ms.	Drosd, Judy	Chief Officer - AFED	State of Hawaii / DBEDT
164	STAFF			Ms.	Hines, Julie		World Sound
165	STAFF		S B K	Mr.	Ho, Alexander	Logistics and Operations	State of Hawaii DBEDT
166	STAFF			Ms.	Hsu, Joy	State of HI Office in Taipei Exec. Sec./Office Manager	State of Hawaii Office in Taipei
167	STAFF		S B G	Mr.	Lee, Steven	Economic Development Specialist	State of Hawaii
168	STAFF			Mr.	Lei, Alex	Executive Director	State of Hawaii Office in Taipei
169	STAFF		S B K	Mr.	Ling, Dennis	Administrator - SMSD	State of Hawaii / DBEDT
170	STAFF		S B G K	Mr.	Liu, Theodore	Director, DBEDT	State of Hawaii
171	STAFF		S B G K	Mr.	Manayan, Rick	Special Assistant to the Director	State of Hawaii DBEDT
172	STAFF			Mr.	Merner, Michael	Chairman	Marketing Garden
173	STAFF			Ms.	ÕÕ³¬ , Super	Interpreter	
174	STAFF		S B G K	Mr.	Pang, Savio	Travel Consultant	
175	STAFF			Ms.	Ramirez, Lucy		PCAS
176	STAFF			Ms.	Ren, Shan Shan	State of HI Office in Beijing Exec. Sec. Office Manager	State of Hawaii Office in Beijing
177	STAFF			Mr.	Schneider, Rick	Event Producer	Events International
178	STAFF		S B G K	Mr.	Tsui, Chuck (AD75)	Travel Consultant	Pali Travel
179	STAFF			Mr.	Wu, Bo	Executive Director	State of Hawaii Office in Beijing
180	STAFF			Mr	Wyatt, Warren	President	World Sound
181	STAFF			Ms.	Yao, Tina	Public Relations Director, China	Marketing Garden / Hawaii Tourism China
182	STAFF			Ms.	乐嘉怡, Siva	Interpreter	
183	STAFF			Ms.	卫文菁, Joyce	Interpreter	
184	STAFF			Ms.	嵇晓玲, Vianne	Interpreter	
185	STAFF			Ms.	张佳颖, Emma	Interpreter	
186	STAFF			Ms.	张梦圆, Sophy	Interpreter	
187	STAFF			Ms.	徐岚, Popo	Interpreter	
188	STAFF			Ms.	徐彩菲, Crasy	Interpreter	
189	STAFF			Ms.	徐甲菲, Selina	Interpreter	
190	STAFF			Ms.	朱颖 , Lisa	Interpreter	
191	STAFF			Ms.	李嘉君, Ada	Interpreter	
192	STAFF			Ms.	杨海霞, Shely	Interpreter	
193	STAFF			Ms.	欧文佳, Smily	Interpreter	
194	STAFF			Ms.	赵昕雅, Yaya	Interpreter:	
195	STAFF			Ms.	金云, Gracy	Interpreter	
196	STAFF			Ms.	陈佳, Julian	Interpreter	
197	STAFF			Ms.	陈嘉莉, Carrie	Interpreter	
198	STAFF			Ms.	韩霏 , Grace	Interpreter	
199	STAFF			Ms.	高敏, Grace	Interpreter	
200	STAFF			Ms.	, Thera	Interpreter	
201	STAFF			Ms.	Aĩlþè*, Sophia	Interpreter	
202	UH		G	Mr.	Bui, Tung		University of Hawaii at Manoa
203	UH		B	Ms.	Connor, Allison	???	???
204	UH		S B K	Mr.	Englert, Peter	Chancellor	University of Hawaii at Manoa

	A	B	C	D	E	F	G
1	Class	Sponsor_Level	Cities	Salutation	Name	Title	Company_Org
205	UH		S B G	Ms.	Fujiuchi, Kimberly Micko	Director of Exec.Education	University of Hawaii
206	UH		S B G	Ms.	Hoshiko, Carol	Dean, Business, Hospitality & College and Community Relations	Kapiolani Community College
207	UH		S B G	Ms.	Jamieson, Delphine	Spouse	
208	UH		S B G	Mr.	Jamieson, Walter	Dean	UH School of Travel Industry Management
209	UH		S B G K	Mr.	Kardan, Kaveh	Chief Technologist	University of Hawaii, Academy for Creative Media
210	UH		S B G K	Mr.	McClain, David	Interim President	University of Hawaii
211	UH		S B G K	Mrs.	McClain, Wendie		University of Hawaii
212	UH		S B G K	Ms.	Pineda-Torres, Evelia	Spouse	University of Hawaii
213	UH		S B G	Mr.	Roley, Vance	Dean	University of Hawaii, College of Business
214	UH		S B G	Mr.	Sakamoto, Clyde	Chancellor	Maui Community College
215	UH		S B G	Ms.	Sakamoto, Gerrianne	Spouse	
216	UH		S B G	Ms.	Samaan , Janette Sadek	System Director, Office of International Education	University of Hawaii
217	UH		B	Ms.	Soifer, Avi	???	???
218	UH		S B G	Ms.	Tseng, Rose E-	Chancellor	University of Hawaii at Hilo
219	UH		S B G	Mr.	Yang, David	Professor, College of Business Administration	University of Hawaii at Manoa
220	UH		S	Mr.	Yeh, Ray	Dean	UH School of Architecture
221	UH		G	Ms.	Yoshikawa, Beng-Poh		Honolulu Community College
222	WS		S B G	Ms.	Ako, Ashley	Videographer	Waianae HS - Seariders
223	WS		S B G	Mr.	Allen, John	Videographer	Waianae HS - Seariders
224	WS		S B G	Ms.	Paaluhi, Shauntel	Videographer	Waianae HS - Seariders
225	WS		S B G	Ms.	Sadural, Monet	Videographer	Waianae HS - Seariders

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LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

July 26, 2005

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Invoice Payment

This is to authorize payment for the attached invoice.

Date invoice received 7/26/05

Invoice ______________

Invoice Date ______________

Amount of invoice $1,705.00

Requested by Jo Ann Bayne – Paradise Cove Luau

I certify that goods/services were satisfactorily received.

RECOMMEND APPROVAL:

RICK MANAYAN

APPROVED FOR PAYMENT:

THEODORE E. LIU

Attachment

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

July 26, 2005

To: Pacific and Asian Affairs Council

From : Rick Manayan
Information Director
Special Assistant/Advisor to the Director

Subject: Invoice Payment

This is to authorize payment for the attached invoice.

Date invoice received 7/26/05

Invoice

PACIFIC & ASIAN AFFAIRS COUNCIL

131

Entertainment - China Mission 1,705.00

PAYMENT RECORD

'/29/05 131 P.C. Services, Inc.

519332 (3/05)

$1,705.00

7/26/05

Invoice

PC Services, Inc.
1860 Ala Moana Blvd., Suite 401
Honolulu, Hawaii 96815

To: PAAC
C/o DBEDT
P.O. Box 2359
Honolulu, Hawaii 96804

Fr: Jo Ann Bayne – Paradise Cove Luau

RE: Visit by State Councilor Tang Jiaxlian – Saturday – July 30, 2005

Paradise Cove to provide the following services:

Royal Alii Luau Package **Total: $1,705.00**
31 Guests at $55.00 per person (inclusive of 10% tip)

Services to Include:
Welcome Mai Tai
Four (4) Standard Drink Tickets
Fresh Flower Lei Greeting
Table Service
Preferred Seating
Polynesian Extravaganza Show
Activities prior to dinner include: arts, crafts, Hawaiian games, Hukilau, Imu Ceremony & Royal Court Procession & much, much more!

Payment must be made at least 48 hours prior to event date. Payment should be made to P.C. Services, Inc. in the amount of $1,705.00. Any changes to the final count of 31 guests must be made no later than 48 hours prior to 7/30/05 or 7/28/05. Changes in the counts must be made to K.C. Mahoney at 842-7911.

In the event of any no shows or cancellations after 7/28/05, there will be no refunds.

Acknowledged & Accepted by:

7/26/05

Name Date

By: Jo Ann Bayne/Director of Sales
Paradise Cove Luau

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Response of the Affected Agency

Comments on Agency Response

We transmitted drafts of this report to the Department of Business, Economic Development & Tourism on November 13, 2009. A copy of the transmittal letter to the department is included as Attachment 1. The response from the department is included as Attachment 2.

As reflected in Attachment 1, our investigation process affords agencies an opportunity to respond to our confidential draft report. We explicitly state, however, that:

> [s]ince this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Within days of responding to our draft report, the director of business, economic development & tourism publicly released the confidential draft report in direct contravention of our process. The director's action—that of publicly releasing the confidential draft report—is troubling and indicative of the weak control climate promoted by the director in his department, which we found in our procurement investigation of the department. The director also publicly released that report's confidential draft ahead of the Auditor's official release.

In accordance with our office procedures, we reviewed the department's response to the confidential draft and conducted additional research in order to provide greater clarity in our report. This process is vital as it provides an opportunity for our office to re-visit areas in the draft report with which the department disagrees. As a result of the process, different issues surfaced regarding one of the findings that were not addressed in the draft report. Our office reviewed these areas and made the proper adjustments in the final report. The confidentiality of the draft report helps ensure that the public is provided an accurate, final report that contain findings based on accurate fact. A breach of this confidentiality does a disservice to the public and to the departments that are under review by our office. As our final report reflects clarifications and other edits made to our draft report, our comments on the department's response to the draft report address issues relevant to our final report.

In its response, the department states our report "re-hashes" issues regarding the 2005 trade mission to China and Korea. The department asserts the topic had been thoroughly reviewed by the Legislature during hearings in 2005 and 2006. Further, the department points out that two state agencies—the State Procurement Office and the State Department of the Attorney General—reviewed whether the mission violated state rules or laws and found there was no violation of the procurement code or any criminal law violations. The department also said our report strung together unrelated events and partial facts to create "innuendo" to achieve a predetermined conclusion. We are not dissuaded by the department's response and stand by our findings. We highlight certain matters below.

As noted in our report, the State Procurement Office (SPO) and the department discussed the 2005 trade mission on two occasions: before the mission delegation left for China and after the mission had concluded. The first was a departmental inquiry of whether the procurement code would apply to the mission model—as presented by the department's director (see Appendix G). As stated in our report, the department's director did not disclose key information to the SPO regarding the participation of the Pacific and Asian Affairs Council or the department's role in the expenditure of the mission funds. The SPO said the procurement code applies to governmental bodies which disburse funds irrespective of their source. Documents show that based on information provided by the department's director, the SPO understood that the department's influence in the expenditure of the mission funds would be minimal.

Based on our interviews with department officials and key stakeholders and review of department and other source documents, however, it is clear the department *was responsible* for the procurement of various goods and services for the 2005 mission and *was directly involved* in the expenditure of the mission funds. Dozens of vendor invoices show the department was the entity that *was billed* for the purchase of a variety of goods and services. There are also documents on department letter head and *signed* by the department's director indicating the department's approval to use the mission funds to pay each of the invoices (see Appendix H).

The payment approval documents were forwarded by the department to representatives of the District Export Council and the Pacific and Asian Affairs Council who reviewed the invoices before payment was made to the vendors. Through interviews with our office as well as public documents, representatives from the two non-profit organizations stated that their roles in the mission did not involve the solicitation of vendors or the procurement of any goods or services. Board members of the District Export Council said the council's role was to encourage participation in the mission. Representatives from the Pacific and Asian Affairs Council (PAAC) said its role was primarily administrative—specifically, providing accounting services. Testamentary and documentary evidence show that the information provided by the department to the SPO in 2005 was incomplete and misleading. Thus, the SPO's opinion was based on incomplete and inaccurate information and may have inadvertently enabled the department to procure goods and services and be directly involved in the expenditure of the mission funds outside state procurement law.

Our report also notes that in its 2005 opinion to the department, the Department of the Attorney General strongly suggested that the department should not be placed in a position where it could exert any influence over the expenditure of the mission funds without complying with the procurement law. The opinion also advises the department to avoid being placed in a position that supervises and operates the mission fund account if the funds are to be used for services in Hawai'i and abroad. Our investigation found that mission funds were indeed used for goods and services in China and in Hawai'i at the direction of the department.

In the months following the return of the 2005 mission delegation, the SPO once again engaged in discussions with the department about the mission. The SPO administrator said the department's director stated that the department had not been involved in the expenditure of the mission funds. And again, relying on information provided by the department, the SPO concluded that the PAAC carried the responsibility for the procurement of goods and services for the 2005 mission and the expenditure of the mission funds. Subsequently, the SPO noted in its 2006 opinion that it did not review expenditures of the mission funds because: 1) fundraising is not addressed in the procurement code and therefore, the solicited mission funds are not within its purview; and 2) the procurement code is applicable to procurement contracts by governmental bodies and not by entities such as PAAC or any other fiduciary agent.

Based on documents and interviews with key stakeholders, we found that the department was in charge of the expenditure of the mission funds which carried out the responsibility of soliciting and hiring vendors for the 2005 mission. The department's director authorized the use of the mission funds to pay dozens of invoices for various goods and service provided to the department. The invoices were subsequently reviewed by representatives of the two non-profit organizations before a check was issued to the vendors. We found that this review process—which lacked spending criteria or spending restrictions—does not deter from the fact that the department carried the purchasing authority for the 2005 mission and was responsible for the procurement of goods and services. We found that the 2006 opinion issued by the SPO was again based on incomplete and misleading information provided by the department. Therefore, we strongly urge the State Procurement Office to review the issue to determine whether erroneous, withheld, incomplete, or misleading information tainted its opinions in 2005 and 2006 that enabled the department to act as the procuring entity for the 2005 mission and expend the mission funds outside state law.

The department also disagrees with our finding that it failed to provide a number of financial documents in response to an inquiry by state lawmakers regarding the 2005 mission. The chair of the Finance Committee, State House of Representatives, made two requests to the department in February and March 2006. The second request called for the department to provide all documents relating to the 2005 mission including purchase orders and invoices. In its response to the chair, the department said there were no such documents due to the nature of the mission and the differences of how business transactions are conducted in foreign countries such as China. A member of the State Senate also requested the department provide specific mission expenditure documents in March 2006. In response, the department did provide invoices regarding those expenditures.

However, in both cases, we found the department failed to provide lawmakers key documents. We found dozens of invoices, receipts, purchase orders, and department correspondence regarding the 2005 mission including department payment approval forms that were attached to individual invoices (see Appendixes I and J). We showed both lawmakers copies of the department payment approval forms as well as other invoices and purchase order documents associated with the 2005 mission. One lawmaker said he had not received the department payment approval forms or any of the invoices or purchase orders shown to him. The other lawmaker told our office she also had not received any copies of department payment approval forms and that the documents she did receive from the department were "worthless." Therefore, we stand by the wording and substance of our finding.

The department also contends that only mission sponsorship funds from the private sector were used to pay for events relating to an October 2005 visit by a governor from China. However, department documents show that thousands of dollars in general funds were used to pay for limousine service, lei, gifts, entertainment, and other costs in connection with the visit (see Appendix I). This is in addition to thousands of dollars spent in mission funds that were used for goods and services procured by the department.

Also, the department asserts that internal emails regarding a 2005 lū'au for a visiting dignitary from China fail to show that a department special assistant used a personal relationship to secure special services from a vendor for the event as, according to the department, nothing was procured from that vendor. However, documents obtained by our office show that the department did in fact procure the services from the vendor and approved the use of more than $1,700 in mission funds as payment (see Appendix O). The emails cited in the report show the prospective vendor reversed its position regarding the department's request to provide special accommodations for the event following a phone call by the department director's special assistant to the former owner of the vendor.

The department does not disagree with our finding that the transfer of mission funds into its Taipei office bank account was in error. However, the department asserts that the report failed to acknowledge that the action did not adversely affect the Taipei office. Our report makes clear the lack of proper internal controls and effective communication enabled the transfer to take place without the knowledge of the division administrator who oversees the out-of-state offices. The division administrator told our office that such an action could have jeopardized the non-profit status of the Taipei office and adversely affected its operations. The fact that the action did not result in the Taipei office actually having its non-profit status revoked does not diminish our finding that failings within the department placed the Taipei office at risk.

ATTACHMENT 1

STATE OF HAWAI'I
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawai'i 96813-2917

MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

November 13, 2009

COPY

The Honorable Theodore E. Liu
Director
Department of Business, Economic
Development & Tourism
No. 1 Capitol District
250 South Hotel Street
Honolulu, Hawai'i 96813

Dear Mr. Liu:

Enclosed for your information are three copies, numbered 6 to 8, of our confidential draft report, *Investigation of Specific Issues of the Department of Business, Economic Development & Tourism*. We ask that you telephone us by Tuesday, November 17, 2009, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Friday, November 20, 2009.

The Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this confidential draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa

Marion M. Higa
State Auditor

Enclosures

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

November 20, 2009

RECEIVED

2009 NOV 20 PM 12: 43

OFC. OF THE AUDITOR
STATE OF HAWAII

Ms. Marion Higa
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813-2917
Fax #587-0830

RE: **Federal Market Development Cooperator Program (MDCP)**

Dear Ms. Higa:

Attached please find the **Departmental Response to the Report on "Investigation of Specific Issues of the Department of Business, Economic Development & Tourism" (the "Report")**, which I request be appended to the Report when issued.

I respectfully suggest, however, that you may consider further deliberation on the characterizations in the Report relating to the MDCP grant. In the haste to come after myself and the department, certain aspects of the program may have been ignored or misunderstood and may deserve further thought. I make this suggestion as there will be, I believe, unfortunate consequences to publication of a serious allegation that a Hawaii state department violated federal grant guidelines. As you know, many Hawaii state departments have applied and are in the process of applying for competitive federal grants under the American Recovery and Reinvestment Act (ARRA). Unless such an allegation is fully substantiated, as I believe it has not been, its publication may have an impact on these state departments' obtaining the ARRA grants.

I take the liberty of copying Senator Daniel Inouye on this letter, as I believe he has an interest in matters relating to ARRA.

Sincerely,

Theodore E. Liu

Attachment
Copies: The Honorable Daniel K. Inouye, United States Senator
The Honorable Colleen Hanabusa, Senate President
The Honorable Calvin Say, House Speaker

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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November 20, 2009

Ms. Marion Higa
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813-2917
Fax #587-0830

RE: **Departmental Response to the Report on "Investigation of Specific Issues of the Department of Business, Economic Development & Tourism" (the "Report")**

Dear Ms. Higa:

I am disappointed that, once again, the legislative Auditor has chosen to use erroneous analysis, partial facts and unsubstantiated allegations to achieve a predetermined political conclusion. In the last report, the legislative Auditor used a "judgmentally selected sample" [1] to achieve its conclusion regarding DBEDT's procurement practices; in this latest report, the legislative Auditor again selectively picks and applies facts to achieve preset conclusions. As a consequence of this unfortunate approach, the Report not only distorts actual events, but unfairly maligns hardworking government employees as well.

This legislative Auditor's Report covers the federal Market Development Cooperator grant won by DBEDT to assist Hawaii companies to open the China market; the 2005 trade mission to China; and the State's offices in Taipei and Beijing. The fact that this Report is timed for release shortly after another successful State of Hawaii business mission to China only points to its political nature.

I will briefly address these three items covered in the 138-page Report based on an investigation that stretched over 27 months.

Federal Market Development Cooperator Program (MDCP) Grant

The Report's understanding and analysis of this program is wrong. Based on this erroneous analysis, the Report's conclusion that DBEDT violated federal guidelines is wrong. The Report wrongly bases its conclusion on the understanding that the MDCP was a federal grant program in which funds were provided in advance to an agency to be expended in

[1] Page 22, Investigation of the Procurement and Expenditure Practices of the Department of Business, Economic Development and Tourism and Selected Attached Agencies, Report no. 09-07

accordance with the requirements of the grant document. However, the Report fails to understand or intentionally ignores the fact that DBEDT's MDCP program was explicitly a *reimbursement* program. Under a reimbursement program, DBEDT and its partners expended funds and in-kind services in advance to achieve the objectives of the program. The federal funding of these expenses is only provided *after* reports are filed with the MDCP. On November 16, 2009, the federal Program Manager responsible for the MDCP re-confirmed this process by stating as follows:

> *"Once an award recipient has expended resources on a project activity as Hawaii did in this case, it can request reimbursement for the federal share of the total amount expended."*[2]

After the MDCP reimbursed the department for the federal portion of the expenses, the department is authorized to apply the proceeds at its discretion. This discretion was again confirmed by the federal Program Manager of the MDCP on November 16, 2009, as follows:

> *"Once an award recipient has expended resources on a project activity and has been reimbursed the federal share, it is free to use those funds as it sees fit. Because it is a reimbursement of resources already expended on project activity, an amount of project activity equivalent to the federal share, plus the recipient's share, has already been spent. The federal share simply represents repayment to the award recipient of its funds that it expended in anticipation of being reimbursed. Because the project-related expenditures have already occurred, once reimbursed, the recipient can use the funds for whatever it wishes."*[3]

The Report's analysis is based on the erroneous assumption that the federal reimbursement funding, once obtained, was required to be spent pursuant to the reports already filed. This assumption is wrong; therefore the Report's conclusion is wrong. DBEDT and its partners expended cash and in-kind contributions from their own resources, totaling approximately $2 million to achieve the objectives of the MDCP proposal. As agreed in advance with the MDCP, reimbursement of the federal portion of this larger amount was requested through the reports submitted to and reviewed by the MDCP. Thereafter, these amounts were free and clear for uses determined by the department, as I previously testified to the Legislature.

Despite the explicit flexibility to use the reimbursement funding for any purpose, the department chose to expend it entirely on developing the China market for Hawaii businesses. This was in keeping with the spirit and intent of the MDCP program. In fact, the reimbursed amounts were kept in a separate bank account exactly for transparency and accountability, an arrangement that the Report also erroneously criticizes.

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[2] Attached hereto
[3] Attached hereto

As for the department's reimbursement reports, the Report alleges, but does not substantiate, that the reports were either false or a violation of federal guidelines. Mere allegation of such a serious matter is not enough; nor does the mere repetition of this allegation throughout the Report rise to the level of evidence. In fact, the federal Program Manager of the MDCP stated on November 16, 2009, that *"at no time during the four year project die [SIC] we have any suspicion of any lack of effort on the part of Hawaii, nor did we ever suspect misuse of federal funds related to the project."*[4]

In summary, the legislative Auditor wrongly analyzed the reports submitted by DBEDT to the federal government as prospective representations of how the department intended to spend the funding. In fact, the DBEDT reports were retrospective; detailing what had already been expended in order to apply for reimbursements. As reiterated by the federal MDCP Program Manager, the expenditure of the reimbursed amount was not bound by any details in the reports. Therefore, the Auditor's conclusion that DBEDT violated federal guidelines by not expending the reimbursement funding in accordance with the reports is wrong.

The federal Program Manager noted that the nature of the program was explained to the Auditor's Office. That the Report chose to ignore the explanations sheds further light on the legislative Auditor's intent to achieve a preconceived conclusion rather than a fact-based finding based on actual evidence.

DBEDT's 2005 Trade Mission to China and Korea

The Report re-hashes issues thoroughly reviewed and subject to intense questioning and challenge at numerous Senate and House hearings on this same topic held throughout 2005 and 2006.

The two state agencies with substantive jurisdiction over whether the mission violated state rules or laws, the State Procurement Office and the State's Attorney General's Office, also reviewed these matters at that time. The State Procurement Office concluded that there was no violation of the State's procurement code[5]. The State Attorney General's Office concluded that there were no criminal law violations[6].

However, this Report continues to employ the practice of stringing together unrelated events and providing partial facts to create innuendo in order to achieve a predetermined conclusion.

Several examples of the many instances of this extraordinary approach include:

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[4] Attached hereto
[5] Page A-1, "China trip properly done, says state office", April 20, 2006, Honolulu Advertiser
[6] Page A-11, April 20, 2006, Honolulu Advertiser

Allegation:	That the Director testified that mission expenditure records were not available only to have the Auditor "discover" boxes of these records.
Innuendo:	The Department withheld records from the legislature.
Fact:	The Report does not provide the proper chronology of these events. Early in the legislative hearings process, the Director testified that the expenditure records were not yet compiled. That was a true statement. Thereafter, the Department compiled the entire box of mission records, including receipts, and provided them to all parties, including the Senate and House committees. The Auditor did not "discover" any withheld documents. The documents purported to have been "discovered" were provided by DBEDT after they were compiled.

Allegation:	That the Department organized expensive dinners in China, luaus in Hawaii and entertainment for the visit to Hawaii by the Governor of Guangdong Province.
Innuendo:	These were "lavish" events paid for by public funds.
Facts:	These events were subject to questioning by the prior legislative committees. All of the events cited were paid for by mission sponsorship funds raised from the private sector; no public funds were used. All of these events were pre-agreed to with the mission sponsors. As previously testified before the legislature, all of these events were related to the China mission. These events benefited all participants in the mission and helped build the relationships in China critical to the success of Hawaii businesses in that market.

Allegation:	That emails between the DBEDT Special Assistant and a vendor for a luau showed a special relationship.
Innuendo:	A questionable "special deal" was arranged.
Fact:	Nothing was procured from that vendor.

Allegation:	That the Department solicited private sponsors for the mission and provided them with special advantages.
Innuendo:	Improper special advantages were conveyed to private sponsors.
Fact:	This was the subject of extensive questioning at prior legislative hearings. No special advantages were conveyed. The Auditor has found no evidence to substantiate the allegation and implication, but only seeks to convey an innuendo that impropriety occurred.

More than four (4) years after the mission and after numerous legislative committees have reviewed every piece of paper related to it and after the two agencies with jurisdiction over the issues raised have decided that there were no violations, the fact that the legislative

Auditor decided to conduct an investigation which was outside the scope of the Legislative request[7] sheds light on the Auditor's motive.

The State of Hawaii's Overseas Offices in Taipei and Beijing

This section of the Legislative Auditor's Report is replete with inflammatory statements such as "invites opportunity for abuse," or "could have had significant repercussions," or "could have jeopardized the operations." Nowhere, however, is there any substantiated finding of any actual abuse, impropriety or misconduct. Nowhere is there substantiation of the Report's innuendo that funds were misused or applied for personal or other unauthorized purposes.

The Report glosses over the fact that using a personal bank account for office-related expenditures was commenced in 2001 under the previous Administration and was only changed to an official business account after the Beijing Office received its official approval from the China government under this Administration.

The transfer of mission funds into the Taipei Office account was an error and measures have been taken that it will not be repeated. However, the Report ignores the fact that the transfer, which occurred in 2005, did not and has not adversely affected the Taipei Office. In fact, the Taipei Office is as active as ever and the State's relationship with Taiwan as strong as ever.

What it is evident that the Report totally ignores the successes and contributions of the state's Taipei and Beijing Offices.

As the result of the Taipei Office's efforts or assistance within the past 6 months only, Taiwan President Ma Ying-jeou and his senior cabinet members paid an official visit to Hawaii thereby enhancing Hawaii's visibility in that vibrant market; the Taiwan Bureau of Energy and several Taiwan renewable energy companies have travelled to Hawaii on clean energy collaboration projects; a Hawaii House of Representatives delegation led by Speaker Calvin Say visited its counterparts in Taiwan and signed a baseball sports exchange agreement; and a 30-member business delegation led by the ROC – USA Business Council visited Hawaii on November 5, 2009, for business and trade discussions.

Recent successes of the Beijing Office have resulted in China being viewed by the Hawaii visitor industry as the next major market for visitors[8]; the potential initiation of direct

[7] Section 197 of Act 213, SLH 2007 is the legislative request for this investigation. It explicitly covers: "1) internal controls over financial reporting and operations; 2) federal grant program management systems, including the Community-Based Economic Development (CBED) program and reallocation of moneys from the program to support non-CBED purposes; 3) incentive program, including the enterprise zone beneficiaries and the foreign investor program; and 4) allocation of funds between programs with different revenue sources."
[8] "Hawaii's tourism slump has industry looking to China", Honolulu Advertiser, November 17, 2009

flight service between China and Hawaii; significant collaboration and partnerships in clean energy with the China Academies of Science and Academies of Engineering; participation by the Chinese in the Thirty-Meter Telescope; and the Chinese Ministry of Commerce's decision to open, at its own expense, a Hawaii products showroom and distribution center to ease the export of Hawaii products and services into the China Market.

These accomplishments, among many, have only been made possible by the relationships that have been cultivated by the China missions and by Hawaii's demonstrated interest in China through the establishment of the state's Beijing Office. Business in China is based on relationships that are developed, cultivated and gained over time. In China and with Chinese partners, evidence of commitment and of government support is important. The China missions and Taipei and Beijing offices demonstrate Hawaii's interest and intent to pursue the type of relationship preferred by the Chinese. This facilitates Hawaii businesses' partnerships and business in that growing market.

Not only does the Report fail to understand or recognize the strategic value of the MDCP program, the China missions and the overseas offices, but it ignores their on-going successes in order to create a totally false and misleading impression. This outcome can only be viewed as a deliberate attempt to distort the record for the purpose of reaching a predetermined conclusion. If there is any waste, it is found in a two-year plus investigation and a report that is erroneous, that fails to accurately assess factual information and that is unbalanced in its approach. It is unfortunate that a process which could be productively employed to improve state processes is being used in a punitive manner through its complete absence of objectivity. If the legislative Auditor has constructive recommendations, these would be welcomed by the department.

Sincerely,

Theodore E. Liu

Attachment

Copies: The Honorable Linda Lingle, Governor
The Honorable Colleen Hanabusa, Senate President
The Honorable Calvin Say, House Speaker

1/3

Theodore E Liu/DBEDT
11/20/2009 11:43 AM

To
cc
bcc
Subject Fw: State of Hawaii grant award number 03-2584

Dennis Ling/DBEDT
11/18/2009 09:12 AM

To Theodore E Liu/DBEDT@DBEDT
cc
Subject Fw: State of Hawaii grant award number 03-2584

From Brad Hess.

Dennis T. Ling
State of Hawaii
Department of Business, Economic Development & Tourism
Strategic Marketing and Support Division
P.O. Box 2359
Honolulu, HI 96804
Phone: 808-587-2755 Fax.: 808-586-2589
e-mail: dling@dbedt.hawaii.gov
----- Forwarded by Dennis Ling/DBEDT on 11/18/2009 09:14 AM -----

"Dennis Ling" <dling2@hawaii.rr.com>
11/18/2009 08:08 AM

To <dling@dbedt.hawaii.gov>, <tsoares@dbedt.hawaii.gov>, <mhiraoka@dbedt.hawaii.gov>
cc
Subject Fw: State of Hawaii grant award number 03-2584

----- Original Message -----
From: Brad Hess
To: Dennis Ling
Cc: Beverly.Manley@noaa.gov ; Raj Dwivedy
Sent: Monday, November 16, 2009 12:08 PM
Subject: Re: State of Hawaii grant award number 03-2584

Dear Mr. Ling,

Per our telephone conversation of a few minutes ago, here is, in written form, an abridged explanation of what my explanation of how the reimbursements worked for the above-noted financial assistance award. Rather than use the hypothetical example used in our conversation, I will refer to Hawaii's actual spending as indicated to us in the quarterly financial reports.

MDCP Award - State of Hawaii Department of Business, Economic Development and Tourism - IBM Lotus N

File Edit View Create Actions Text Help

Welcome | Brad Hess - Inbox | Hess's Address Book - Contacts... | > Re: No attachme... | Databases

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	Federal		Non-Federal	Total
	% of Total	Amount	Amount	
Personnel	29%	225,000	560,417	785,417
Fringe Benefits	0%	0	101,316	101,316
Travel	46%	54,000	63,950	117,950
Equipment	100%	19,700	0	19,700
Supplies	14%	3,000	18,000	21,000
Contractual	100%	54,000	0	54,000
Other	32%	43,800	94,500	138,300
Total Direct	**32%**	**399,500**	**838,183**	**1,237,683**
Fees				
Indirect			0	0
Total Budget	**32%**	**399,500**	**838,183**	**1,237,683**

II. Quarterly

Quarter Ending	Outlays				Indirect Expenses	
	Total Outlays	Rcpt's Share	Fed Share	% of Net Outlay	Rate	Base
03.12.31	176,293	119,386	56,907	32%		
04.03.31	140,240	94,971	45,269	32%		
04.06.30	141,675	95,942	45,732	32%		
04.09.30	369,322	250,105	119,217	32%		
04.12.31	113,735	77,022	36,713	32%		
05.03.31	91,973	62,284	29,688	32%		
05.06.30	120,551	81,638	38,913	32%		
05.09.30	60,518	40,983	19,535	32%		
05.12.31	107,357	99,836	7,521	7%		
06.03.31	95,983	95,983	0	0%		
06.06.30	99,029	99,029	0	0%		
06.09.30	107,721	107,721	0	0%		
06.12.31	94,572	94,572	0	0%		
07.03.31	96,707	96,707	0	0%		
07.06.30	89,307	89,307	0	0%		
07.09.30	89,307	89,307	0	0%		
07.12.31	0	0	0			
08.03.31	0	0	0			
08.06.30	0	0	0			
08.09.30	0	0	0			

08.09.30	0	0	0			
08.12.31	0	0	0			
09.03.31	0	0	0			
09.06.30	0	0	0			
Cumulative	**1,994,291**	**1,594,794**	**399,495**	**20%**		

start MDCP Award - State ... Grants Online - Wind... MDC

Once an award recipient has expended resources on project activity as Hawaii did in this case, it can request reimbursement for the federal share of the total amount expended. In this case, that share was 32%. So, for the quarter ended Dec. 31, 2003, Hawaii reported project expenditures of $176,293. The portion of that amount that Hawaii was to be reimbursed by the federal government was $56,907, or 32% of the total amount expended on project activity during the quarter. (Note that the quarterly reports summarized above may not correlate with the reimbursements, which can be made at intervals other than quarters.)

Once an award recipient has expended resources on project activity and been reimbursed the federal share, it is free to use those funds as it sees fit. Because it is a reimbursement of resources already expended on project activity, an amount of project activity equivalent to the federal share, plus the recipient's share, has already been spent. The federal share simply represents repayment to the award recipient of its own funds that it expended in anticipation of being reimbursed. Because the project related expenditures have already occurred, once reimbursed, the recipient can use the funds for whatever it wishes.

A quick review of the summary above shows that Hawaii pledged $838,183 in match to the federal share of $399,500. In fact, Hawaii contributed $1,594,794, much more than the match it had pledged.

Please understand that the summary above is not the official record of the award. That record is kept by grants officer Beverly Manley. The summary above was made from the quarterly reports submitted to Ms. Manley. However, it might not represent adjustments that Ms. Manley or her staff sometimes must make on the original reports. Nevertheless, I believe the summary above to be accurate. I am not aware from Ms. Manley of any unresolved problems with the financial reporting.

We sent a Commerce Department official, Dr. Raj Dwivedy, to Hawaii on at least two occasions during the project term. In addition, Dr. Dwivedy was in frequent contact via telephone and email with the Mr. Richard Bahar and his associates at Hawaii. The purpose of these visits was coordination of project activity and not a financial audit. Nevertheless, I know from what Dr. Dwivedy reported to me and from the performance reports, that at no time during the four-year project die we have any suspicion of any lack of effort on the part of Hawaii, nor did we ever suspect misuse of federal funds related to the project.

I hope this helps to clarify our conversation.

Brad Hess
Manager, Market Development Cooperator Program
Manufacturing and Services
International Trade Administration
U.S. Department of Commerce
14th St. & Constitution Ave., N.W., HCHB 3215