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Firms land contracts despite donation fines

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By **Rick Daysog**

Advertiser Staff Writer

Engineering firms fined more than \$20,000 each for illegal political donations continue to receive millions of dollars in state and city contracts.

An Advertiser computer-assisted study of state procurement records shows that 17 local consultants that gave excessive campaign contributions to former Honolulu Mayor Jeremy Harris and other Democrats before 2004 have received more than \$65.5 million in city and state work since 2004.

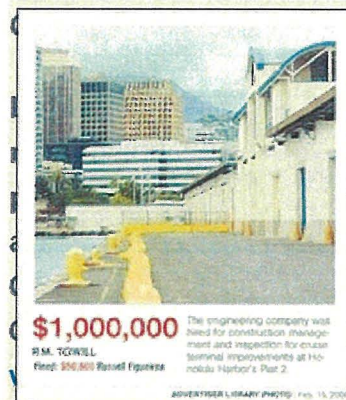
Under Hawai'i law, companies fined for illegal political contributions aren't prohibited from getting government work.

State officials have the authority to disqualify a firm from receiving government contracts for up to three years if the company is fined \$5,000 or more for campaign spending violations.

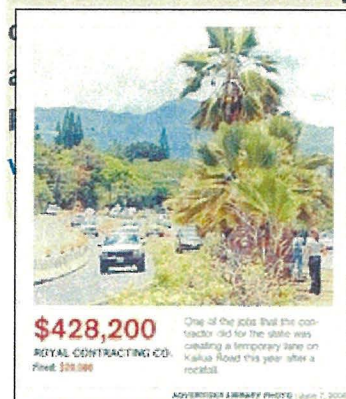
So far, the state has not disqualified any of the fined companies.

State Procurement Administrator Aaron Fujioka said last week that his office plans to notify about 10 local firms in January of its intent to disqualify them from obtaining government work.

When asked why it took so long to take this action, Fujioka said the state needed to clarify a number of legal issues before it could proceed. Changes in personnel at the procurement office also slowed the process, he said.



List of state and county



Fujioka declined to identify which companies the state plans to pursue but said the notices will be the first of many to be issued during the coming months.

Bob Watada, the former executive director of the Campaign Spending Commission, said many of the well-connected, large firms are continuing to tap Hawai'i's "old-boy network" that's been in place for decades.

But Watada believes the pay-to-play system in which contractors contributed money in exchange for government work is largely gone because of the efforts of the commission and the city prosecutor's office.

Since 2000, the Campaign Spending Commission has collected more than \$1 million in fines from more than 60 architects, engineers, related individuals and companies, said Barbara Wong, the commission's current executive director.

"The penalties are substantial but they don't mean much if the companies are continuing to get government contracts," said Robert Stern, president of the nonpartisan Center for Governmental Studies in Los Angeles. "In a sense, the state is paying for those penalties."

In addition to the fines, city Prosecutor Peter Carlisle obtained no-contest pleas from more than 50 contributors with ties to government contractors on misdemeanor charges of making illegal political donations.

DONOR LIMITS

Under state law, donors can give no more than \$6,000 to a candidate for a statewide race and \$4,000 for other races during a four-year election cycle. Contributors also are barred from giving money in the names of other individuals.

The consultants fined for campaign violations exceeded the limits or donated money through other individuals.

The contracts awarded to fined companies in the past three years represent about 20 percent of all professional service awards by state and county agencies in Hawai'i for engineering, architectural, legal and other consulting services. They range from \$16,000 in repairs to school playground equipment to a \$2 million construction management contract for major renovations at the Honolulu International Airport.

The firm that received the largest amount of work was SSFM International Inc., whose CEO, Michael Matsumoto, was fined a record \$303,000 in 2003 by the Campaign Spending Commission for funnelling more than \$400,000 in illegal campaign contributions through dozens of SSFM employees and their relatives.

According to the state Procurement Office's Web site, SSFM received \$13.8 million in state and county work since 2004.

DEFENDING THE FIRMS

Attorney Steven Hisaka, who represents SSFM and several other companies that were fined by the Campaign Spending Commission, said engineering firms shouldn't be barred from receiving government work just because they were fined for illegal contributions.

Many of the firms have done good work for the city and state and the fines were for acts conducted by one person, Hisaka said. An entire firm, which can employ as many as 80 people, shouldn't be punished for the actions of just one individual, said Hisaka.

"If the state attempted to bar companies in the future for these past activities, the state itself would lose the resources that these firms offer and the state might have to go outside of Hawai'i, which could cost jobs and would likely increase the state's costs," Hisaka said.

In addition to SSFM and its CEO Matsumoto, Hisaka represents Wesley Segawa & Associates Inc., Royce Fukunaga of Fukunaga & Associates Inc. and Park Engineering.

CHANGE IN LAW

Reform of the government contracting process was a major part of Gov. Linda Lingle's platform when she ran for office in 2002.

Lingle, who received very little money from government contractors, signed into law in 2004 a measure that reformed the government contract process and made it easier for state officials to disqualify or suspend contractors that run afoul of the law.

Despite the reforms, many of the firms cited for illegal campaign contributions continue to get government work.

According to state procurement records, 10 local engineering firms each received \$1 million or more in public works projects. They include:

- KFC Airport Inc. , which was awarded \$8.6 million in nonbid state and county work during the past three years. KFC's president Brian Bowers was fined \$31,000 by the state Campaign Spending Commission in November 2004 for making political donations under false names.
- M&E Pacific Inc., which got \$8.9 million in nonbid government work since 2004. In October 2005, M&E Pacific was fined \$39,000 for funneling more than \$47,000 in illegal campaign contributions. That fine came after the company's president, Rudy Mina, pleaded no-contest to a misdemeanor criminal charge that he made a political donation under a false name.
- R.M. Towill Corp., which took in \$9.4 million worth of nonbid state and county projects, including a \$2 million construction management contract to replace ceilings at Honolulu International Airport. Towill's president, Russell Figueiroa, was fined \$50,800 by the Campaign Spending Commission in April.

Figueiroa and Donald Kim, the company's former chairman and a former University of Hawai'i regent, also pleaded no contest to misdemeanor charges of making a political donation under a false name in 2004.

- Royal Contracting Co., which provides construction services for the state, was the top bidder for \$5.3 million in local government contracts. Royal was fined \$20,000 by the Campaign Spending Commission in November 2004 and company vice president Leonard Leong, a former Honolulu Police Commissioner, pleaded no contest to making an illegal campaign contribution in November 2003.

Matsumoto, Mina, Figueiroa, Kim and Leong were granted deferrals by state judges that allowed them to get their no-contest pleas dismissed for good behavior.

Leong, of Royal Contracting, said it was a mistake for him to make illegal campaign contributions. But he said Royal Contracting should not be included in debarment proceedings.

"Mistakes were made but those mistakes were corrected," he said.

The other companies did not return calls seeking comment.

Watada, the former campaign finance investigator, says that granting contracts based on campaign contributions is largely a thing of the past.

"I think there's much more awareness that the campaign finance watchdogs are looking more closely," Watada said. "The result is that granting contracts has become much more fair."

Reach Rick Daysog at rdaysog@honoluluadvertiser.com.

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THEY FACED FINES YET GAINED CONTRACTS

The following local engineers and firms were fined by the state Campaign Spending Commission for illegal campaign contributions before 2004. The engineers and companies continued to receive state and city contracts.

ENGINEERING COMPANY	FINED		NEW AWARDS
CONTRIBUTOR	DATE	AMOUNT	2004-2006
Michael Matsumoto (SSFM International Inc.)	10/9/03	\$303,000	\$13.8 million
Park Engineering	2/9/05	\$228,750	\$1.4 million
Engineers Surveyors Hawaii Inc.	2/11/04	\$78,500	\$3.6 million
Geolabs Inc.	1/15/02	\$64,000	\$550,000
Imata & Associates Inc.	4/20/05	\$55,000	\$63,385
Wesley Segawa & Associates Inc.	7/17/03	\$53,500	\$867,238
Russell Figueiroa (R.M. Towill Corp.)	4/12/06	\$50,800	\$9.4 million
Architects Pacific Inc.	6/8/05	\$41,000	\$1.5 million
Pacific Architects Inc.	12/29/04	\$39,500	\$384,570
M & E Pacific Inc.	10/13/05	\$39,000	\$8.9 million
Thermal Engineering	2/13/02	\$31,000	\$850,157
Brian Bowers (KFC Airport Inc.)	11/15/04	\$31,000	\$8.6 million
Dexter Kubola (KFC Engineering Inc.)	11/10/04	\$30,000	\$5.1 million
Fukunaga & Associates Inc.	4/17/03	\$24,000	\$3.2 million
Lester Inouye & Associates	1/25/05	\$24,000	\$18,000
Kober/Hanssen/Mitchell Architects Inc.	3/8/06	\$22,500	\$3.2 million
Royal Contracting Inc.	11/10/04	\$20,000	\$5.3 million

Source: State Campaign Spending Commission, State Department of Accounting and General Services