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MINUTES
BUDGET AND FINANCE COMMITTEE
COUNCIL OF THE COUNTY OF MAUI
COUNCIL CHAMBER, EIGHTH FLOOR
WAILUKU, MAUI, HAWAII
JUNE 30, 2009

TRANSCRIBED BY: JEANNETTE W. IWADO, CSR #135
REGISTERED PROFESSIONAL REPORTER
CERTIFIED SHORTHAND REPORTER

APPROVED:

Committee Chair

IWADO COURT REPORTERS
(808) 244-9300

1 RECONVENE: 1:33 p.m.

2 PRESENT: Councilmember Joseph Pontanilla, Chair
3 Councilmember Danny A. Mateo, Vice-Chair
4 Councilmember Gladys C. Baisa, Member
5 Councilmember Sol P. Kaho`ohalahala, Member (in 2:04 p.m.)
6 Councilmember Michael J. Molina, Member
7 Councilmember Wayne K. Nishiki, Member
8 Councilmember Michael P. Victorino, Member
9 (in 1:35 p.m.)

10 EXCUSED: Councilmember Jo Anne Johnson, Member
11 Councilmember Bill Kauakea Medeiros, Member

12 STAFF: Gayle Revels, Legislative Analyst
13 Lance Taguchi, Legislative Analyst (BF-131)
14 Yvette Bouthillier, Committee Secretary

15 Leinaala Kihm, Executive Assistant to
16 Councilmember Medeiros

17 ADMIN: Frederick Pablo, Budget Director, Office of the
18 Mayor
19 Deidre M. Tegarden, Coordinator, Office of
20 Economic Development, Office of the Mayor
21 (BF-32)
22 Jo-Ann Ridao, Deputy Director, Department of
23 Housing and Human Concerns (BF-78)
24 Rudy Esquer, Grants Administrator, Department of
25 Housing and Human Concerns (BF-78)
Traci Fujita Villarosa, First Deputy Corporation
Counsel, Department of the Corporation
Counsel

OTHERS: Item 78: Tyler Covey, CPA, CMA, CFM, Principal
MGT of America, Inc.
Celina Knippling, CPA, Senior Associate,
MGT of America, Inc.
(Via telephone conference)
Becky Woods, Executive Director, Maui
Economic Concerns of the Community, Inc.
Lilah Inaba, Chief Financial Officer, Maui
Economic Concerns of the Community, Inc.
Others (3)

PRESS: Akaku: Maui Community Television, Inc.

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1 CHAIR PONTANILLA. ... (gavel)...

2 ITEM NO. 32: AMENDING FY 2010 BUDGET, APPENDIX A
3 (OFFICE OF THE MAYOR - 50TH ANNIVERSARY OF
4 STATEHOOD COMMISSION) (C.C. No. 09-176)

5 CHAIR PONTANILLA: The Budget and Finance
6 Committee meeting is now convened. Today is June 30th, 2009
7 and the time is 1:33.

8 Good afternoon, Members. The Chair at this time
9 would like to introduce the Committee Members that are here
10 this afternoon. We do have the Council Chairman, Mr. Mateo,
11 Councilmember Mr. Nishiki, Councilwoman Miss Gladys, Gladys
12 Baisa, and of course our Vice Council Chair, Mr. Molina.

13 Member Kaho`ohalahala has some ish -- things that
14 he needs to take care of, and he's going to be back in a
15 short while. Excused at this time are Members Johnson,
16 Victorino and Mr. Medeiros.

17 Members, supporting the committee again is our
18 Legislative Analyst Gayle Revels, as well as our Committee
19 Secretary, Yvette Bouthillier. Up front representing the
20 Administration at this time is our Budget Director Mr. Fred
21 Pablo, and also Deidre Tegarden, our Economic Development
22 Coordinator.

23 The first item that we do have, we do have two
24 items on the agenda, BF-32, amending Fiscal Year 2010 Budget,
25 Appendix A (Office of the Mayor - 50th Anniversary of

1 Statehood Commission), and the second item is BF-78,
2 Performance Audit of Maui Economic Concerns of the
3 Community, Inc.

4 So at this time the Chair will accept public
5 testimony. Do we have anybody signed up? Okay, is there
6 anyone out in the audience that would like to provide public
7 testimony at this time?

8 Seeing none, if there's no objection, Members, the
9 Chair would like to close public testimony.

10 COUNCIL MEMBERS: No objections.

11 CHAIR PONTANILLA: Thank you. Joining us at this
12 time is Member Victorino.

13 Okay, Members, the first item on our agenda is
14 BF-52 *[sic]*, amending Fiscal Year 2010 Budget, Appendix A, Office
15 of the Mayor, 50th Anniversary of Statehood Commission. The
16 purpose of the proposed bill is to add the 50th, 50th
17 Anniversary of Statehood Commission grant of \$20,000 to
18 Appendix A of the Fiscal Year 2010 Budget. The funds are to
19 be used for a commemorative event to honor the 50th
20 Anniversary of Statehood in Hawai'i.

21 So at this time the Chair would like to call on
22 Miss Tegarden. Comments?

23 MS. TEGARDEN: Thank you and good afternoon
24 Committee Chair and Members. August 21st marks the 50th
25 anniversary of statehood, and we want to ensure that the

1 observances that we have in Maui County are culturally
2 sensitive, reflect our community accurately, and offer
3 opportunities to all islands. The events that we have
4 planned will have a direct positive impact on our economy
5 and will, it is our hope, share some much needed good
6 feeling during these days when we keep - excuse me - hearing less
7 than great news.

8 The state legislator designated --legislature
9 designated funding for the statehood activities, and it was
10 recently confirmed that each County would receive \$20,000 to
11 put toward festivities, which is of course why I'm here
12 today.

13 The festivities for Maui County currently include
14 a kick-off of the statehood theme at the Makawao parade;
15 voices of eight Maui County residents who have experienced
16 statehood to be aired from July 4th through August 21st.
17 This is similar to the 50 voices being aired currently on TV
18 and radio from Honolulu; a concert at the Maui Arts and
19 Cultural Center featuring the band America on August 8th,
20 that also ties in a non-profit component pre-show; six
21 additional Maui County individuals to be highlighted in the
22 newspaper again as voices of statehood; a fifties themed
23 event on August 21st at the Hard Rock Cafe doing a then and
24 now event, honoring our voices, and also having a keiki
25 component with our kupuna and our youth. The booths at the

1 Hard Rock would also be showcasing various newspaper
2 clippings and historical references from 1959.

3 We have an event in Lana'i that will be held on
4 the 21st at the Lodge at Koele celebrating our cultural
5 diversity through song, dance, crafts, education, and food.
6 I know that our Moloka'i event is currently being planned as
7 well, as I understand it. And other events and
8 organizations that have incorporated the statehood theme
9 thus far include the Barrio Fiesta, the Upcountry Fare,
10 Chinese New Year, the Maui Pineapple Festival, and First
11 Friday in Wailuku for August.

12 We request the Council approve the amendment for
13 the \$20,000 for the 50th Anniversary of Statehood
14 celebrations, and I thank you for your time.

15 CHAIR PONTANILLA: Thank you. Mr. Victorino.

16 COUNCILMEMBER VICTORINO: Thank you, Chair. And
17 thank you, Ms. Tegarden, for bringing this forward. My
18 question is, this \$20,000 that the Statehood Commission is
19 granting us, and the events that you have brought forth,
20 what is the County share, what will we have to put in to put
21 on these various events, because I understand they cost
22 money. We will be charging some, but there's also a lot of
23 freebies in there. So what is our portion or what are you
24 anticipating our portion to be?

25 MS. TEGARDEN: Thank you for the question. Our

1 office, the Office of Economic Development, also is looking
2 to put about \$10,000 into these events as well to ensure
3 that we have celebrations in all the islands. We're still
4 working out the final numbers, but that's what we're
5 approximating right now.

6 COUNCILMEMBER VICTORINO: So 10,000 would come
7 from us. Is there also a desire on your part or by this
8 Commission -- and I'm assuming Maui will have some kind of
9 Commission, Maui itself.

10 MS. TEGARDEN: Yes.

11 COUNCILMEMBER VICTORINO: Maui County.

12 MS. TEGARDEN: Actually, I sit on the Statehood
13 Commission as the secretary, but I've also worked and we do
14 have a Maui County committee.

15 COUNCILMEMBER VICTORINO: You formed a committee
16 for Maui?

17 MS. TEGARDEN: Yes.

18 COUNCILMEMBER VICTORINO: And is that committee at
19 the present time out there soliciting private funds to be
20 contributed towards this effort?

21 MS. TEGARDEN: We are looking at private funds as
22 well as donations.

23 COUNCILMEMBER VICTORINO: Okay. And then the last
24 question I have for you is, this is all tied up to our
25 August statehood celebration, if I'm correct.

1 MS. TEGARDEN: You are correct.

2 COUNCILMEMBER VICTORINO: Okay. And there's
3 nothing planned after the August statehood, I mean we don't
4 have anything planned after that.

5 MS. TEGARDEN: You are correct.

6 COUNCILMEMBER VICTORINO: Okay. And the last
7 question. You mentioned all the neighbor islands for Maui
8 County. Anything with Hana and the East Maui area? I mean
9 being that even though it's still on this, you know, Hana's
10 always, you know, always one of those that we sometimes tend
11 to forget.

12 MS. TEGARDEN: Yes, we do have East Maui
13 representation on our committee as well, and we want to make
14 sure that we do have an event out there as well. So there
15 are a lot of things that are still being discussed, but
16 these are the things that have been somewhat confirmed thus
17 far.

18 COUNCILMEMBER VICTORINO: All right. Thank you,
19 Ms. Tegarden. It sounds like this is well on its way, and
20 I'm glad to hear that not only the State and our
21 contribution, but, you know, we're able to solicit private
22 funds. Because I think everyone has benefitted from the
23 statehood, us becoming the 50th state. So I think it's only
24 encumbersome that everybody participate. So thank you.
25 Thank you, Mr. Chair.

1 CHAIR PONTANILLA: Thank you. Ms. Tegarden,
2 that would include Moloka'i and Lana'i.

3 MS. TEGARDEN: That is correct.

4 CHAIR PONTANILLA: Thank you.

5 Members, any more questions for Ms. Tegarden?
6 Member Mateo.

7 VICE-CHAIR MATEO: Chairman, thank you very much.
8 Ms. Tegarden, thank you very much. And I'm just going to
9 share the same comments that I had shared with you earlier.
10 Celebration like this, with the amount of monies that we're
11 spending, is one that for myself has bittersweet feelings.
12 Here we are looking at furloughing thousands of State
13 employees, and yet we're spending \$20,000 for a party. I
14 understand the importance of statehood, and for us the
15 uniqueness of statehood but, you know, 20,000. And for us
16 it's going to be \$30,000 because of the 10,000 in addition
17 from OED. And the additional monies has primarily looked at
18 Moloka'i, Lana'i in being partners in this celebration.

19 So I don't know if I want to jump up and scream or
20 sit down and cry if we're going to be spending these, these
21 funds. But that was the purpose and the intent that the
22 legislature had created the fund and made it available for
23 such a celebration.

24 So I guess on August 21st, or prior to, when we
25 get together and have all of the district celebrations, I

1 think we'll look at how cost-effective it was.

2 Ms. Tegarden, are you able to make that list,
3 calendar of events available to us so we can take a look?

4 MS. TEGARDEN: Certainly.

5 VICE-CHAIR MATEO: Yeah, thank you very much. Thank
6 you, Mr. Chairman.

7 CHAIR PONTANILLA: Thank you.

8 Members, any more questions for Ms. Tegarden? If
9 not, the Chair would like to make his recommendation.

10 COUNCIL MEMBERS: Recommendation

11 CHAIR PONTANILLA: The Chair's recommendation is for
12 passages of the proposed bill on first reading, and filing of
13 County Communication Number 09-176.

14 VICE-CHAIR MATEO: So moved.

15 COUNCILMEMBER VICTORINO: Second.

16 CHAIR PONTANILLA: Moved by Chairman Mateo, second
17 by Member Victorino.

18 Members, any more discussion? If not, all in favor of the motion.

19 COUNCIL MEMBERS: Aye.

20 CHAIR PONTANILLA: Any opposed?

21 Seeing none, the motion is carried with six ayes,
22 three excused Members, Johnson, Kaho`ohalahala and Medeiros.

23 Thank you.

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25

1 ECONOMIC CONCERNS OF THE
2 COMMUNITY, INC. (C.C. Nos. 09-58
3 and 09-113)

4 CHAIR PONTANILLA: ... (gavel)... The Budget and
5 Finance Committee meeting is now reconvened. Members, thank
6 you for the short break.

7 Our next item this afternoon is BF-78, Performance
8 Audit of Maui Economic Concerns of the Community, Inc. The
9 committee is in receipt of the final report from MGT of
10 America, Inc., dated April 1st, 2009. Joining the committee
11 today is Tyler Covey, and via conference call we have Celina
12 Knippling.

13 Mr. Covey has prepared an overview, and I think
14 all of you have a handout of the audit for the Committee
15 Members. So we will proceed with that overview. And
16 Members, the Chair will call for questions as soon as we're
17 done with the overview. So at this time I'd like to turn
18 the mic over to Mr. Tyler Covey.

19 MR. COVEY: Thank, thank you very much. Once
20 again, my time is Tyler Covey, and I was the partner in
21 charge of the audit of Maui Economic Concerns of the
22 Community. And on the telephone we have Celina Knippling,
23 who was the project director for the audit.

24 Celina, can you hear me okay?

25 MS. KNIPPLING: Yes. Good afternoon, thank you.

1 MR. COVEY: I'd just like to start off by thanking
2 the Council for selecting me and my team, and MGT of America
3 to conduct the audit. And would like to also thank Becky
4 Woods and all the staff at MECC for their assistance and
5 cooperation during the audit. That was very much
6 appreciated, and enabled the project to go smoothly.

7 As mentioned, we have prepared a handout to go
8 through the results of the audit, and I'd like to go over
9 what the scope of the audit was, then give you a summary of
10 the key findings, and then focus the majority of the time on
11 the recommendations, which in my opinion are the
12 forward-thinking and most important items to come out of the
13 audit report.

14 So again, just to summarize, MGT of America was
15 hired to conduct a limited scope performance audit of MECC,
16 and our scope included an examination of the MECC's use of
17 grant funds, loan funds, as well as restricted funds. We
18 also reviewed MECC's compliance with the grant agreements,
19 policies, procedures, and we were also looking at any
20 long-term operational or funding plans that were maintained
21 by the agency. We were also asked to conduct a review of
22 the Department of Health and Human Concerns and their
23 practices for monitoring the grant funds.

24 In our audit report dated April 1st, 2009, we had
25 a number of findings. We prepared a summary of what we

1 think the key findings were. First and foremost, the
2 program appears to have a structural deficit in that the
3 revenues do not cover their program costs, which is going to
4 necessitate some long-term planning, financial planning,
5 modeling, and some additional infusions of funds in order
6 for the entity to continue as a going concern.

7 The MECC took short-term loans from a restricted
8 fund to cover operational expenses, which it will need to
9 repay. We found that the organization did not comply with
10 all of the County grant requirements, and those included
11 financial record keeping, as well as filing required reports
12 timely. We found that the organization lacked adequate
13 policies and procedures, and had poor accounting and
14 documentation practices in the past.

15 To its credit, however, we didn't find any
16 egregious problems related to their lack of policies and
17 procedures or with regard to their use of grant funds. We
18 did find that they compared well against other non-profit
19 organizations that served the homeless community.

20 For the Department of Health and Human Concerns we
21 found some areas where we felt that the department could
22 improve its oversight by implementing additional procedures
23 and guidelines.

24 Moving into the recommendations, overall we had 20
25 recommendations for MECC. We had five recommendations for

1 the Department of -- DHHC, and we had two recommendations
2 for the County.

3 For the MECC we recommended that they continue to
4 work with the County to identify a solution that will allow
5 it to continue as a going concern. We recommended that they
6 continue analyzing their rental and program fees and -- in
7 order to ensure that they're adequate to support ongoing
8 operations, repay their obligations, and to establish an
9 adequate reserve.

10 We also recommended that they continue to pursue
11 outside opportunities for funding, including fundraising.
12 And we recommended that they create a repayment plan for
13 replenishing the restricted funds that they had taken.

14 To improve their compliance with grant
15 requirements and restrictions, we recommended that they
16 continue to -- their efforts to maintain detailed separate
17 financial records for each of their grants. And that their
18 grant files are prepared such that they contain evidence of
19 all work described in any grant agreement, and that they
20 review all invoices for correctness, completeness, and to be
21 sure that they are prepared in accordance with grant terms.

22 We recommended that they file all the required
23 grant reports to the County in a timely manner, and that
24 they strive to complete their annual external financial
25 audit timely.

1 We would like to see the MECC develop a detailed
2 conflict-of-interest policy that at a minimum complies with
3 the Maui County Code, but also includes policies that would
4 require all key employees and officers and board members
5 especially to acknowledge receipt of those policies. And
6 that they would recuse themselves from any voting or
7 negotiations regarding any transactions for which they had a
8 financial interest. We also recommended that they develop a
9 nepotism policy to go along with the conflict of interest
10 policy.

11 To improve the financial operations and internal
12 controls, MECC should develop and implement policies and
13 procedures for all accounting and purchasing functions.
14 They should implement a process for periodic board review of
15 financial transactions, and they should strive to enforce
16 compliance with existing internal controls.

17 To improve its operational performance, MECC
18 should continue to prepare and update business and strategic
19 plans every three to five years, especially including
20 long-term financial projections and budgets. We ask that
21 they consider creating a website that would increase
22 attention to the program and potentially increase its
23 fundraising opportunities, and that they continue to explore
24 options for creating a central performance management and
25 reporting system.

1 We recommended that the MECC continue to work
2 together with the County and other public and private
3 entities to develop a set of strategies for jointly
4 addressing homelessness on Maui, and that they continue its
5 efforts to work with the Maui Homeless Alliance to
6 coordinate services for the homeless. And we also
7 recommended that they continue to look for other solutions
8 to increase the options in housing for the homeless.

9 Moving on to the Department of Housing and Human
10 Concerns, we recommended that the department develop and
11 implement comprehensive policies and procedures for
12 monitoring grant recipients, including grant reports or
13 grant report checklists that can be completed and maintained
14 as evidence of review activities.

15 We recommended that they track and enforce
16 grant-reporting deadlines, including penalties for
17 noncompliance. That they conduct periodic onsite reviews
18 and inspections of grantee activities and records, and
19 consider periodic attendance at board meetings in order to
20 monitor operations and governance.

21 And we recommended that they work with fiscal
22 advisors to develop detailed grantee fiscal review
23 procedures and checklists to aid staff in reviewing
24 financial information. And finally, we recommended that
25 they consider modifying the grant agreements to withhold

1 larger sums to ensure that grantees comply with submitting
2 reports in a timely manner.

3 And as I mentioned earlier, we made a couple of
4 recommendations for the County as well. We recommended that
5 the County require both the department and MECC to report
6 their progress in implementing our recommendations after 60
7 days and then biannually until all recommendations have been
8 implemented. And we recommended that they consider working
9 with the MECC to help it identify options that will allow it
10 to continue as a going concern.

11 And the final recommendation that we had was
12 really targeted to MECC, but also to the entire community,
13 and that was to work together to develop long-range plans to
14 address homelessness in the community using the Ten
15 Essentials recommended by the NAEH or other best practice
16 entities.

17 So I thank you for listening and bearing with me.
18 That, in summary, was the audit report that we issued on
19 April 1st, 2009.

20 CHAIR PONTANILLA: Thank you, Mr. Covey.

21 Budget Director, do you have any comments at this
22 time to make?

23 MR. PABLO: No, Mr. Chairman, I don't have any
24 comments at this time.

25 CHAIR PONTANILLA: Thank you. Members, again, the

1 reason why for the performance audit of the Maui Economic
2 Concerns of the Community, Inc., was originated from our
3 past Council Chair, Mr. Hokama, in regards to the
4 organization itself. At this time the Chair is open to
5 comments. Mr. Victorino.

6 COUNCILMEMBER VICTORINO: Yeah, Chair, before I
7 make comments on this audit itself, I notice in the gallery
8 the Director, the Executive Director for MECC is here. And
9 if, at your approval, if we could call her up to ask her as
10 far as these recommendations, how much of these
11 recommendations have been implemented at this point. And
12 I'm not sure if you guys have followed through on that as
13 far as what you have put forth. And then, because I think
14 that's important.

15 Recommendations are only as good if they're
16 implemented and carried forward, like anything else, you can
17 talk until you're blue in the face, but if nobody does
18 nothing about it, it's just a nice report that's put on the
19 shelf. And I believe this report is not being put on the
20 shelf, I think it's been implemented.

21 So I would ask you, sir, or the lady on the phone,
22 or if we wanted to call Ms. Woods to find out specifically
23 what has been implemented, what steps have been taken, and
24 where they're moving in that direction. But I leave it to
25 you, Mr. Chair, you're the one that makes that decision,

1 sir.

2 CHAIR PONTANILLA: Before I call on any of the
3 people that are here today, I know we do have Ms. Jo-Ann
4 Ridaio, our Deputy Director for Housing and Human Concerns,
5 as well as Ms. Woods, who is the Executive Director for
6 MECC. I would like, if you have any questions for Mr. Covey
7 at this time regarding this particular report and the
8 recommendations that he makes.

9 So Members, if you have any questions at this
10 time, you know, I'm open to receive those. Mr. Mateo

11 VICE-CHAIR MATEO: Chairman, thank you. Mr.
12 Cobey, Covey, in one of the bullets that you were
13 identifying when you were referencing MECC, you reference on
14 the recommendation that they develop both a business and
15 strategic plan every five years. Coming out of this
16 particular audit, didn't you think that they needed to
17 develop a business plan as they come out of this audit?

18 MR. COVEY: Yes, absolutely.

19 VICE-CHAIR MATEO: So why did, why the
20 recommendation every five years?

21 MR. COVEY: Well, I think as Councilman Victorino
22 mentioned, the plans are only as good as they're implemented
23 and updated. So we want them to implement one now, but then
24 to continue to update it so that it doesn't get -- get old.

25 VICE-CHAIR MATEO: It just seems that the

1 recommendation just seems kind of laid back. We wouldn't
2 have hired you if we didn't think this was a serious enough
3 of a problem. And I think a business plan should have been
4 a requirement coming out of the reorganization, so to speak.
5 And, you know, if anything, as your reference -- as you
6 reference Mr. Victorino's comments versus recommendations,
7 five years means that they have up until five years to
8 develop their business plan. And sir, five years --

9 MS. KNIPPLING: Sir, I was going to -- this is
10 Celina Knippling calling. I was the project director on
11 this. This one MECC really has started developing their
12 business and strategic plans, but when we finished the audit
13 it was not completed yet.

14 So for our recommendation, we really wanted to,
15 you know, have them continue to focus on their efforts to
16 get that prepared and issued. But then as Tyler was saying,
17 also to make sure that they continue that effort. That is
18 not listed as developed the first year, but that they
19 continue making that a living dynamic document that they
20 would continue to update at least every three to five years.
21 But they would be using that annually.

22 So with the recommendation we really wanted to
23 focus on continuing their efforts to prepare the business and
24 strategic plan, but then also to keep
25 momentum going.

1 VICE-CHAIR MATEO: Thank you. At least we now
2 know that you encouraged them and provided them the
3 opportunity to develop a business plan. Looking at the
4 recommendation as provided in your report it does not make
5 that clear. So thank you for your clarification, because
6 that is an element that we need to stay on, both the
7 department and I guess this body needs to be sure that they
8 continue with their business plan development as well as
9 their strategy plans, because I think that was an element
10 that needed to have been highlighted and was not. Thank
11 you.

12 CHAIR PONTANILLA: Thank you, Chairman Mateo. Member Baisa.

13 COUNCILMEMBER BAISA: Thank you very much, Chair.
14 And I'd like to thank the folks that are here today to
15 present the audit to us, and thank you for the good work
16 that's been done. Along the lines of the previous questions
17 about a business plan, one of the things that I heard that
18 I'm very glad that you're doing a business plan because I'm
19 concerned, is I heard the statement that current revenues do
20 not cover your operating costs. And of course we know that,
21 you know, that can be a very difficult thing, because we
22 don't want you to fall, we don't want the agency to fall
23 into further problems.

24 Being our only homeless facility here, we don't
25 really have a lot of options, so it is very, very important

1 to our community that this agency remain solvent and open.
2 And so finding a way to help cover costs so that you don't
3 fall further back, in my opinion is extremely critical. And
4 of course it's very hard to do, particularly right now where
5 options are very limited. And when you're dealing with the
6 lowest of the low income that you're serving, even though
7 you know that the rent should probably be \$1,000 a month, if
8 they only have \$200 what do you do? Do you put them on the
9 road? So, you know, this agency faces a very, very
10 difficult challenge, and its board and staff I'm sure is
11 very challenged to try to make this feasible.

12 The other comment that I had was, I was extremely
13 relieved and very happy to read in the audit that there were
14 no unallowable costs. You know, having run a non-profit
15 agency for many years myself, every year when we have an
16 independent audit that's the statement you're looking for
17 from the auditor is everything is okay. Nobody did any
18 running off with the money, or nobody went out and did
19 something ridiculous with the agency money. And so I think
20 that's a very strong plus in the audit.

21 There are recommendations that I do have concerns
22 about, and I'll ask one right now. And of course I have
23 others, but I'd like to raise one. I noticed that there's a
24 recommendation that says that you would like the department
25 to withhold larger sums of money for final payments. And

1 I'm wondering what kind of deleterious affect that might
2 have on the cash flow for the agency if they start holding
3 back large amounts of money.

4 MS. KNIPPLING: If I can take this one. You know,
5 we, we said to the DHHC to consider that, but that I think
6 was more of a -- we thought we would put it out there
7 because a lot of agencies that we looked at for best
8 practices for comparison purposes, that's one way that they
9 ensure compliance, is by withholding sums. However, you know,
10 it's really a County decision because, as you say, you know,
11 withholding the higher amount could have the affect of
12 really affecting an agency's cash flow, such if they're a
13 small organization in the community.

14 So we put that out there because that is one of
15 the best practices that we saw out there. But we wanted to
16 soften it by saying "consider" rather than, you know, that
17 they definitely should do this, just given that it is a
18 smaller community with maybe fewer resources or options.

19 COUNCILMEMBER BAISA: Thank you very much for that
20 explanation because, you know, we want to be very careful
21 that we do not put this agency into harm's way, because they
22 have to have the resources to take care of the people that
23 are there. And so we have to moderate our oversight and the
24 restrictions with some understanding of their challenges in
25 trying to pay their bills. Thank you.

1 CHAIR PONTANILLA: Thank you. Members, any more
2 questions for the people that are here and on the
3 teleconference at this time?

4 COUNCILMEMBER MOLINA: Chair?

5 CHAIR PONTANILLA: Member Molina.

6 COUNCILMEMBER MOLINA: Thank you, Mr. Chairman.
7 Good afternoon, Mr. Covey. Just on these recommendations
8 that you're making to us, have you done similar audits of,
9 for example, other entities like this? I'm just trying to
10 get an idea of how you came up with your recommendations,
11 did you base it on other entities that you did audits on
12 similar to MECC?

13 MR. COVEY: Well, we've done hundreds of
14 performance audits over the last several years, none
15 specifically of a program like MECC. It's a very unique
16 program. However, the recommendations for the Council and
17 the County are based upon similar recommendations that we
18 have made to other governing organizations in the past. We
19 do find that sometimes the recommendations aren't taken
20 seriously, and we like to put a mechanism in place that will
21 enable ongoing follow-up to best ensure that those
22 recommendations are implemented.

23 COUNCILMEMBER MOLINA: For example, the 60 days,
24 that's I guess a standard number I guess you use in terms of
25 follow-up?

1 MR. COVEY: Yes, we'd like to see some significant
2 action within the first 60 days on the recommendations.
3 There were some critical recommendations in there we felt
4 that needed very swift action. So the 60 days is a fairly
5 short time frame and would -- should be enough time though
6 for them to implement many of the items that they had in
7 progress, such as the long-term business and operational
8 plan, which we think is extremely critical for the
9 organization, that they should have been able to complete that
10 plan within 60 days. And then the other follow-ups had a
11 longer time frame can be used to monitor the recommendations
12 that would take much longer to implement.

13 COUNCILMEMBER MOLINA: Okay, thank you. Thank
14 you, Chairman.

15 CHAIR PONTANILLA: Thank you. In regards to the
16 60 days review period, would it be, you know, recommended
17 that such a body like this or the Department of Housing and
18 Human Concerns do the review the first 60 days?

19 MR. COVEY: I'm sorry, I missed the question.

20 CHAIR PONTANILLA: Yeah. In the review period
21 right now, you know, as committee we are basically reviewing
22 your audit report. But in the 60 days that need to be
23 followed up, would that be the Housing and Human Services
24 Department that does that, or would you recommend a body
25 like this to review in the next 60 days?

1 MR. COVEY: Thank you for the question. What we
2 would recommend first and foremost is that the agency, MECC,
3 prepare a report for all oversight bodies, the County, the
4 Council, the Department of Housing and Human Concerns,
5 provide -- provide that report to all, all entities for
6 review. And then at your leisure, if you feel like there
7 needs to be additional follow-up, you can certainly ask for
8 them to come in as they have today and make a presentation,
9 or have the Department of Housing and Human Concerns follow
10 up to assess the success of the implementation of the
11 recommendation.

12 CHAIR PONTANILLA: Thank you. Members, any more
13 questions for Mr. Covey or Ms. Knippling? Member Nishiki
14 followed by Member Baisa.

15 COUNCILMEMBER NISHIKI: I -- I want to point to
16 the executive summary on page 1. That is off the April 7th,
17 2009 communication from our Council Chair Mateo. In the
18 second paragraph it says, "Then, in September 2007, MECC's
19 independent auditor reported in its audit report that there
20 was" -- quote -- "there was substantial doubt about MECC's
21 ability to continue to operate."

22 In the notes to the 2006 financial statement, the
23 auditor stated that MECC had a deficit in net liquid assets
24 of 5 million and had spent restricted sources for operating
25 purposes. The auditor stated that MECC's continued

1 existence was dependent upon its ability to generate
2 sufficient cash flows to meet its obligation as they become
3 due and resolve the violation of donor imposed restriction.

4 My concern is this. Now that they have over \$5
5 million in deficit, in other words, they owe money, is this
6 my understanding? And then they went and took out \$800,000
7 from so-called restricted funds, I think I read in this
8 summary. Now we're asking -- and Gladys brings out a point
9 about we can't do harm to these people.

10 But my concern is, have you directed this
11 organization into how they can repay this money, or is it
12 something that you threw out to them and they decide how
13 they're going to do it?

14 The reason why I ask this is because an
15 organization like this receives a lot of money from
16 government. Also, as was spoken to you by Gladys, it is the
17 lowest group of people in this County, and they're part of
18 this County, that need help.

19 So what are your recommendations, that we raise
20 the rents for these people? I don't -- I have no idea how
21 they're going to get out of the hole. It seems like it's a
22 big hole. It went on from 2004 to 2007 or '08. Whoever it
23 was is gone, and now we've got a new director, I guess.

24 So what is the recommendations that how we're
25 going to help them? We're going to have -- government is

1 going to have to give them more money now, and then they're
2 going to repay us? You know, I'm confused and need what you
3 have told this new organization how to get well. How are
4 they going to get well?

5 MR. COVEY: Well, excuse me, thank you for the
6 question. And just to clarify, the -- the financial
7 auditors found a deficit of \$5 million in net liquid assets,
8 so that was money available to repay its obligations. And
9 some of that has certainly changed since the financial
10 audit. Obviously they have defaulted on a loan, so that's
11 money that didn't leave the organization. They have also
12 taken other steps to -- to raise rents and to change some of
13 their program activities in order to move the organization
14 in the right direction.

15 The guidance that we have asked or have given is
16 for the department, the folks who are out there who are
17 working with these homeless folks and who best know where
18 changes can be made, where efficiencies can -- can be found,
19 where cuts can be made. That they work together with you by
20 preparing this long-term operational and business plan that
21 demonstrates to you how they are going to solve, resolve
22 this deficit and yet keep the program operating. That
23 they're obviously some tough decisions that need to be made.

24 We could have made specific recommendations of
25 that sort, but I felt that that would have been a little bit

1 -- I didn't feel like we were the best people to make that,
2 those decisions. We felt like the program people who are,
3 the Department of Housing and Human Concerns, all the folks
4 who are out there on a day-to-day basis dealing with the
5 challenges and the issues, we feel like they're the best
6 ones to -- to determine how to keep this organization on the
7 right track, where -- where they can afford to make cuts,
8 and that you, your body here oversees that process to ensure
9 that it is real, viable, and successful.

10 COUNCILMEMBER NISHIKI: I go on to the next
11 paragraph in which you describe loans, and you do not name
12 names as far as who they borrowed money from. I guess one
13 was Maui County. But who are the other people that they've
14 got loans from and now are in default?

15 MR. COVEY: Celina, can you handle that one?

16 MS. KNIPPLING: Well, there's two loans with the
17 County. There were two \$4 million loans. I believe those
18 were the two main ones. I think there was one other one
19 with the State, but I'd have to go back and look at that
20 one.

21 COUNCILMEMBER NISHIKI: So it was all through government,
22 whether it be the State or the County? No private loans?

23 MS. KNIPPLING: The two, there's two loans with --
24 both with the County. Those are the two -- they're the ones
25 that totaled over the \$8 million. One of them was deferred

1 until 2013 and then the second one is the one that was in
2 default.

3 COUNCILMEMBER NISHIKI: Okay. Finally, in -- in
4 watching this group, do you know if they've got any kind of
5 board of directors that someone reports to to check on what
6 they're doing? I know a lot of non-profits have board of
7 directors.

8 MR. COVEY: Yes, they -- they do have a board of
9 directors. And can I just go back to the loan question
10 again?

11 COUNCILMEMBER NISHIKI: Yes.

12 MR. COVEY: In the paragraph that you describe, we
13 describe two loans that the MECC has with the counties, and
14 the paragraph appears to describe the nature of those two
15 loans with the County. It doesn't speak to any other loans.

16 And then to your board of directors question, yes,
17 they absolutely have a board of directors. However, we've
18 made some recommendations that we think will strengthen the
19 governance and oversight powers, ability of that board by
20 recommending that they get more involved in looking at the
21 financial, monthly financial transactions of the
22 organization, as well as by developing and acknowledging
23 some stronger conflict of interest and nepotism policies for
24 themselves and the organization.

25 COUNCILMEMBER NISHIKI: Okay, I read about that nepotism

1 and conflict of interest. And then Danny asked the question
2 about this three to five year period, and the lady on the
3 telephone said that it has already been initiated. Who now
4 have you anointed as the group that would check on how this
5 is going as your, as you have given recommendation, who is
6 to watch this?

7 MR. COVEY: Well, we would certainly recommend
8 that -- that you were involved in that monitoring and
9 oversight. We think that you would be the appropriate body.
10 But certainly the Department of Housing and Human Concerns
11 could fill that role as well. But because of the
12 seriousness of the problem, we thought that it should be
13 elevated to the highest level, and that the MECC should be
14 responsible to this Council and should make periodic
15 reports.

16 And our -- and Member Mateo's comment was well
17 taken. And I just want to make sure it's very clear that we
18 recommend that they prepare that long-term financial and business
19 plan, as soon as possible and then update it. So if the
20 wording wasn't quite that strong, it should have been. It's
21 a very important, serious matter, and it's going to be one
22 of our best barometers for keeping track of how this program
23 is moving forward, and hopefully resolving all of the issues
24 that have come out of it, the most serious concerns and
25 issues that have come out of the various audits that have

1 been done on the organization.

2 COUNCILMEMBER NISHIKI: Thank you.

3 CHAIR PONTANILLA: Thank you. So Mr. Covey, in
4 your opinion, do you think the organization can really repay
5 the County that \$8 million, or the first loan, by 2013?

6 MR. COVEY: By 2013? No, I don't believe they
7 can. I believe that there are certainly going to have to be
8 some concessions made by numerous parties in order to
9 achieve repayment of the loan in any form.

10 CHAIR PONTANILLA: So in your opinion, whoever the
11 executive director at the time, was it appropriate to go
12 out, you know, and ask the County for a \$4 million loan
13 rather than a grant?

14 MR. COVEY: Well, from the discussions that we had
15 with the former director, he laid out a plan that had that
16 plan come to fruition it appears as if a loan could have
17 been viable. However, those agreements, discussions and
18 plans that he thought were going to materialize were never
19 memorialized, and so therefore it's very difficult for us to
20 -- for me to really answer your question. But if what he
21 said was true, it seems like it could have been viable. But
22 given the fact that it was not memorialized, it did not come
23 true, absolutely not.

24 CHAIR PONTANILLA: Thank you, thank you. Member
25 Baisa.

1 COUNCILMEMBER BAISA: Yes, thank you very much,
2 Chair. The matter of these loans is a very serious issue,
3 because I have doubts about this agency ever being able to
4 repay us \$8 million. But you know, Chair, this
5 recommendation was that we have a follow-up report after the
6 audit after 60 days. It now looks like we've got 90 days
7 already have gone since this report was published. Is it
8 possible that we could ask the Executive Director to kind of
9 give us an update on anything that has transpired since the
10 report to try and implement the suggestions? She's here.

11 CHAIR PONTANILLA: Yeah, sure. If there's no more
12 questions for, you know, Mr. Covey, as well as Ms.
13 Knippling, then I can call up the Executive Director as well
14 as our Deputy Director to provide us with some response on
15 your questions.

16 COUNCILMEMBER BAISA: Thank you very much. Then
17 before we go to her, one more question for the consultant.

18 In the recommendations, the recommendation which I
19 like the best, and it is, it may seem to be not that
20 directly related, but I think it is. There's a suggestion
21 that they participate, everybody participate, the
22 department, the shelter and everybody else -- I'm sorry, and
23 I should not refer to them as a shelter, it's just an old
24 habit. Maui Economic Concerns of the Community should be
25 looking at long-range plans for homelessness.

1 You know, for me, this is the meat of the issue,
2 because homelessness is not going away, it's going to be
3 with us. And we are not the only County that is dealing
4 with this. We were at a meeting at lunchtime today in which
5 Mayor Mufi Hannemann was speaking about this, and the
6 concerns that he has for homelessness on his island. And
7 I'm so afraid that as this financial disaster that we're
8 experiencing continues that we're going to continue to see
9 an increasing homelessness here in Maui County.

10 But while we talk about affordable housing and
11 homelessness and whatever, you know, really we do not have
12 anything in place to take care of any increase in
13 homelessness, much worse the homelessness that we already
14 have.

15 So for me, this is a really important
16 recommendation, that we have a long-term strategy to deal
17 with homelessness. And we need to be thinking about
18 alternative accommodations, different kinds of shelters and
19 services, and so I think this is a very critical piece.
20 Thank you.

21 CHAIR PONTANILLA: Thank you, Member Baisa.
22 Member Mateo followed by Member Victorino.

23 VICE-CHAIR MATEO: Thank you, Chairman. And this
24 would be for the -- for the auditor, and just to help me
25 understand. One of the recommendations would -- was the

1 consideration of the increase in the rental charges and fees
2 on the property. And I guess the reference to fees dealt
3 with the laundromat or the, I guess it is the coin operated
4 launderette service that they have on property.

5 For a facility like this that does deal with the
6 homeless as well as the -- the very low income, how does
7 increasing rental fees not kick 'em out faster?

8 MR. COVEY: Well, it certainly potentially could.
9 However, if the program is unable to support itself and
10 vanishes, then we have a more serious problem. So it's,
11 again, one of the reasons why we didn't recommend that, or
12 we didn't make that, you know, a very specific
13 recommendation, that they must increase the fees, is because
14 the program really needs to look at itself and see how, how
15 far can it go, and they've been doing that over time. They
16 have made some incremental increases in the rents, and so
17 very soon they should have some experience to -- to rely
18 upon that will tell them how serious the impact was as a
19 result of those increases, and if there is any room to do
20 any more of that.

21 But they -- they need to generate more revenues
22 and they need to reduce expenses in some fashion, and we
23 don't think that they should leave anything off of the table
24 in that examination. And hopefully that will all be spelled
25 out very clearly in their long-range business plan.

1 VICE-CHAIR MATEO: Okay. So and also because you've had
2 the opportunity of taking a look at all their financial
3 records, their opportunities to generate their own funds,
4 and government more so, County government's assistance in
5 helping this particular provider along, your overview leads
6 to recommendations because you have the opportunity of
7 seeing the big picture because of its financial situations
8 and all of the I guess attachments that goes with running
9 facilities. Without government there is no facility.
10 That's the reality. Because I don't care how high rents go,
11 the very people you're trying to help will be on the streets
12 real soon. So the best case scenario is to partnering with
13 the government.

14 So Mr. Chairman, our issue with the loan is one
15 that's neither here nor there, because somebody is going to
16 have to bite it. And I think we're the entity that needs to
17 bite it, because the entity needs to survive. But for
18 myself, unless I see a business plan that's functionable and
19 one that will, you know, like prevent this from happening
20 again, you know, nobody plans to pay a loan with another
21 loan from the same entity, nobody does that, and this is
22 exactly where we've gone.

23 So I'm -- I'm uncomfortable because I don't see a
24 business plan. Because the bottom lines going to be
25 government is going to have to continue to support. That is

1 the role we have adopted for ourselves because these are our
2 people.

3 But, you know, I think as the auditor, you know,
4 without, without government support there is not going to be
5 an entity. So some of the recommendations just does not
6 seem like it's designed to help this organization fiscally.
7 Thank you.

8 CHAIR PONTANILLA: Thank you, Member Mateo. I
9 think you've brought out a real good point in regards to
10 that one particular big loan, and that loan comes from the
11 County of Maui. And, you know, knowing the organization and
12 the way, you know, all of these recommendations are being
13 made, I -- I don't foresee them paying us back that \$8
14 million.

15 So do -- do we bite the bullet, do we, you know,
16 have them create -- well, they're going to create a business
17 plan and give us an idea how they're going to repay us. But
18 an organ -- organization like this to repay the County \$8
19 million is going to be far reaching. So I guess we're going
20 to have to soul search amongst ourselves, all nine of us, to
21 see what we can do to provide homes for homelessness in this
22 County. Mr. Victorino.

23 COUNCILMEMBER VICTORINO: Thank you, Mr. Chair.
24 And I was reminded by staff that I got to let you guys know
25 that I am on the board of MECC, which makes no damn

1 difference in my mind, because I'm there for one purpose, to
2 help them, as well as everybody else that I serve on many
3 other boards, like you, Mr. Chair, and many other ones.
4 But, you know, since people want to know, I got no problem
5 with that.

6 I think the other -- the other statements that are
7 being made by my fellow colleagues have legitimacy, have
8 good base. I think once you hear from Ms. Woods and some of
9 the other things that are occurring, and I don't want to be
10 the one to tell you what's going on, because it's up to
11 them. But I know in the past eight months there a
12 considered effort has been made to address many of these
13 recommendations.

14 And I agree with you as far as do we bite the
15 bullet or not? I don't know. But they're not going to be
16 able to pay us back, let's be honest. They thought it was a
17 grant. I don't want to go into this argument because, you
18 know, it's he said/she said/who said what. At this point in
19 time we're here. Those are people that need our help.
20 Those are family.

21 One of them happens to be my brother-in-law that
22 lives there now that needed help. I'll be damned if I let
23 something like this go to the wayside without working real
24 hard to make sure they and others are taken care of. This
25 community owes it to those special needs, those special

1 citizens.

2 We just talked to Mufi today -- right? -- right at the
3 luncheon. And I'll tell you, the statement he made is
4 "Their problem is not going to go away in the near future"
5 and neither will ours. It will get worse before it gets
6 better. And we have this organization whose worked real
7 hard to not just take these people off the streets, but to
8 educate them, to give them opportunities to learn a job, and
9 give them opportunities to become productive citizens, which
10 some have done. It's just not gimme gimme on this, they are
11 trying to get these people off this vicious cycle.

12 And so I'm all for trying to do what we can, and
13 I'm not going to tell people what to do or how to do it.
14 But this is something, like Member Nishiki said, it's
15 something we just can't walk away from.

16 And let me remind everybody, as far as I know,
17 those buildings and the property is County property. So
18 it's not that we don't have anything to account for, there
19 is something there to account for, but that's another issue.
20 I wanted to make that statement just because I want it
21 perfectly clear right now that I believe in this
22 organization, just like MEO and all the other ones, because
23 they have done very well for the people of Maui County. We
24 still have the shining star in the State for things we do
25 for our needy.

1 My question really goes to you, Mr. -- I forgot
2 your name already.

3 MR. COVEY: Covey.

4 COUNCILMEMBER VICTORINO: Covey, yeah, Mr. Covey, sorry. On
5 this pursuance of fundraisers, his bullet about fundraising and
6 seeking alternative funding sources to resolve the
7 structural deficit. I'm curious on the alternative funding
8 sources, because fundraising, you know, golf tournaments and
9 all of us have been a part of many organizations that do all
10 kinds of fundraisers. But the alternative funding, what
11 kind of sources were you guys asking them to look at, or did
12 you make any recommendations in that area?

13 MR. COVEY: Thank you for the question. The
14 entity is very reliant, as we've all mentioned, on the County.

15 COUNCILMEMBER VICTORINO: Um-hmm.

16 MR. COVEY: And they really need to expand their,
17 their efforts to obtain more grants and assistance from the
18 State, Federal Government, as well as other philanthropic
19 organizations and doing fundraising activities. As you
20 pointed out, the golf events and so on. Historically they
21 have not pursued much funding from those sources, and they
22 seem to have recently come to the realization that they need to.

23 So we wanted to make sure that we solidified that
24 as a recommendation so that they could prepare, as part of
25 their long-term operational business strategic plan, a plan

1 for different types of sources that they intend to go after,
2 memorialize it, and then we can follow up and track their
3 progress in doing so.

4 COUNCILMEMBER VICTORINO: Okay, thank you. And
5 then the last question I have for you, and I -- and I'd kind
6 of like this reemphasized, in the overall scope of all of
7 the financials and all the records that were given to you
8 folks, I guess the question I have is, was any
9 improprieties, I guess that was one of the big concerns that
10 I heard when I first started this track two-and-a-half years
11 ago, is that improprieties.

12 And I wanted people to know that maybe bad
13 decisions were made, but as far as you guys con -- as far as
14 your looking over all the records and that, you didn't find
15 anything that would put a cloud of doubt on how they were
16 doing things. I'm not saying they didn't do some things
17 maybe not the way they should have, or maybe they could have
18 done it differently, now I'm not saying that. But any
19 improprieties, did you find anything in all your research as
20 far as this group was concerned?

21 MR. COVEY: No. And the records that, that we
22 tested we did not see anything that appeared to be an
23 impropriety. However, as pointed out throughout the report,
24 we -- we did have several concerns where we saw staff had
25 circumvented internal controls by writing multiple checks in

1 the \$500 range. But each of the checks that were written
2 appeared to be for a legitimate business purpose, and the
3 circumvention of the internal control was merely made as a
4 matter of convenience, not with an abuse, fraud or
5 misappropriation in mind.

6 Of course, taking the funds from a restricted fund
7 is a -- is an impropriety. However, again, that was done
8 out of sheer necessity, and hopefully they will be able to
9 put in place a plan to repay those funds to minimize the,
10 the effect of that. But the direct answer is no, but that
11 does not mean that we were without concern in the way that
12 they were operating.

13 COUNCILMEMBER VICTORINO: Thank you, Mr. Covey.
14 And again, the concerns is very important. And I agree with
15 you when you circumvent policy, that could lead to other
16 problems. And I -- and I believe, as you will hear from Ms.
17 Woods a little bit later, they become a lot more rigid in
18 that respect and I think trying to avoid any possibility
19 of that occurring again. And as far as the (inaudible) I'll
20 let them address all of that. But thank you Mr. Covey, I
21 appreciate it. Thank you, Mr. Chair.

22 CHAIR PONTANILLA: Thank you. Member Nishiki.

23 COUNCILMEMBER NISHIKI: I guess when you were
24 doing this audit, Mr. Covey, and developing your
25 recommendations you probably never would give a

1 recommendation that the County should not collect on the
2 debt. That never went through your mind, did it?

3 MR. COVEY: No.

4 COUNCILMEMBER NISHIKI: Yeah. Finally, Mr.
5 Chairman, and just a bit of history, just because I remember
6 when Charley Ridings came before the Council and gave us his
7 spiel. I was a sitting member. In fact I was one that was
8 looking at this plan and the ability to give a loan rather
9 than a grant. And the reason behind that was the fact that
10 if a business plan was created and there was no objection
11 from the gentleman to not make it a loan, I think the
12 Council's thought at that time -- I won't speak for the rest
13 of the Members -- was that we could create a revolving fund
14 whereby more housing like this could be created.
15 However, I don't think I was part of the next loan that was
16 given to him.

17 But in regards to why a loan rather than an
18 outright grant, I think that was the Council's philosophy.
19 In regards to never asking the question of the ability to
20 repay was perhaps something that not only the Council but
21 County government was neglectful in pursuing.

22 So I'd be interested in speaking to the Director,
23 because we have perhaps ways in which to deal with this,
24 but I'm done in regards to asking the auditor of what and
25 why the recommendations were accepted.

1 CHAIR PONTANILLA: Thank you. And thank you for
2 that history, Member Nishiki, in regards to why the loan
3 rather than a grant. It kind of made sense. Member Molina.

4 COUNCILMEMBER MOLINA: Thank you very much, Mr.
5 Chairman. It's funny you -- on that subject of why a loan
6 instead of a grant. I can kind of tie that into the
7 First-Time Buyers' Fund. The initial intent was a grant, but then
8 some Members of the Council back then were pushing for it to
9 make it into a loan. And sometimes there are some
10 unintended consequences when you turn things into a loan.

11 But anyway, my question to Mr. Covey is, the
12 current financial status of the entity right now, cash
13 reserves, is there any information we should know about the
14 entity in itself, other than asking the Executive Director,
15 what was your findings?

16 MR. COVEY: Thank you for the question. My
17 recollection -- and Celina, jump in here if you have a
18 better recollection -- but my recollection at the time we
19 were reviewing their financial situation is that their
20 reserves were -- were fairly low. They were in the I
21 believe \$200,000 range, which is small for an organization
22 of their size. And we would like to see that reserve be
23 certainly in the 5 to 10 percent range, which they were
24 far short of that.

25 COUNCILMEMBER MOLINA: Thank you. Thank you,

1 Chair.

2 CHAIR PONTANILLA: Thank you. Members, if there's
3 no more questions -- Member Kaho`ohalahala.

4 COUNCILMEMBER KAHO`OHALAHALA: Thank you. Mr.
5 Covey, I think, you know, in listening to all of the remarks
6 being made, it's clear that the organization has in its own
7 way failed and that's why your summary summarizes some of
8 those deficiencies.

9 But on the other side, I would like to point out a
10 section here that refers to -- and I'm going to read it.
11 It's in your executive summary, the very first -- the third
12 paragraph where it says, "It appears that former
13 administrators of the Department of Housing and Human
14 Concerns requested that MECC increase its operations and
15 build these additional centers. In agreeing to build the
16 centers and take on the loans, MECC relied on funding that
17 the prior Department of Housing and Human Concerns director
18 had discussed, but not formalized in written agreements with
19 MC-- MECC. When the Department of Housing and Human
20 Concerns was unable to provide the funding at levels its
21 prior director had believed it could, MECC was left with
22 insufficient cash to fund its operations and repay the
23 loans."

24 So can you elaborate on this and give, give us
25 more, give me more detail so I can understand? Because it

1 appears in this particular paragraph that some of the
2 responsibility here lies with the department, having made
3 whatever you're calling or referring to here as prior
4 assurances or agreements. And could you elaborate on that?

5 MR. COVEY: Yes, I'd be happy to. And I'd just
6 like to address your first comment that the organization has
7 failed. I would say that they certainly have failed in some
8 regards, but in meeting their mission of serving the
9 homeless I think we've -- we've tried to point out in the
10 report, as near as we could tell they've done a very good
11 job of that. And the staff there were very passionate about
12 what they do, which is -- which is refreshing for us as
13 auditors.

14 But to address your question specifically, we met
15 at length on a couple of occasions with the former Executive
16 Director, Charlie Ridings and Mr. Ridings was able to
17 provide us with some documentation, some email exchanges,
18 some -- some letters and things of that nature that appeared
19 to support what he was telling us about these -- these other
20 commitments that had been made by former department
21 directors and former Council Members and so on.

22 I believe we -- if you wanted more specifics in
23 terms of names, dates and the documents, I could certainly
24 provide that to you, but it was a convoluted kind of
25 patchwork of information that he provided along with some

1 financial projections that he had prepared at the time based
2 upon these assurances that -- that he reported he had been
3 given.

4 And so when we looked at the financial analysis
5 and documents that he had put together that -- that was how
6 I was able to affirmatively answer your question earlier
7 about whether a loan was appropr -- appropriate or not.
8 Based upon all of that body of information, the loan
9 appeared to be a viable financial instrument at that time.

10 But when they -- there were some Section 8
11 vouchers that the -- that the entity had planned for, and
12 the building, of course, the West Maui facility, there were
13 some mechanisms that were going to be used to build the
14 facilities so that there would not be any obligations on
15 that. And then the revenues from that facility would also
16 be used to help support the operations, and other
17 facilities so those were the two in main issues.

18 Celina, do you remember?

19 MS. KNIPPLING: Um-hmm. Well, as far as where the
20 documents that we looked at to rely on that, or the funding
21 commitment? I'm -- I'm sorry, just to clarify, was the
22 question where did they discuss or how did he -- how did we
23 know?

24 MR. COVEY: I'll try to restate. We're just
25 looking for an elaboration on the planned-for financial

1 obligations that did not materialize.

2 MS. KNIPPLING: Okay. There -- there was a couple
3 of funding sources, the Section 8 vouchers and then a grant
4 from DHHC, which would have totaled 1.75 million. So the
5 DHHC was able to provide a grant, but they were not able to
6 provide the Section 8 vouchers because of the change in
7 policy that HUD, the federal agency, had -- had made. What
8 happened as a result is that at the end, DHHC could provide
9 only 849,000 approximately, which left a revenue shortfall
10 of about 895,000.

11 COUNCILMEMBER KAHO`OHALAHALA: Okay. So the
12 assurances were made on the Section 8 funding then to help
13 carry on the project, and that's how MECC proceeded with
14 that assurances of 1 point -- what did you say, 1.4, in
15 Section 8?

16 MS. KNIPPLING: One point seven five. And they were in
17 memorandums and letters that were sent from the DHHC to the
18 Department of Housing and Urban Development. But they, like
19 we said, they were not formalized in -- in written
20 agreement.

21 COUNCILMEMBER KAHO`OHALAHALA: Okay. But that
22 accounts for some of the demise of MECC then, having moved
23 forward with that kind of information then.

24 MR. COVEY: Yes. Did -- did we answer your
25 question?

1 COUNCILMEMBER KAHO`OHALAHALA: Okay, you're
2 answering, yes.

3 MR. COVEY: Okay, yes.

4 COUNCILMEMBER KAHO`OHALAHALA: Okay. I just
5 wanted to be clear that, that we are in our - in your
6 assessment and in our review of your assessment of this that
7 we understand where some of the responsibilities are. And
8 that I agree with you that while there are deficiencies in
9 the organization, that some of those events perhaps that led
10 to some of this is in part our own departments. And that's
11 what I wanted to be -- because you mention it here in your
12 summary, I wanted to get a clear understanding of what were
13 those agreements so we understand where some of this may
14 have initiated some of the struggles that the organization
15 now faces. Because it had some of these prior agreements by
16 the departments, but with no way of fulfilling them by the
17 department, we ended up with the organization falling short.

18 And so but otherwise, you do at least mention some
19 of the very specific deficiencies in the organization. And
20 I'm going through your summary, and I can find several
21 instances where you're very explicit in your description of
22 those deficiencies. And so that's not to -- to discount the
23 fact they're doing a good service for the community's needs,
24 but you are outlining some very detailed specifics about
25 where those deficiencies have occurred. And they haven't

1 just occurred in a short period of time, they have been in
2 some instances ongoing consistently.

3 You mentioned the fact that they were, in order to
4 -- to assist with cash flow, that they were circumventing
5 their own policies by writing smaller checks and getting
6 that. And that was over not just one instance, but you
7 mention in here 24 additional instances of that case. So I
8 want to make sure that when we're talking about what is the
9 organization doing, that we -- our assessment is clear that
10 this is not a one instance, this is not over a short period
11 of time, this is something that you have given us a report
12 on and it says it's been ongoing for a period of time.

13 So the real question I think before me in doing
14 this assessment, aside from the need that we have in the
15 community, is whether or not the organization is going to be
16 capable of making all of these corrections and continuing to
17 operate in light of all of the things that you have brought
18 to our attention, you know. So that, to me, is as important
19 as the ability to serve our homeless people.

20 So yes, that's an -- that's an area that we need
21 to -- to place our emphasis and support, but we also need to
22 make sure that the agency or the organization that's
23 responsible for that is going to not fall in the same kinds
24 of demise that this current organization has. And that's
25 why I think we're needing to make some decisions about their

1 ability to -- to make good on this. What have they done
2 since April to this time? Where you mention all of the
3 things, like fundraising is another effort that they need to
4 be involved in.

5 And if those things are not demonstrated then I
6 just want to point out that you're very specific in your
7 report about those instances, and I don't want to downplay
8 those things at all. So thank you, Chair.

9 CHAIR PONTANILLA: Thank you. Members, at this
10 time I'm going to take a five minute recess, and when we
11 come back from recess we will ask the Executive Director to
12 come up front so you can ask the Executive Director
13 questions that you may have. And then finally our Deputy
14 Director from Housing and Human Concerns.

15 So I want to thank Mr. Covey, Ms. Knippling. Ms.
16 Knippling for being on the teleconference. Thank you for
17 information that you provided us.

18 So at this time the Chair is going to call a short
19 recess, and we will reconvene at five to three. So this
20 meeting is in recess. ...(gavel)...

21

22 RECESS: 2:51 p.m.

23 RECONVENE: 3:02 p.m.

24

25

1 CHAIR PONTANILLA. ...(gavel)... The Budget and
2 Finance Committee meeting is now reconvened.

3 Members, up front with us this afternoon is the
4 Executive Director, Ms. Woods, from MECC, as well as Ms.
5 Jo-Ann Ridao, our Deputy Director for the Department of
6 Housing and Human Concerns.

7 So Members, if you have any questions in regards
8 to MECC, Ms. Woods is over here to answer your questions
9 this afternoon. So we will start off with Member Baisa.

10 COUNCILMEMBER BAISA: Thank you very much, Chair.
11 And thank you very much, Ms. Woods, for being here this
12 afternoon. And thank you for taking on the challenge.

13 My first question for you is, how long have you
14 been at MECC?

15 MS. WOODS: I've been at MECC for approximately
16 six years, and I have been the Executive Director officially
17 since December 2007.

18 COUNCILMEMBER BAISA: So you're fairly new as the
19 Executive Director?

20 MS. WOODS: Correct.

21 COUNCILMEMBER BAISA: And what was your position
22 prior to that?

23 MS. WOODS: I was Deputy -- I was a case manager,
24 and then Deputy Director for about two months, and then
25 asked to be the Executive Director.

1 COUNCILMEMBER BAISA: Not a whole lot of time to
2 train, huh?

3 MS. WOODS: No time at all.

4 COUNCILMEMBER BAISA: And to step into the shoes
5 and to have to work with the audit and all of the challenges
6 that are before us.

7 MS. WOODS: Correct.

8 COUNCILMEMBER BAISA: Thank you very much. You
9 may have heard my question earlier, and the audit report
10 referred to the idea that they'd like to have had a 60 day
11 report and then some annual reports after that. It's
12 actually been about 90 days since April 1st, or actually
13 almost to the day. Could you please update us on all of the
14 progress you've made in dealing with the recommendations?

15 MS. WOODS: I would love to. And I apologize for
16 not getting a report within 60 days. I actually didn't know
17 really who to give the report to, anyway. And but we have
18 made substantial progress since I've come on board. The
19 majority of all these issues have been addressed, if not
20 completed. We -- if I can go through the list.

21 COUNCILMEMBER BAISA: Please.

22 MS. WOODS: Okay. As far as the loans are
23 concerned, of course that was before my time, and I have to
24 be very frank and honest that there's absolutely no way that
25 our agency has the ability to pay back these loans.

1 However, although the loans are hanging over us, we do have
2 the ability to continue running as an agency and be
3 successful financially. It's always a struggle as a
4 non-profit, but we are maintaining and actually doing better
5 than we were financially. So that's progress.

6 In the recommendations I wanted to also say that
7 we are continuing to work with the County. I worked with
8 the grants office, our administrator, Rudy, and Lynn Britton,
9 as well as Lori Tsuhako, Jo-Ann Ridao. We're constantly
10 working together to come up with ways to continue with our
11 funding, our grants, to cut back, just ways to financially
12 better our agency.

13 Our reporting system as far as the grants are
14 concerned, I am very well-organized. My files are a mimic
15 of Rudy's, which Rudy's files are very well kept.
16 Previously with the prior Administration, I couldn't make
17 heads or tails of the grants as far as their being filed and
18 organized, but now they are. Every grant is well-organized.
19 And my reporting is on time, I do not delay in my reporting.
20 So that is progress as far as reports are concerned. And
21 Rudy and I work very closely together on the reporting of
22 the grants and the filing system.

23 Also, where it says analyzing current rental and
24 program fees, well, when I came on board we did raise our
25 program fees and our rental, affordable rentals, so it's the

1 first time the program fees and affordable rentals had been
2 raised in, well, the affordable rentals probably since the
3 opening, the rentals are about 14 years old. As far as the
4 program fees, it was the first time they were raised in 17
5 years. And we didn't raise them substantially, just \$50 or
6 \$25, but enough to at least assist us.

7 As mentioned, it is a homeless shelter. It is the
8 neediest of the needy population, and we cannot take from
9 them. But we have to, as Tyler said, we have to also run
10 the agency. We have made cutbacks, nothing that will hurt
11 the agency. Everyone has stepped up to the plate. We're
12 putting 110 percent.

13 I just recently had a meeting with the entire
14 staff, we lost \$81,000 from the State we were informed last
15 week. So I have asked all the staff, including senior
16 staff, myself, we will all take one day off a month or a
17 quarter, because that's four days out of the year, and
18 without pay, and also no pay raises. But this way everybody
19 gets to keep their job, they will not lose their benefits,
20 the programs don't suffer.

21 The State asked me how many people I would serve
22 and how many people I would have to eliminate from our
23 program. I said absolutely none. We will continue serving
24 the population we serve. It doesn't matter how you cut us,
25 we will continue serving our population and providing the

1 program services that we do. I'm very passionate about
2 that. It's what makes our program, it's what makes us
3 successful and our clients successful, and I won't take away
4 from that.

5 Pursuing fundraising. We are definitely doing
6 that. We are moving forward in with the board. The board
7 has stepped up to the plate. We have a fund, well, we
8 actually have a finance committee that meets once a month
9 before our board meeting to come up with ideas, go over the
10 budget, to review the budget, and see just exactly what we
11 need to do.

12 The fundraising, we did the charity walk, and we
13 are looking at also we had certified our kitchens. Our
14 kitchens are now certified where we can prepare meals or
15 product that we can sell to the community. It's a little
16 bit, but it's something. It's a start.

17 Repayment for replenishing restricted funds. We
18 are doing that. We have management fees that we take from
19 our affordable rentals. It's \$10,000 a month. That money
20 goes towards replenishing our restricted funds. So we have
21 made great progress in the short time that I've been there.
22 And my new staff, I have a new Chief Financial Officer and
23 Human Resource Director, Deputy Director, and so far we have
24 probably put \$160,000 back towards the restricted funds. So
25 we are truly making progress.

1 The financial records. We do have a new financial
2 system in place, QuickBooks, and Lilah Inaba, my Chief
3 Financial Officer, has restructured our accounting system so
4 it's more accurate and it's legible, readable, it's more --
5 it's just all around better for the agency. And before we
6 couldn't make heads or tails, we weren't really sure
7 honestly what was going on, but now it's very clear, and
8 she's helping us move forward in the direction we need to
9 go.

10 Ensure that it completes annual external financial
11 audits. Well, we are -- unfortunately, we are late in the
12 2007 audit because that was previous Administration, and we
13 just needed to kind of organize and see exactly what was
14 taking place. We had changed financial officers in the
15 middle of the year, so Lilah had to get things in order for
16 the auditors, and that's why it has taken time. Although
17 now with our, we have our audit coming up, 2008 audit will
18 be coming up in July. We will be -- it will be taking
19 place. So we are actually I think on target for that.

20 Okay, and the nepotism and conflict of interest.
21 We've already created policies for that, that's been
22 completed.

23 To implement a policy and practice requiring all
24 key employees and board members to acknowledge receipt of
25 nepotism. That is also included in the policy.

1 Complete its efforts to develop and implement
2 policies, procedures for all accounting and purchasing
3 functions. We have a procurement policy in place. The
4 board does review our financials every board meeting.
5 They're given a financial report, a detailed financial
6 report, as well as a financial committee, the finance
7 committee meets and goes over the financial report, and then
8 they report it to the board itself.

9 Enforce compliance with existing internal
10 controls, such as requiring authorized signatures for all
11 expenditures. Absolutely. That is one of the first things
12 I did when I came on board, because I was uncomfortable with
13 the way things were. So we do have -- everyone has to have
14 the authorization. For myself, myself I have to get it from
15 a board member, the board president, if there's a huge
16 expenditure. So we definitely have that in place. And also
17 bids are required for anything over 500. So that's been
18 taken care of.

19 Continue its efforts to prepare and update
20 business strategic plans. We had a business strategic plan
21 in I believe it was February, so that has been done. And we are
22 actually, when we had our finance committee, what was that,
23 Wed -- Monday? -- Monday, that was something that I brought up.
24 I suggested to the finance committee that we bring out the
25 strategic plan again to review it. It needs to be reviewed

1 to see where we are and how we're moving forward.

2 Including in the strategic plan is the \$10,000
3 management fee that will go towards the restricted funds,
4 which we had diligently put aside for the restricted funds.

5 Consider creating a Web site. Well, you guys can
6 now go to meccinc.org, and that is our new Web site. So we
7 do have a new Web site. We just received training, I
8 believe it was on Monday. It's not complete, but it's up,
9 and we now need to implement the information. So it's --
10 it's up to date and people can go on there. And we can have
11 a donation page, we can see how many available beds we have, what
12 programs we offer. It will be a complete Web site. But it's up.

13 Continue to explore options for creating a central
14 performance management and reporting system that will eliminate
15 duplication of effort. I'm not really sure what this means.
16 Can you explain that to me, Tyler?

17 (silence)

18 CHAIR PONTANILLA: Members --

19 MS. WOODS: Oh, okay.

20 CHAIR PONTANILLA: If there's no objections, maybe
21 Mr. Tyler can provide that information to Ms. Woods.

22 COUNCIL MEMBERS: No objection.

23 CHAIR PONTANILLA: Thank you. Right up front here.

24 (silence)

25 MR. COVEY: Is this on? Can you please repeat the question?

1 MS. WOODS: Okay. Continue to explore options for
2 creating a central performance management and reporting
3 system that will eliminate duplication of efforts. Is that
4 the Q and A?

5 MR. COVEY: I'm not familiar with what the Q and A
6 is.

7 MS. WOODS: Our data system.

8 MS. KNIPPLING: Do you want me to answer that one?

9 MR. COVEY: Yes. Thank you, Celina.

10 MS. KNIPPLING: Okay. What it was was that basically
11 there was three different systems for tracking the
12 performance measures, and a couple of them were outdated.
13 And -- and there is some duplication of entry in there.
14 However, I know that when we had talked to MECC there wasn't
15 really a product out there that would replace all three.

16 The recommendation was just, you know, keep -- you
17 know, keep an eye out for in the future if there is an
18 opportunity to get a system that would basically take all
19 three systems and be able to get, you know, the same level
20 of tracking and meet your needs without having to duplicate
21 the entry.

22 MS. WOODS: Okay. Thank you, Celina.

23 MS. KNIPPLING: Just to, you know, be on the
24 lookout for something like that in the future.

25 MS. WOODS: Thank you, Tyler.

1 Okay, so we have an outdated system, the Q and A
2 DOS, and it is very complicated, but it is something that I
3 am -- I am replacing. I have the disks, I purchased the
4 disks, they have been installed on our computer already.
5 I'm meeting with an individual on the West Coast via
6 telephone who is going to walk me through the installation
7 and creation of all the reports. And that was today,
8 although I wasn't able to meet with him today. But that is
9 something that will be done probably by the end of July.

10 So the reason we have several -- our two actually
11 reporting systems is because we have to account with the --
12 for the State, the HMIS, Hawai'i Housing -- is it MIS?
13 Management, right. Anyway the State. So with the State we
14 have certain reports we have to -- we have to provide to
15 them, which is great, but for the County we provide them
16 with other information. And so we have to have two systems
17 in place, because the State system doesn't ask all the
18 questions that we need answered, and so that is why we have
19 two reporting systems.

20 Although, Tyler, I believe that it was mentioned
21 we do have an excellent reporting system. We keep very good
22 stats, and so benefits -- we make sure that our numbers
23 match the State numbers.

24 Working together with the County and other public
25 and private entities in the community to develop a set of

1 strategies to jointly address homelessness on Maui. Well,
2 we certainly do work with the community and other agencies.
3 We work with MEO, we work with Family Life Center, Maui
4 Farm. We work with the County very closely on working
5 together to assist the homeless population. We work with
6 Child Protective Services as well. So that's already in
7 place.

8 Homelessness is not going to go away, it's only
9 going to get worse, and the challenge is huge. And when
10 there's a lack of funding there's only so much you can do.
11 I truly believe that there's a need for south side
12 affordable rentals and an emergency shelter. I think that
13 needs to seriously be considered in order to help the
14 population. And I think that's where the County and I, our
15 agency, and maybe another agency can come into play. But we
16 definitely need to work together in providing more services.

17 Our agency constantly has a wait list. We provide
18 services for approximately anywhere from 12 to 1500
19 individuals and families a year, and it's just not enough.
20 But we are the largest homeless shelter in the State of
21 Hawaii, and it's just not enough, and I don't want to see us
22 become Oahu. So I think, you know, we really need to look
23 at it, the whole picture, and work as a team as a joint
24 effort.

25 We do work with the Maui Homeless Alliance.

1 That's to continue, and we will never stop doing that.

2 That's huge for us. We work together with them.

3 Continuing to look for other solutions to increase
4 the options, and that's the south side for the housing and
5 homeless. I do have co-development agreements that can be
6 used for a project in south side.

7 Development and implement comprehensive policies
8 and procedures for monitoring grant recipients. Well,
9 actually -- oh, this is the Department of Housing and Human
10 Concerns. Well, I've gone through my suggestions,
11 recommendations. And as I said, we are truly working on
12 every single one, if not having completed them.

13 And I really appreciate the audit. And as Riki
14 Hokama said, "Becky, we're not here to hurt you, we want to
15 help you," and it did help us. I mean those things I knew when I
16 came on I'm not, you know, being thrown into the fire. I
17 wasn't familiar with a lot of the things, but I knew what
18 needed to be done. I just knew common sense what needed to
19 be done, and took action immediately.

20 But with the recommendations and the audit we were
21 able to complete what needed to take place and be
22 professional and legitimate, and therefore we had a strong
23 staff, we have a new strong staff, and everybody makes sure
24 that we're all on track. It's a team effort. So if you
25 have any questions, I'll be happy to answer them for you.

1 CHAIR PONTANILLA: Thank you. Member Baisa.

2 COUNCILMEMBER BAISA: Thank you very much for that
3 very comprehensive answer. You said something that was very
4 interesting to me. You know, we're concerned about the
5 loans. Can you tell me what is the total amount of loans
6 that is on your books?

7 MS. WOODS: The total amount of the loans, we have
8 two County loans for a total of 8 hun -- 8 million, about 8
9 million 6 hundred some-odd thousand dollars for the County.
10 We have a \$3 million loan with the State, which is not due
11 at this time.

12 COUNCILMEMBER BAISA: Do you know when that's due?

13 MS. WOODS: I just read the contract, and it's
14 contingent on when the County loans are paid. At the time
15 when the County loans are paid, I'm to work with the State
16 to see how we can take care of the loan or how the State
17 will take care of the loan for us.

18 COUNCILMEMBER BAISA: I see. So as far as the
19 County is concerned, the amount that -- that we're looking
20 at is 8, more or less 8.6 mil.

21 MS. WOODS: Correct.

22 COUNCILMEMBER BAISA: And I heard you say that,
23 first of all, you are pretty much holding your own in terms
24 of, you know, your income and your expenses monthly.

25 MS. WOODS: Correct. If it weren't for the loans,

1 we would not be a going concern. The restricted funds we
2 are taking care of, but it's one step at a time. There's
3 absolutely, like I said, no way we can pay back the loans,
4 in all honesty, but we can we can work towards replenishing
5 the restricted funds.

6 COUNCILMEMBER BAISA: I'm very impressed that
7 you're able to pay \$10,000 a month back for that restricted
8 funds.

9 MS. WOODS: It's hard.

10 COUNCILMEMBER BAISA: Okay. Can you give us an
11 idea, Ms. Woods, more or less how do -- what do the rents
12 run?

13 MS. WOODS: The rents for -- well, we have, for
14 the affordable rentals we have studios up to four bedrooms,
15 and they run anywhere from 5, I believe 525 to 675 for the
16 four bedroom. As far as the studio -- or the homeless
17 shelter is concerned, it's 395 for -- for the two bedroom,
18 and it's 350 for the studio.

19 COUNCILMEMBER BAISA: And the, the population who
20 is housed at the shelter, you have a tremendous population
21 there, I mean it's very impressive, the numbers. I didn't
22 realize you're the largest shelter in the state. That's
23 pretty interesting considering what Oahu has been doing.
24 But where do your residents, a majority of them, get their
25 income, so that we have an idea of what it is possible for

1 them to pay?

2 MS. WOODS: Okay. At this time because the
3 economy, it's changed. I've seen it change in the last
4 year. The majority of the clients are on welfare,
5 unemployment, social security, disability, where a year ago
6 the majority worked. They had a source of income. And so
7 it has changed quite a bit.

8 They're able to pay their program fees. They
9 would absolutely not be able to live out into the community.
10 Even so, with -- we cannot raise our program fees again, not
11 for quite awhile, because we're here to help the homeless.
12 We would do a disservice. They would not be able to stay
13 with us if we did raise the program fees again, or even the
14 rents at Hale Makana. It's been very difficult for the
15 residents there as well. So for the majority of the people
16 they are receiving assistance.

17 COUNCILMEMBER BAISA: Now let's talk about these
18 loans that you owe us. And we've kind of talked around them
19 and, you know, the likelihood that you can pay them back is
20 very slim. Does this have a deleterious affect on your
21 ability like say to go to a private foundation or a bank or
22 whatever with this huge debt on your -- on your balance
23 sheets?

24 MS. WOODS: It absolutely does. It's been -- it's
25 been difficult -- (long silence) -- I'm sorry, as the Executive Director --

1 COUNCILMEMBER BAISA: Ms. Woods, no apology
2 necessary.

3 MS. WOODS: No. But I just want to say, as the
4 Executive Director going through everything we've gone
5 through in the last year-and-a-half, struggling and dealing
6 with the County and the loans and taking the responsibility,
7 and you feel like you're going no where. And when you apply
8 for grants and you have to show them your audit report and
9 it says a going concern after all the hard work you've done,
10 and you know you're making progress, it's like a kick in the
11 mouth. So yes, it is, it's a burden, it's been a problem.
12 And but, you know, we keep pushing through. We keep pushing
13 along, and we're making progress regardless.

14 COUNCILMEMBER BAISA: Well, I'd like to thank you.

15 MS. WOODS: I'm sorry.

16 COUNCILMEMBER BAISA: It's okay. No, we
17 understand it's a very difficult situation, and I
18 appreciate. And I'm sorry if, you know, this is painful.
19 But where I'm trying to go with this is, I would really like
20 to see this Council take some kind of action, Chair, to deal
21 with this, because this has been a pending issue for a long
22 time. And I think we all acknowledge that this is an
23 incredibly necessary service in our community that isn't
24 provided by anyone else. And I'd like to help this agency
25 to get itself on its feet.

1 And, you know, sometimes mistakes are made and
2 people do things in good faith not realizing that it's just
3 not going to work out, and I think that we need to deal with
4 it. So that's the reason why I'm asking. And it appears to
5 me that the time is now. So thank you. And again, thanks
6 for all the hard work.

7 MS. WOODS: You're welcome.

8 CHAIR PONTANILLA: Thank you. Members, any more
9 questions for Ms. Woods? Mr. Mateo.

10 VICE-CHAIR MATEO: Chairman, thank you. Thank you
11 very much. All of the information you shared with us was
12 very enlightening, seeing from how it started to where
13 you're at today. You did mention that in February you did
14 complete a business and a strategic plan.

15 MS. WOODS: Correct.

16 VICE-CHAIR MATEO: Are those, are both those plans
17 available to the department?

18 MS. WOODS: Oh, absolutely.

19 VICE-CHAIR MATEO: So they have copies of it
20 already?

21 MS. WOODS: I don't know. I -- I believe we did
22 give them a copy, and if not, I'll be happy to provide you
23 with one. It's a combined strategic plan/business plan, and
24 I'll be happy to get that for you.

25 VICE-CHAIR MATEO: Okay, yeah. Chairman, thank you. I'd

1 be interested in seeing a copy of that business and strategic plan.

2 And just to reiterate, you know, as -- as I
3 mentioned earlier, I liked your comments that you, where you
4 referenced Chair Hokama and the audit, because we, as we've
5 always said, the audit is nothing that you should be afraid
6 of. The audit just helps us get stuff done. Unders -- we
7 can understand our weaknesses and try to strengthen,
8 strengthen ourselves as agencies.

9 So, you know, for us it was a good thing, and for
10 you it was a good thing. So as far as I'm concerned, the
11 audit did accomplish its mission. But, you know, for
12 myself, I'm still interested in -- in seeing your business
13 plan. I support your -- your particular effort. I'm very
14 familiar with your organization.

15 And like Member Baisa, I too support the need for
16 consideration. However, I am not ready to at this point
17 until we know we're not going to get stuck in another mess
18 again. Because we are talking about over \$8 million of
19 taxpayer's monies that it's accounted, that needs to be
20 accounted for. But when I take a look at the \$3 million
21 from the State, and that measly \$81,000 that the State of
22 Hawaii had cut from your budget from, that the Governor had,
23 I wish this would have been a topic of discussion at the
24 last chamber meeting. Thank you, Mr. Chair.

25 COUNCIL MEMBERS: (Laughter)

1 CHAIR PONTANILLA: Thank you, Chairman Mateo.

2 Members, any more questions for Ms. Woods?

3 COUNCILMEMBER MOLINA: Chair.

4 CHAIR PONTANILLA: Member Molina.

5 COUNCILMEMBER MOLINA: Thank you very much, Mr.

6 Chairman, and good afternoon, Ms. Woods. You know, you
7 mention in your overview about the involvement of the board
8 and with your fundraising activities. And thank you for
9 mentioning that. One of the concerns mentioned in the audit
10 as it relates to the board was to, for MECC to implement a
11 process for periodic board review of all cancelled checks
12 and expenditure statements.

13 First of all, can you tell us how many board
14 members you have? And I want to thank Mr. Victorino for
15 disclosing that he's a member of the board. How many board
16 members you have, and are there any other ways you're
17 looking at to get more board involvement? Because it would
18 seem that from past boards maybe there might not have been
19 enough involvement with the board as far as with certain
20 decisions being made. Can you share with us other ways
21 you're looking at getting the board more involved?

22 MS. WOODS: We have 13 board members at this time,
23 and open for more board members. We have encouraged the
24 board to, as well as Mark Chesick, who is our board
25 president, we have created committees. Where before we

1 didn't have committees, now we have committees. We have a
2 public relations committee, we have our -- our finance
3 committee, and we have a fundraising committee, which is
4 sparse. But nonetheless, they are moving forward in
5 direction.

6 It's been, it's been difficult because the board
7 has not -- they've -- they've never had to really
8 participate in that capacity, but they are now, and we've
9 made great, great progress with the board as far as moving
10 in the right direction. Mark Chesick is adamant that
11 everybody participate and put forth the energy that they
12 need to, if they're going to be a part of the board. So I'm
13 really pleased with them at this point.

14 COUNCILMEMBER MOLINA: Okay, and then one more
15 question, Chair, just on that. One of the major issues was
16 the use of the restricted funds. What process do you have
17 in place now to ensure that, you know, that the funds, if it
18 is, are to be taken out, that, you know, there is additional
19 oversight and so forth, so we don't get into the same
20 situation?

21 MS. WOODS: Exactly. Well, that is our mission.
22 That is very important to us, that we replace those
23 restricted funds. Because again, it does hurt our agency
24 when it comes time for the audit. We want to clear it up so
25 we can move forward and regain a positive reputation. And

1 if we in fact have to take from the restricted funds, we
2 immediately -- say, for instance, we're waiting for grants
3 to come in and but we have program expenses. We can take,
4 but as soon as the grants come in we replenish what we've
5 used.

6 So it's we're constantly looking at that, but so
7 far we haven't touched them, and we hope that we don't have
8 to. But that \$10,000 a month from our management fees
9 absolutely goes towards our restricted funds.

10 COUNCILMEMBER MOLINA: Thank you.

11 MS. WOODS: You're welcome.

12 COUNCILMEMBER MOLINA: Thank you, Chair.

13 CHAIR PONTANILLA: Your finance committee has
14 oversight of all the fundings?

15 MS. WOODS: Correct.

16 CHAIR PONTANILLA: Of your organization. And how
17 many members sit on that finance committee?

18 MS. WOODS: Five.

19 CHAIR PONTANILLA: Five. You mentioned that in
20 2007 your audit still needs to be done for that particular
21 year.

22 MS. WOODS: Correct.

23 CHAIR PONTANILLA: And 2008 you're scheduled for
24 July of this year.

25 MS. WOODS: Correct.

1 CHAIR PONTANILLA: Okay. You also mentioned a
2 co-development agreements for South Maui. Can you expound?

3 MS. WOODS: I do, I have co-development agreements
4 for South Maui that are -- I have a couple of them that have
5 been paid to us, and then I have one that is actually in
6 progress right now. So we do have monies sitting there in
7 restricted funds to go towards South Maui projects.

8 CHAIR PONTANILLA: Thank you. Members, just for
9 your information, I got from staff, regarding loans, loans
10 can be only written off by the finance department. No
11 Council approval is needed. So just to let you folks know.

12 Anyway, Members, any further --

13 MS. RIDAO: Council, Committee Chair. I just
14 wanted to clarify. I believe that the loans were made by
15 utilizing bonds. So that may be an issue where that part of
16 it, the bond part of it, needs to come back to Council. I'm
17 not sure, you need to research that.

18 CHAIR PONTANILLA: Yeah, but the information that
19 I got came from the Finance Dep -- no, from our legislative
20 analyst. Okay, we will ver -- verify, verify. Member
21 Baisa.

22 COUNCILMEMBER BAISA: I have one more question
23 that as you were making your report I noted. You made the
24 statement that you have a wait list. Can you tell me what
25 that looks like?

1 MS. WOODS: Right now our wait list, it has gone
2 down because of the RAP program, the Rental Assistance
3 Program. And thank goodness for the Rental Assistance
4 Program, it's one of the most successful that I believe the
5 County has to offer the non-profits.

6 Right now we have 34, 35 families waiting for Ka
7 Hale A Ke Ola, 17 families in Lahaina, and we have
8 approximately about 120 in all at Ka Hale A Ke Ola for
9 individuals, and in Lahaina we have about 57 in all.

10 COUNCILMEMBER BAISA: Thank you very much. That's
11 a very substantial wait list. And I'm assuming that these
12 people are -- where are they until they get in? They're
13 homeless. Thank you very much.

14 CHAIR PONTANILLA: Okay, Members, any more
15 questions for Ms. Woods? Member Victorino.

16 COUNCILMEMBER VICTORINO: Thank you. And Ms.
17 Woods, thank you very much. I didn't want to steal the
18 thunder, that's why I did not say anything. I have been
19 honored to work with you folks, and I can say that the board
20 members we have -- first of all, Mr. Chair, our board has
21 been trained by none other than Sandy Baz, so we have a good
22 trainer who comes and trains us how to be good quality board
23 members. And we have all kinds of forms for nepotism, and
24 all the other things that was brought up, that have been
25 signed by myself and all of the board members that are

1 there. And whether it's Phil Lowenthal, Mark Chesick,
2 people, all these different varieties who have come on to
3 the board and continue to come on. Our last one is
4 Mr. Frampton. They bring a lot of quality to the board, Mr.
5 Chair. And I think Becky has done an excellent job in
6 putting together what I call a real viable organization for
7 which now we can all really depend on.

8 The problem is, and somewhere along the line, like
9 Ms. Baisa said, we are going to have to make some decisions,
10 whether it's Finance, whether it's us, Administration, whomever,
11 some decisions will have to be made. Because, yes, as a board
12 member we have reviewed grants, we have reviewed -- we've
13 sent them out and we've seen the results, and a lot of it is
14 this financial anvil, for lack of a better term, that hangs
15 over our head. And we cannot, not let it go, and it's going
16 to be there until some, some recollection or ratification or
17 whatever can be done for this issue.

18 I think also I'd like to say that the financial
19 committee reports every meeting to us, all the different
20 committees. Mr. Mateo said I should run the fundraiser
21 because I have nothing better to do. Right.

22 MS. WOODS: Exactly, I agree.

23 COUNCILMEMBER VICTORINO: Yeah, no, no. But Mr.
24 Mateo going do that for me, and I thank you. No, no, no.
25 And you know I've been there for all the other stuff, and I

1 will help in any way I can.

2 However, the other important thing is the number,
3 and you have seen it in the report here or you go on the web
4 page, and I did.

5 MS. WOODS: Did you?

6 COUNCILMEMBER VICTORINO: I did, it's right here.
7 I've got it right here. It's actually up and running. And
8 let me give you some quick statistics so that you all
9 understand what this organization does.

10 Between the two shelters they have 138,495 nights
11 for which they shelter people. One thousand three hundred and --
12 I mean one thousand 38 thousand [sic] nights, okay. They serve
13 57,799 meals. They take care of 7,900 children days. They take
14 care of the children while these people are in classes or
15 working. They have 11,305 substance abuse days and hours
16 that are put forward. They put another 11,594 transitional
17 counseling hours for these people. Nineteen thousand nine hundred and
18 eighty educational as well as life hours, which really means -- and if
19 I'm not corr -- incorrect, please correct me -- that these are life
20 skills that are thought so that these people, as I stated
21 earlier, can get out of this vicious circle and move on and
22 become productive citizens. It's not just come in and stay.
23 It's come in, work your way out. And I think that's what
24 makes this program most unique versus many other programs in
25 Oahu and other areas.

1 And the last thing, they do 1,300 referrals to
2 outside agencies, whether it's MEO or the Life Center. We
3 have many interconnecting agencies with this. And that's
4 just one overview, and you can go on and on on other things.
5 It's here, ladies and gentlemen, take a look at it.

6 Thank you, Becky. I know we've been working on
7 this for a long time.

8 MS. WOODS: We have.

9 COUNCILMEMBER VICTORINO: And I see the fruition,
10 and I'm very pleased.

11 MS. WOODS: I would like to say one thing, Mike.

12 COUNCILMEMBER VICTORINO: Sure.

13 MS. WOODS: That is, just to let you know, our
14 agency does save a lot of money by volunteer hours. And I
15 counted the volunteer hours, 43,000 hours for the year. And
16 that's just not including Na Hale O Wainee west side,
17 that's just including Hale Makana and Ka Hale A Ke Ola.
18 So we do really work hard on saving money and working with
19 the community.

20 VICE-CHAIR VICTORINO: And Becky, maybe that's
21 something that should be inclusive in this down the road.

22 Another thing I'll say about this, they have
23 retrofitted many of the units with heaters, solar, CFL's. I
24 mean you name the gamut this organization has taken on.
25 It's not just an organization that believes in just taking

1 care of these people, but helping them learn other means of
2 taking care of themselves, and reducing the cost.

3 We found recently a leak, a tremendous leak of
4 water. Our water bill was like 13 or \$14,000 a month. Am I
5 correctly remembering? What was the bill each month?

6 MS. WOODS: Oh, it was, yeah.

7 COUNCILMEMBER VICTORINO: Something like that, 13 or
8 \$14,000 a month. And we found the problem and then it's now down to --

9 MS. WOODS: What is it, Lilah?

10 COUNCILMEMBER VICTORINO: Lilah?

11 MS. INABA (spoke from the audience): (inaudible)
12 \$4,000 to \$5,000.

13 COUNCILMEMBER VICTORINO: So from now 4- to 5,000
14 a month. I mean, see, these are the things that this board,
15 this group of people, this Administration has worked very
16 hard to correct. So I can say with all confidence, and you
17 know I've never talked to any of you board -- Council
18 Members or anybody else about this, because I go there, do
19 the job, and come back here.

20 And I just wanted you guys to know that I'm there,
21 and if you have any concerns or questions I'm always
22 available. But more importantly, Becky's always available.
23 You can call her any time and she'll be more than graciously
24 willing to answer any question.

25 Mr. Chair, I think this audit does a great deal of

1 bringing forward what we needed to know. And like Chair
2 Mateo said, the former Chair Hokama said, this is not an
3 audit, this is not a witch hunt, this is an ability to find
4 ways of making this a better place so we can enhance and
5 continue to -- to keep this as part of our community. One
6 again of many shining stars we have in Maui County.

7 Mr. Chair, I've said more than enough. Thank you very much.

8 CHAIR PONTANILLA: Thank you, Mr. Victorino. I do
9 know that your board of directors are well respected
10 citizens of our community, and they represent all aspects of
11 life here in Maui County.

12 Members, any more questions for Ms. Woods? Member
13 Kaho`ohalahala.

14 COUNCILMEMBER KAHO`OHALAHALA: Thank you. First
15 of all, what was -- what was your Web site address?

16 MS. WOODS: It's meccinc.org.

17 COUNCILMEMBER KAHO`OHALAHALA: Okay, inc. We missed the inc.

18 MS. WOODS: Oh.

19 COUNCILMEMBER KAHO`OHALAHALA: The inc part.

20 Yeah, I was trying to look it over this time.

21 MS. WOODS: Oh, Okay.

22 COUNCILMEMBER KAHO`OHALAHALA: And I couldn't,
23 couldn't find it under.

24 The other question I have, Chair, is in, in the
25 audit report where it says that you have, they recommend

1 within 60 days that you work out with the department some
2 kind of reporting schedule and a biannual kind of meeting,
3 is that something that you've completed?

4 MS. WOODS: No, that is something that I had
5 mentioned I have not completed, but I will be happy to do
6 that. And I have to know who I'm supposed to report to.
7 Most likely the Department of Housing and Human Concerns,
8 Jo-Ann?

9 MS. RIDAO: That also is a question in my mind,
10 because this audit was requested by the Council. And so in
11 my mind the report should be done to the Council with maybe
12 a copy to the department. And I think that's maybe the proper
13 way.

14 COUNCILMEMBER KAHO`OHALAHALA: And then, Chair,
15 just one more follow-up on this.

16 CHAIR PONTANILLA: Sure.

17 COUNCILMEMBER KAHO`OHALAHALA: Is that everything
18 that you have reported today then, is that something that's
19 in writing and is it part of the fulfillment of this, this
20 audit report?

21 MS. WOODS: Everything that we've done, whether it
22 was part of this, the recommendations or not, have been
23 completed in this, in the recommendations. It's not in
24 writing. I will be happy to put it in writing. I will be
25 happy to provide you with documentation.

1 COUNCILMEMBER KAHO`OHALAHALA: Okay.

2 MS. WOODS: Such as our nepotism policy, and our
3 policies and procedures. Whatever, you know, documentation
4 I have I'll be happy to provide you.

5 COUNCILMEMBER KAHO`OHALAHALA: I think, Mr. Chair,
6 if she could have that submitted in writing it would be
7 helpful for us to kind of go over this one more time. And
8 then if, if in terms of your response, if it would be
9 aligned with the --the audits, so that we can follow this
10 report.

11 MS. WOODS: Absolutely.

12 COUNCILMEMBER KAHO`OHALAHALA: And follow your
13 responses to each of those. I appreciate that. Thank you.

14 CHAIR PONTANILLA: Thank you. Yes, I was going to
15 recommend that, Member Kaho`ohalahala, that the organization
16 provide us with some written report regarding the
17 recommendations that were made by the audit.

18 Members, I'm going to go to Ms. Jo-Ann Ridao, if
19 you have any questions for Ms. Ridao. Member Baisa followed
20 by Member Nishiki.

21 COUNCILMEMBER BAISA: Yes, Mr. Chair. In light of
22 the information that you shared with us earlier from staff,
23 that any consideration of this dealing with this loan would
24 come from finance, then it's really an administrative
25 situation. And I'm wondering if Ms. Ridao has any

1 information or can tell us if there are any plans to deal
2 with this.

3 And, you know, I realize that we're dealing with
4 an incredible amount of taxpayer's money, and that's a
5 concern for all of us, particularly right now when we're
6 really concerned about, you know, how we're going to pay
7 bills around here. But, you know, we had a lady earlier
8 here this week and her name was Stone, and she said, "You
9 know, you can't get blood out of a stone."

10 I kind of see a parallel here. I mean it's kind
11 of hard to get money out of people that can't give it to
12 you. But maybe, you know, you could all look at something
13 more creative or innovative, and maybe we could restructure
14 these loans. Maybe they could be, you know, like mortgages
15 that you refinance and you spread it out over more years, or
16 delay more payments until later or -- but, you know, the way
17 it's structured right now, and because of the effect it has
18 on the agency's ability to attract money, is really more of
19 a hindrance.

20 And I agree with Member Mateo that, you know, we
21 need to look at a business plan. We need to look at the
22 numbers on the work you've done to show your feasibility of
23 your maintaining your expenses and, you know, what kind of
24 money you can pay back. And I think once that documentation
25 is in hand, then the ball is in the court of Administration.

1 But I certainly hope that we will try to follow up with
2 this, Chair. Thank you very much.

3 CHAIR PONTANILLA: Thank you. Member Nishiki.

4 COUNCILMEMBER NISHIKI: Yes. I was looking at
5 page 34 of the summary, Jo-Ann, and in it it recommends many
6 things. But when I look at page 35 and this is, "To improve
7 its monitoring and oversight of MECC, the Department of
8 Human Concerns should do the following." And it talks about
9 five different areas.

10 Your comments, because when I looked again at page
11 37 you state that it doesn't have the ability to perform
12 stricter enforcement of reporting deadlines, including
13 reporting payments, termination of suspension. And so is
14 this something that is lacking because I think -- because I
15 think on page 38 you talk about not having enough staff.

16 So do we have a real problem here when we deal with
17 non-profits and really checking on what their situation is.

18 MS. RIDAO: Councilmember --

19 COUNCILMEMBER NISHIKI: This one here, I don't
20 know why the Council picked MECC, was a glaring concern I
21 think that we as Council Members now have. So I don't know
22 what your response is, Jo-Ann.

23 MS. RIDAO: Our response from the
24 department, Council Member, is that I think these
25 recommendations are important, and we will take a good look

1 at them. However, I would like to also say that the process
2 for us to work with, to support, and to monitor each of the
3 -- we have about 120 grants that we work with, and it has
4 served us well. I mean the reporting system has served us
5 well.

6 In where it recommends that maybe we need to be
7 more hard-nosed I guess in releasing funds if reports are
8 not timely, is a difficult one, because its, you know,
9 reports are keeping the organization intact and running.

10 One of the ways we do enforce that is there is a
11 final payment that not, does not get released until all
12 reports are in for that prior year's grant.

13 So what I want to say is that it -- it has served
14 us well in the past. You know, MECC is a, is an unusual
15 situation. I also agree that I think that this management
16 audit will serve them well as well as all of us. I mean we
17 know now where we want to head, we know what we have to do,
18 and I think it will serve all of us well.

19 I want to say that the department sees, we see
20 ourself first as a support to the organization versus being,
21 always being a monitor and holding a hammer over them. And
22 I think that has been a good thing, because for most of the
23 organizations we have a very good relationship. We are
24 open, they are open with us. They're not afraid to talk to
25 us or ask us questions, which is a very good thing, because

1 you don't want problems hanging out there that get
2 unanswered.

3 We are working with MECC. The department has
4 submitted a grant to the USDA to assist MECC with a
5 facilities management plan, and the, hopefully the grant
6 will come through and provide MECC with a plan on how they
7 maintain their buildings and what needs to be done at what
8 times. And I think that will be another support to them.
9 It will help in their operations. But primarily we see
10 ourselves as a support. We don't want to be always seen as
11 the monitor, but that is our function, bottom line. Did I
12 answer your question?

13 COUNCILMEMBER NISHIKI: Yeah. I -- I want to read
14 you on page 38, Jo-Ann, the last paragraph which states,
15 "DHHC staff stated that they agree with the periodic onsite
16 reviews and inspection of grantee records would be
17 beneficial." So we're talking about this non-profit.

18 "However, then it goes on to say, "the current
19 number of staff compared to the number of grants
20 administered is insufficient at this time to permit on-site
21 or in-depth reviews and inspections. DHHC typically has a
22 grants specialist to grants ratio of 1 to 50 or 1 to 60.
23 DHHC stated that the recommended grants specialist to grants
24 ratio is no more than 1 to 20."

25 So, Mr. Chairman, if this is what this County is

1 doing now with the grants specialist and the 1 to 50, 1 to
2 60, they have a reason, they don't have enough manpower.
3 And if we continue on this trend, if this is what the audit
4 states and what the response is, we're in trouble, because
5 the staff cannot do their job.

6 And Jo-Ann, you know, maybe it's not your fault
7 that this is occurring, but it's a concern now that I have
8 for us here in Maui County. Your response to what was
9 written in this, Jo-Ann.

10 MS. RIDAO: It is, it is true, we have only two
11 grants managers working right now on staff. The division
12 head of that department also assists with monitoring of
13 grants. So it is difficult to do site visits of every grant
14 that is given out by the County.

15 COUNCILMEMBER NISHIKI: And --and --and -- and
16 what occurred at this facility, and I don't know if it was
17 driven by looking at an on-site review or looking at water
18 records to show that, hey, you know, we've got a water leak
19 or whatever. I mean is this something that could have been
20 averted had we had proper staff that was monitoring each
21 site?

22 MS. WOODS: No. I believe in my opinion that the
23 grants management team does an excellent job in monitoring
24 our grants. They are very diligent, they go over them with
25 a fine tooth comb, and they make sure we know when something

1 isn't correct. And we are required to fix it to make it
2 right. So and it's on a time -- it's very timely.

3 So I would say that in my opinion they do an
4 excellent job. It's never caused a delay. If there's a
5 delay it's because the prior Administration did not turn in
6 the grant reports on time. But as I see it, working with
7 the grants team we are always on the same page and work very
8 closely together in a timely manner, and it really has
9 nothing to do with the water leak.

10 COUNCILMEMBER NISHIKI: Okay. I'm done.

11 CHAIR PONTANILLA: Thank you. You know, we've
12 just gone through the budget cycle, and one of the biggest
13 issues we have is how do we administer grants. And I think
14 this audit report provide us with some good insights of what
15 is required. And I don't know if the department have
16 comprehensive policies and procedures to monitor any grants
17 that we give out, I really don't know how do we track, how do we
18 enforce grants reporting deadlines for the County of Maui.

19 So this audit report, I don't think it only
20 touches MECC, but when you read the whole report itself, you
21 know, we have got to take a look at ourselves as County
22 departments in regards to some of the things that we ask
23 for. We've gone out and did audits for the departments, and
24 we -- although we had meetings in regards to the audit
25 reports, this is the most comprehensive audit reporting and

1 review that we've had of all the audits that we've done, you
2 know.

3 We left it up to the Administration to follow up
4 on those audits and the recommendations, but we never did
5 follow up with what was accomplished. And maybe, you know,
6 we have got to do that. And what is recommended by the
7 auditor for this one here, MECC and DHHC, to report back in
8 60 days on what was accomplished in their recommendation.

9 So in order for us to get this thing going in
10 regards to making sure that all of the recommendations are
11 being adhered to, then it would be us to review audit
12 reports. Otherwise, things no get done.

13 Members, any more questions for the department?
14 If not, I want to thank Ms. Ridao and Ms. Woods for being
15 here, sharing your information. I want to thank the
16 auditor, Mr. Covey, for being here this afternoon, as well
17 as -- I don't know if she's still on the phone.

18 MS. KNIPPLING: Yup, still here.

19 CHAIR PONTANILLA: Thank you for being here. And
20 Members, if there's no more questions --

21 COUNCILMEMBER KAHO`OHALAHALA: Chair.

22 CHAIR PONTANILLA: Member Kaho`ohalahala.

23 COUNCILMEMBER KAHO`OHALAHALA: If I can, I just --

24 CHAIR PONTANILLA: Sure.

25 COUNCILMEMBER KAHO`OHALAHALA: -- have a couple more

1 questions to the Director of -- on your Web site it says
2 about us, it says that you have 80 staff members. Is that
3 --

4 MS. WOODS: That's correct.

5 COUNCILMEMBER KAHO`OHALAHALA: -- correct? Okay, and
6 then it says 2.06 million in annual payoff. Can you explain
7 what that means?

8 MS. WOODS: My CFO is here, she can explain that,
9 Lilah.

10 COUNCILMEMBER KAHO`OHALAHALA: It says here 2.06
11 million.

12 CHAIR PONTANILLA: Member Kaho`ohalahala, Members,
13 if there's no objection, if she could come up to the lectern
14 and provide that information.

15 COUNCIL MEMBERS: No objection.

16 CHAIR PONTANILLA: Please state your name and your
17 title.

18 MS. INABA: I'm Lilah Inaba. I'm the Chief
19 Financial Officer of MECC.

20 COUNCILMEMBER VICTORINO: Push it down. There.

21 MS. INABA: Can you hear me now?

22 COUNCILMEMBER KAHO`OHALAHALA: Yeah. Thank you, Chair.

23 Lilah, I'm looking at your Web site and it says
24 under the menu title "About us" and it says you have a
25

1 bullet here that \$2.6 million in annual payoff.

2 MS. INABA: I think what they meant to put there,
3 I haven't looked at the -- I just scanned the Web site. I'm
4 sorry, I just scanned the Web site. And this came up just
5 last week, the Web site just went on line, and I haven't had
6 time to do my part in it. But I think what they looked at
7 was our annual revenue for Ka Hale A Ke Ola as being 2.6
8 million, and that would be about right for the shelter.

9 COUNCILMEMBER KAHO`OHALAHALA: So that's the
10 amount that you bring in then?

11 MS. INABA: That's the amount that we bring in.

12 COUNCILMEMBER KAHO`OHALAHALA: Okay. Okay, and
13 then just, just a comment, if I can.

14 CHAIR PONTANILLA: Go ahead.

15 COUNCILMEMBER KAHO`OHALAHALA: It doesn't list
16 anything other than an address, so --

17 MS. WOODS: It's a brand new Web site, and we
18 haven't had time to go in there and put everything that we
19 need, you know, to adjust it. Like I said, it's not even a
20 week old.

21 COUNCILMEMBER KAHO`OHALAHALA: Okay. I just
22 wanted to just comment on that, and then just clarify that
23 portion there.

24 MS. WOODS: Thank you.

25 COUNCILMEMBER KAHO`OHALAHALA: Okay, thank you.

1 CHAIR PONTANILLA: Thank you. Members, any more
2 questions? Seeing none, thank you very much, Ms. Inaba, for
3 providing us that information.

4 Members, you know, the Chair was intending to file
5 this County Communication, but the statement that I made
6 earlier in regards to reviewing this performance audit again
7 I think warrants that this thing be deferred. And I -- and
8 I think some of the other re -- audits that we've done, you
9 know, going to take a look as far as bringing back some of
10 those audits to find out, you know, what has been done on
11 recommendations that were made.

12 Just to let you know, you know, we pay big bucks
13 to have audits done and, you know, we've got to be
14 responsible in regards to experts over here that when we do
15 audits that, you know, when -- we've got to be sure that
16 recommendations are adhered to.

17 So Members, with no objection, the Chair would
18 like to defer this item.

19 COUNCIL MEMBERS: No objections.

20

21 ACTION: DEFER pending further discussion.

22

23 CHAIR PONTANILLA: Thank you. Members, any
24 announcements?

25 Seeing none, thank you very much, staff. Thank

1 you very much for Administration. Again, thank you Ms.
2 Woods, thank you Ms. Ridao.

3 Members, thank you for being here this afternoon.
4 The meeting of the Budget and Finance Committee meeting for
5 June 30th is now adjourned. ...(gavel)...

6 ADJOURN: 4:03 p.m.

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C E R T I F I C A T I O N

I, JEANNETTE W. IWADO, Notary Public for the State of Hawaii, certify:

That the proceedings contained herein were taken by me in machine shorthand and were thereafter reduced to print under my supervision by means of computer-aided transcription; that the foregoing represents, to the best of my ability, a true and accurate transcript of the proceedings had in the foregoing matter.

Dated the 15th day of July, 2009



NOTARY PUBLIC, State of Hawaii
My commission expires 2/5/12