

**STATEMENT OF DENNIS IHARA**

On March 14, 2007, Dennis Ihara advised Bob Masuda, the First Deputy, DNLB told him last week that Masuda contacted Carl Watanabe and asked him if he was still receiving things or work from Sandra Furukawa and Watanabe said, no. Ihara was not aware if Masuda document the warning to Watanabe.

Ihara advised there is a report made by one their fiscal people relative to fiscal mismanagement at the BOC. Ihara advised the individual is Leroy Taira who is currently retired. Attached is a copy of the report.

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Discussion paper – October 26, 2006

Preliminary report prepared in response to a request to investigate a) certain procurement transactions of the Bureau of Conveyances and b) access to computer data of the Bureau and fees collected for that access.

## BACKGROUND

- 1) The BOC Information System (BCIS) was implemented Jan 2002. It was designed under contract with Unique Computer Systems, dba The Lange Group under a \$1.7 million dollar contract. With the new system, documents were scanned rather than microfilmed. This would allow the BOC to provide digitized images to the public through internet access. Physically, the computer (IBM Regatta), which contains the BOC data and also the State Parks Reservation System, is located in ICSD. According to Lila, this is not uncommon for larger systems, which can be better maintained at ICSD. Prompting the conversion to new systems department-wide was the announcement that DAGS ICSD would not continue to support our WANG based systems.
- 2) Previously, the BOC used microfilm to record documents. As provided for in their Admin Rules, Section 13-16-24, all the costs for this microfilm was to be borne by the agencies requesting the use of the microfilm. According to a former admin assistant, even though the BOC would not bear the cost of any of the microfilm operations, the State Procurement Office advised them that it needed to be put out to bid.
- 3) In addition to the microfilm cartridges, title companies could also purchase daily mag tapes of all the days' transaction information. Both the microfilm and the mag tapes to the title companies stopped when the BOC started the new system.

## TITLE GUARANTY CONTRACT

- 4) With the switch to the new system in Jan 2002, the BOC wanted to convert at least a portion of the older microfilm data into scanned images. They requested the assistance of DAGS, ICSD to help procure the services through

an RFP. Result was contract 46716 to Title Guaranty for \$200,000 for the first five years and the option to add another five years for an additional \$200,000. Charge per page would be \$.015. The source to do these images was their copy of the microfilmed documents. As the images were delivered they were inspected and loaded onto the system by Larry and Alan of DLNR DP with assistance from the Lange Group. The bulk of the contract payments, so far \$251,303, have been made between May 2002 through September 2004. Email from Title Guaranty in Sept 2006, asks for the status of 11 tapes that were pending. Response from BOC indicates that all tapes have been successfully imported and that the final billing can be submitted.

#### HAWAII MICROFILM CHARGES

- 5) The last step in the scanning system involves processing the digital images to microfilm through a document archive writer. Similar to how documents were microfilmed in the past, these analog images are being converted to rolls of film but now with the implementation of the digitized system, the cost is borne by the BOC. Payments to Hawaii Microfilm Services for undeveloped film and developing services from FY03 to present amounted to \$35,000. The registrar thought his was done to comply with HRS requirements. I could find no such requirement in the statutes. HRS 502-82.

Follow-up Recommended - BOC to determine the need for continued microfilming of scanned documents

#### TITLE COMPANY ACCESS TO BOC DATA & FEES

- 6) According to the registrar, the intent of the new system was to eliminate the need for title companies and the public to maintain a microfilm library and a separate data file. The new system would provide a means to capture both images and data on the same system. While it was intended to charge for this additional benefit, it is not working properly because while the scanning is current, the related indexing is not. With the help of Title Guaranty's technical group, a program was created for immediate access to these images without the recording information. I could not find any executed contracts, purchase order or fees paid to Title Guaranty for this service.

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According to the registrar, the only fee, which is currently charged to the title companies, is \$150 per month plus minutes for LCATS, which allows for the retrieval and printing of Land Court Certificates of Title. This contradicts current information provided by Alan of DP, in a preliminary listing of authorized users, it appears that some users are getting both images and data transfers from the new system. Alan was not able to give me an idea of what the various system screens looked like. But he mentioned the same problem about the indexing not being current. Alan stated that the Lange Group was aware of the program donated by Title Guaranty.

The BOC's Admin Rules as posted on their website have not been revised to reflect the major changes expected to be effective Jan 2002. There is a section (13-16-32) concerning the sale of computerized information (LCATs) on magnetic tapes, which no longer applies. There are no provisions for a fee structure for the expected digitized data and image transfers. On the BOC website, there is a Fee Schedule dated Sept 1, 2003 which does list fees for these new services and also revises the LCATS monthly charge. According to the registrar, the Board has not approved this fee schedule.

HRS 502-25 is clear that fees for services rendered under this chapter shall be established by rules adopted by the DLNR pursuant to chapter 91, which ~~deals with administrative rules.~~

Follow-up Recommended:

- \* BOC should start the process of amending their admin rules to reflect the new features available and to set the fees for such services.
- \* BOC should replace the fee schedule posted on the division's website site with the approved fee schedule
- \* BOC should execute written contracts with all authorized system users.
- \* BOC should request DP follow-up with the Lange Group to determine the current status of the systems ability to provide data and image transfers as originally designed and to audit the programming service said to have been donated by Title Guaranty.

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