

Statement of Scot K. Chang

On February 23, 2007, Scot K. Chang, employee of Bureau of Conveyances (BOC), Department of Land and Natural Resources (DLNR), State of Hawaii (SOH) was contacted by Hilton J. Lui. Upon contact Chang was informed by Lui that he has been retained as an Investigator for the Hawaii State Ethics Commission whose Executive Director is Dan Mollway. Chang advised his current address is 1212 Nuunanu Avenue, Apartment 1302, Honolulu, HI 96817 and his work telephone number is 587-0153

Chang did not request any Union representation for the interview.

Chang advised he previously provided a statement to Attorney General Investigator Dennis Naganuma.

Chang advised he has been employed at the BOC since July 10, 2006. Chang added prior to that he was employed by Island Title for five years and before that at Title Guaranty for about two years. Chang advised that he has a working knowledge of computers inasmuch he works with them each day. Chang advised when he was working at the title company they had a program linked with the BOC called LCAT. Chang explained that with the LCAT they could pull up information from the BOC just for viewing purposes for the public which is called Certificate of Title. Upon reviewing the Certificates of Title you could see your name and all the encumbrances that follow that property and if you needed that you could print it out. Chang advised part of his job at both companies where he worked was to do searches. Chang added in order for them to log on they would have the screen saver with public logon. What triggered Chang is one day in November 2006 when he had already moved over to

200154

the BOC, Faith Hope, an employee who sits behind him was having problems with her computer. When he went to help her he witnessed that Faith's computer would just shut her off and when it came back on it had the public menu instead of the BOC menu. Chang then asked Faith how she did that and she replied, "I didn't do anything it just came out to her screen." From there Chang asked Faith, to hold on and let him get his Island Title logon and password because he used to work there. Chang added with the Island Title logon and password he was able to logon. Chang felt this was odd because the BOC is charging Island Title for issuance and if that was so shouldn't Island Title try to protect that usage if they were paying for it? Chang became very suspicious there was no safeguard to logon and be charged. The following week he went to Island Title as he still has friends there and put on his employee logon unto the public menu and was able to logon his screen name and password at Island Title and literally did his work there. When he discovered that he quickly reported that to Dennis Ihara, who is currently the Supervisor there at BOC.

Chang advised it did not come to him what was happening at the BOC until he reflected back when he first started at Title Guaranty and heard office talk about if there is anything wrong with your certificate of title. Chang added if there is a mistake you're supposed to sent in for a correction letter, like if there was a mortgage on your property that needed to be removed but was not done so yet. When the BOC received the letter and found what wasn't done they would amend your certificate. Chang advised that sometimes the Assistant Registrars are just swamped with work so they can not address all corrections at the same time. When he was at Title Guaranty he would hear employees say, my project is on hold because I am waiting for

200155

my correction letter. Chang added in the Title business time is money and the client is waiting to disburse money and the maturity date for loans need to be met so that it can be closed out. The quotes he heard was "just do it yourself." Chang added he never put it together that until he could log on to the BOC system himself from the outside. Chang did not want to insinuate that it has been done before but the possibility was there that you could do it because you can log on from the outside. Chang also indicated also that some employees that have left the BOC still have their logons and never had it terminated. Chang added this was very suspicious to him and that is why he felt obligated to inform Ihara about his findings and the big problem.

Chang added when he did bring the problem to the Computer Programmers there at the BOC and DLNR they did say, "yes, you can log on but it depends on how you log in." They added that the public and the BOC employees share the same port, and you can obtain the information or you can change the information if you want. Chang recommended that the public and the employees need to have separate ports where the public can go on directly and use their own port to the data. But because they now share the same port you can still go from the outside and still log in which makes it possible to download the data on your own computer and work from home as long as you have the password. This is how dangerous it is. All the sensitive materials and information can be amended and no one knows. Chang also added there is no tracking system. There is no record of what was done in the system except who logs on.

Chang was aware that Bob Masuda, First Deputy of DLNR was informed as to the public having access to their data and the capability of it being changed or amended from the outside. Masuda

200156

informed Chang that he met with the Lange Group who is currently on contract to be their computer resource people and told them of the problem. Chang advised his knowledge is that at one time Nani Lindsey who heads the Lange Group did work for Title Guaranty. This happened before he worked for Title Guaranty, possibly in the 1990s. At present Chang advised that within the BOC if you are within the vicinity of your own space you can log in by using anyone else's computer using your own password. The dangerous part of BCIS is that it doesn't have a tracking system. Chang recommended that safeguards be put in place whereby every time someone went it, whatever the person did his transactions be documented. Chang advised that Title Guaranty now has that system in place where every single step is documented. Chang added they are dealing with people's investments and he is appalled as to how weak their system is. Chang added they still have three public computers in their reference room area which share the same port with their work computers. The public who work at home don't have to stay at home being that currently they can come in and do work in the public room. Chang have asked that the public have their own port and the employees have their own exclusive port.

Chang then addressed the computer within their space that was provided by Title Guaranty. Chang added while with Investigator Dennis Naganuma and the IT personnel of DLNR, Naganuma asked Larry Dy'Liacco of their IT Department what that computer was and Larry proudly said that he had set it up and the computer was donated by Title Guaranty so it could produce images from their scanning department so that people who need the image don't have to worry that it was scratched up or blurry. Chang added Larry was not able to articulate what that computer does for the BOC. Chang added that

200157

the Computer sucks all the standing images that they scan daily and goes to their server who then provides the information to their BOC Indexing/Data Processing Department who in turn provides that information to the public. Chang added at the same time the information goes to Title Guaranty where the information goes into their Indexing Department who in turn sells it to the public as part of their title reports. Chang advised in his opinion the Title Guaranty computer serves no purpose to the BOC. Chang further articulated one additional problem saying that not all documents are 100% correct. When problems are caught at BOC Indexing it is kicked back to get corrected documents from the people who wanted it recorder to correct it, where it is rescanned and reposted. The problem is if Title Guaranty gets it, it is wrong. Title Guaranty gets false information that should be corrected. Now you have two sets of information that is competing. Chang drew two diagrams which shows what happens from the time information is scanned to when it is forwarded to the TG monitor and the BOC server (See two rough diagrams, attached). Chang added in Dy'Liacco own words, that's what it does. Chang advised in the meeting he informed Dy'Liacco and others there that it not correct to do this, but Dy'Liacco indicated they were just told to set it up by Carl Watanabe.

Chang suspects that when title companies can not wait for the information to be recorded, they "get their own," because they are capable of making the corrections themselves.

Chang agrees that there should be equal access to all entities and go to public viewing just like anybody else. Chang advised Title Guaranty is allowed to get bigger because it has immediate access to the information. Other companies have to

200158

wait for his supervisor to post the information so they can continue with their work.

Chang also saw Michael Pietsch, President of Title Guaranty last month come to the BOC and ask where the scanning room was, because the scanning room was behind a month their title plan no work. When Pietsch came to their office Chang observed Pietsch asked Edna, their secretary where their scanning room was. When Edna questioned Pietsch, "do you have permission?" Pietsch replied verbatim, "I was in a meeting with Peter Young," and Edna took it as a yes and showed him the scanning room. When Chang saw Edna escorting Pietsch, Chang informed her that Pietsch should not be there. Pietsch, who overheard his comment just said, "ok" and left.

Chang provided Lui with a copy of a letter composing of two pages dated September 21, 2000, addressed to Tim Johns from Micheal A. Pietsch. This letter is attached with this statement.

Chang then led Lui to the Dell Computer System which he believed to be owned by Title Guaranty of Hawaii which is located within the Bureau of Conveyance office space and near the desk occupied by Alan Smith who is one of the IT people assigned to DLNR. Lui then took photos of the computer which composed of a hard drive cabinet, Monitor and keyboard. On the label located on the top of the hard drive cabinet were the words, Windows 2000 Pro 1-2CPU, serial number "X08-73013" and the numbers "V8P42-DTGMY-X6BTP-GDK6M-37X6J". Of note on one side of the hard drive cabinet there was a white 8½ X 11 sheet of paper which noted "Do not turn off this computer." Also on the opposite side of the hard drive cabinet there was a piece of pink paper which noted wording "TG" and some other wording.

200159

10:10 NUNUWJ
HGEA
From: Tim Johns/DLNR

587-0390.
587-4380.



Title Guaranty of Hawaii, Inc.

235 QUEEN STREET, HONOLULU, HI 96813 • P.O. BOX 3084, HONOLULU, HI 96802
TELEPHONE: (808) 533-6261

September 21, 2000

Tim Johns
State of Hawaii
Dept. of Land & Natural Resources
Office of the Chair
1151 Punchbowl Street
Honolulu, HI 96813

Dear Tim:

This is a follow up to our recent discussion regarding the Hawaii Title Association (Association) and its desire to submit an unsolicited proposal for a memorandum of agreement with the Department of Land and Natural Resources (DLNR). The proposed Agreement would involve supplying a service to scan new recorded documents at the Bureau of Conveyance in return for a digitized image copy of all new recorded documents processed. Details of the proposal are provided in the sections that follow.

The proposed agreement would be by the Association, which is composed of all major title insurance companies in Hawaii. The initial term of the agreement would be for five (5) years. Upon mutual agreement by both parties, the service could be extended for an additional five (5) year terms.

The scope of the proposed services is as follows: The Association would provide scanning services for new recorded documents at the Bureau of Conveyances and would be in substitution for the similar services currently provided by Title Guaranty of Hawaii. The Association would provide to the DLNR, a digitized image copy and corresponding index for Land Court and Regular System documents recorded at the Bureau of Conveyance during the term of the agreement.

Recorded document images and indexes would be delivered to the Bureau of Conveyance on a regular and timely basis and in file and data formats reasonably specified by the Bureau of Conveyance. This service would be supplied at no cost to the DLNR.

Tim Johns
September 21, 2000
Page -2-

In exchange for receipt of this service, the DLNR would agree that the Association would retain a digitized image copy and index for all recorded documents processed during the term of the agreement. The Association would subsequently distribute copies of the recorded document images to the Association's members. It is important that the Association's members have equal opportunity to access and utilize the recorded document images received as a part of this agreement and that they would have unrestricted use of the recorded document images received.

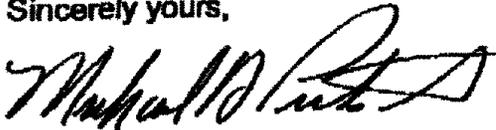
We strongly believe that this proposal would be mutually beneficial to the State of Hawaii and to the real property industry in Hawaii. Through this agreement, the State would be able to obtain a valuable service at no cost and would gain the opportunity to deploy its limited financial resources to other higher priority areas. For the Association members, the agreement would facilitate the cost effective and speedy production of new recorded document images that are vital to its member real property title and escrow operations and its ability to service the public.

We are anxious to promptly move ahead and look forward to the opportunity to further discuss this matter with you.

Please call (521-0259) me if you have any questions or comments.

Thank you for your consideration.

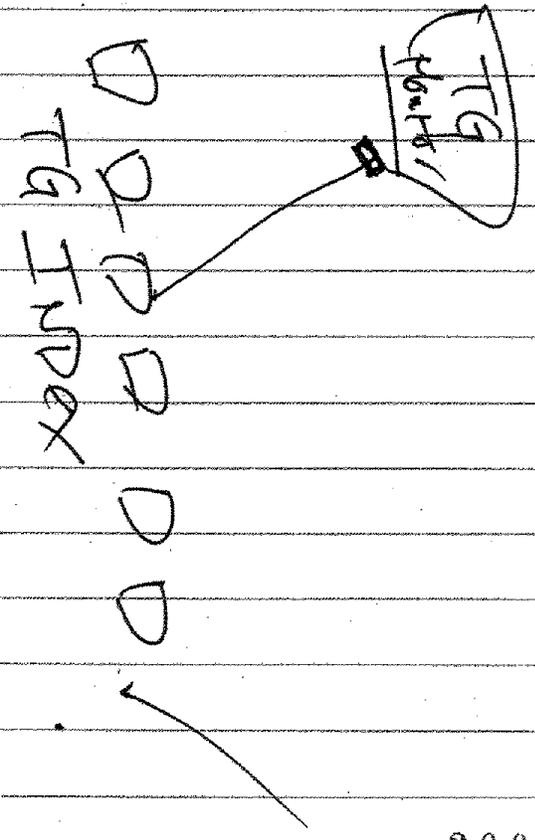
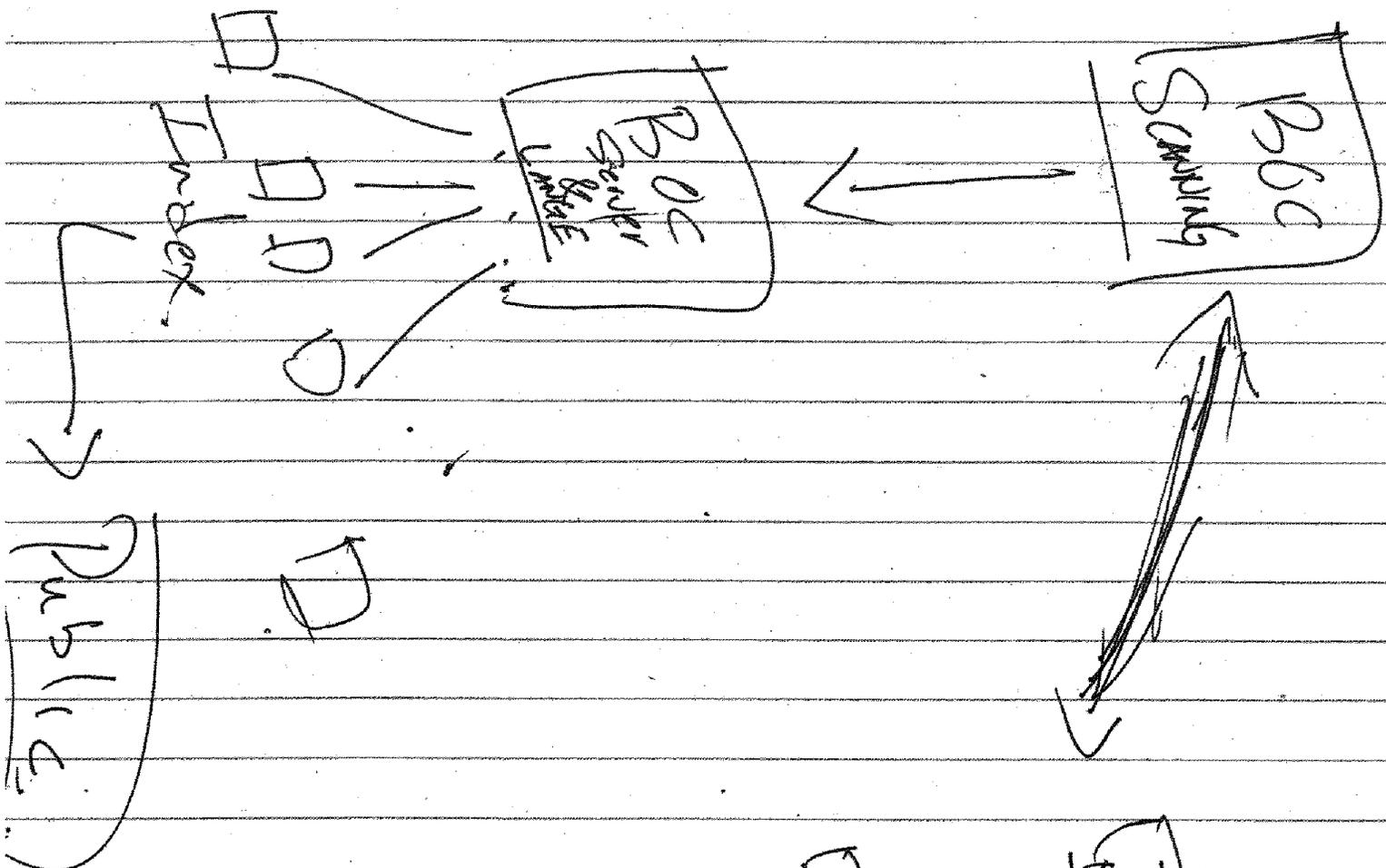
Sincerely yours,



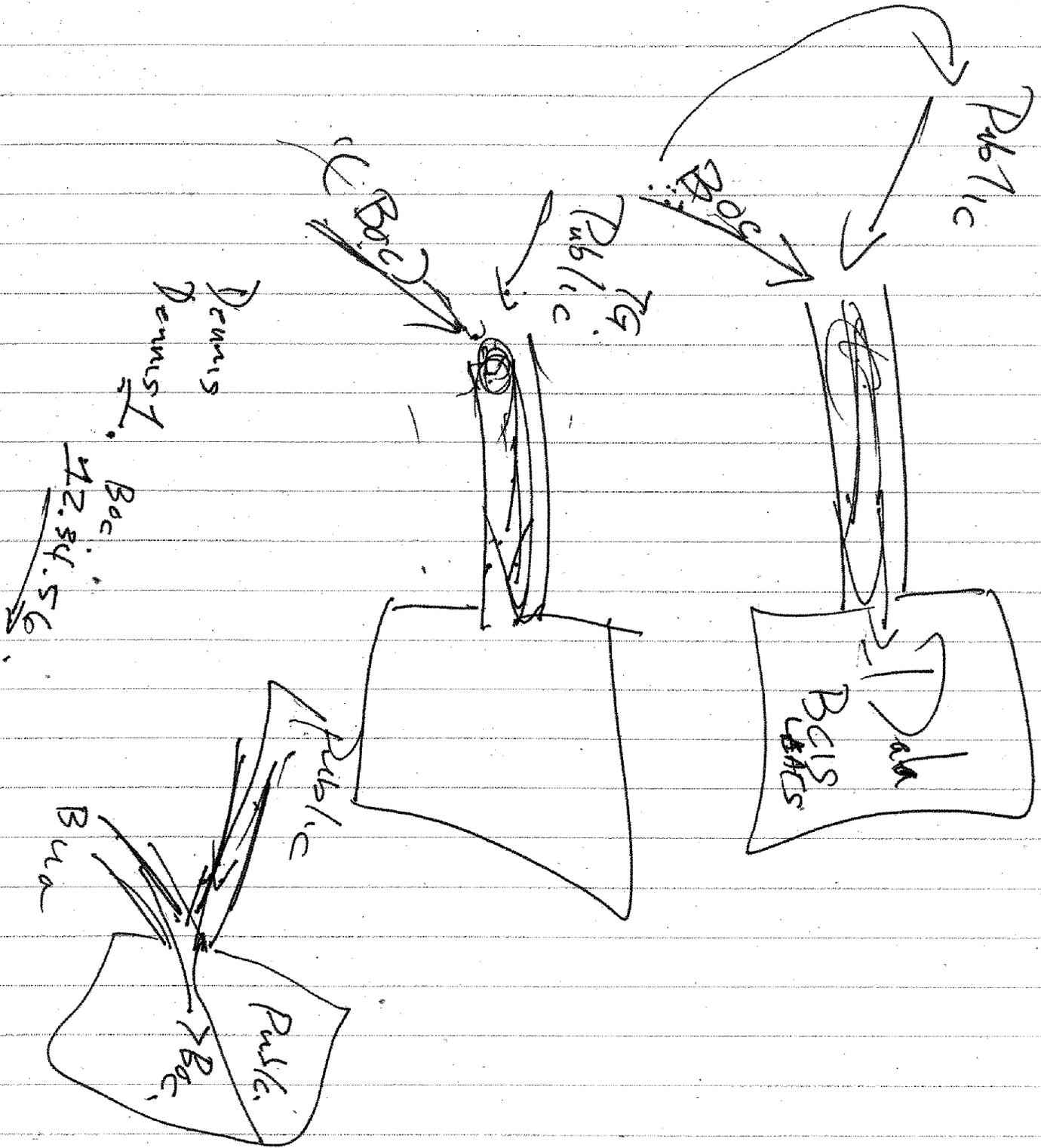
Michael A. Pietsch
President & C.E.O.

Cc: President of Association

200161



TITLE
 (Serial)
 title reports.



200163