

Bureau of Conveyances

Presentation to
**Joint Senate-House
Investigative Committee**
August 29, 2007

Presentation Topics

- Recap Investigation
- Summarize Issues
- Future Direction

Abbreviations

BOC: Bureau of Conveyances

BCIS: Bureau of Conveyances Information System

DLNR: Dept. of Land & Natural Resources

FTP: File Transfer Protocol

FY: Fiscal Year

HAR: Hawaii Administrative Rules

HRS: Hawaii Revised Statutes

ICSD: Information & Communication Services Division

LCATS: Land Court Automated Title System

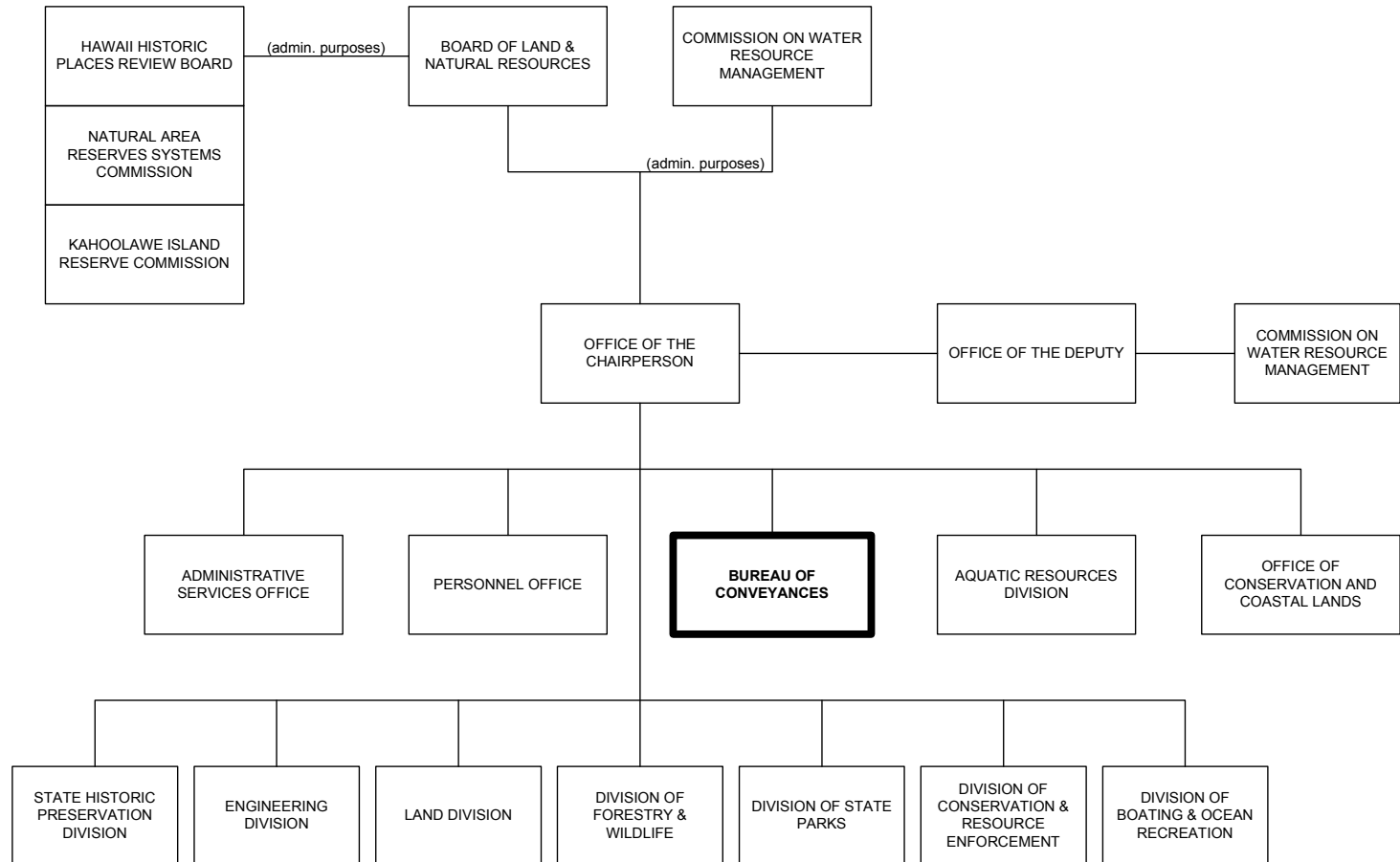
TG: Title Guaranty of Hawaii

VPN: Virtual Private Network

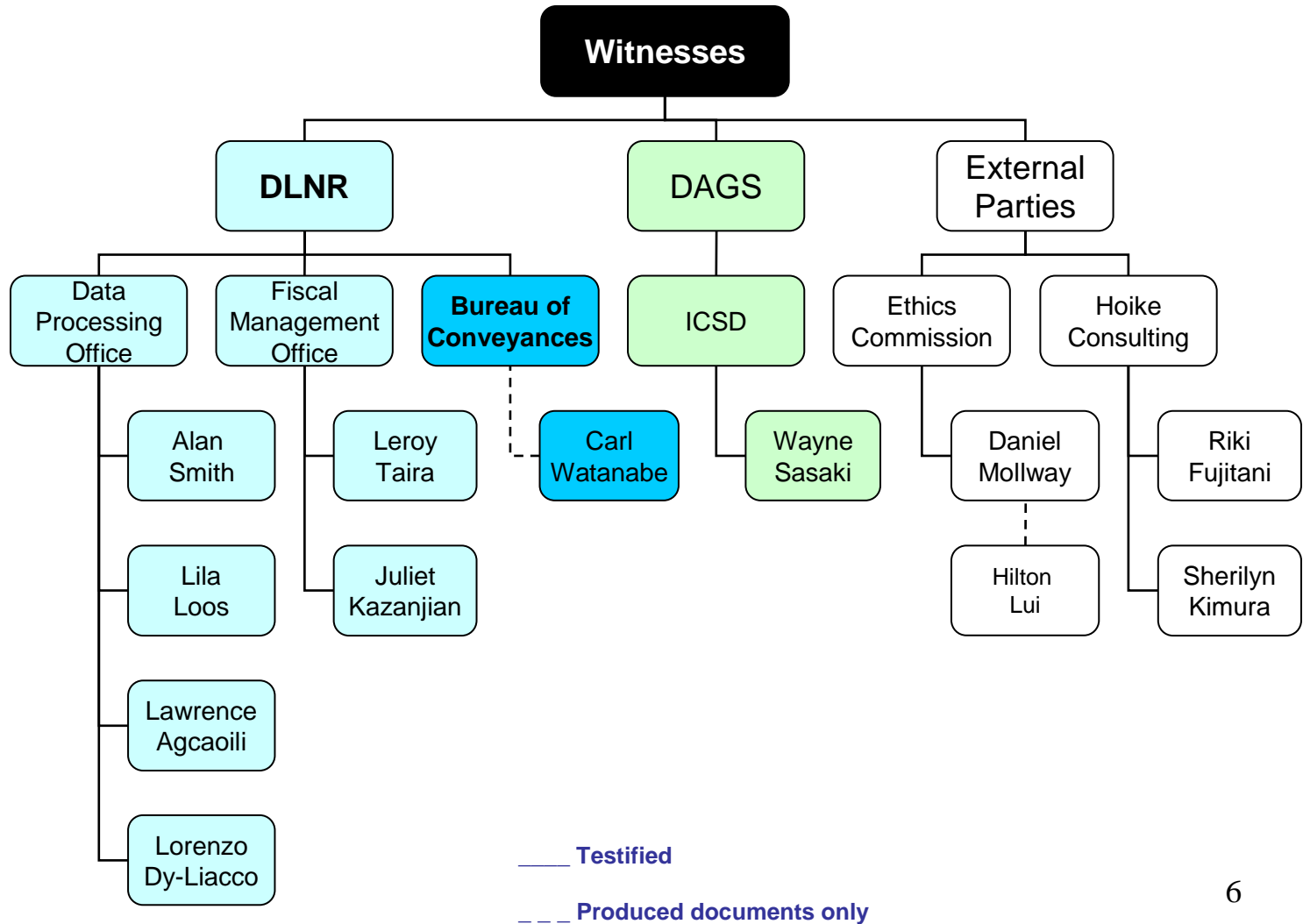
Recap Investigation

Office of the Auditor

DLNR Organizational Chart



Testimony To Date



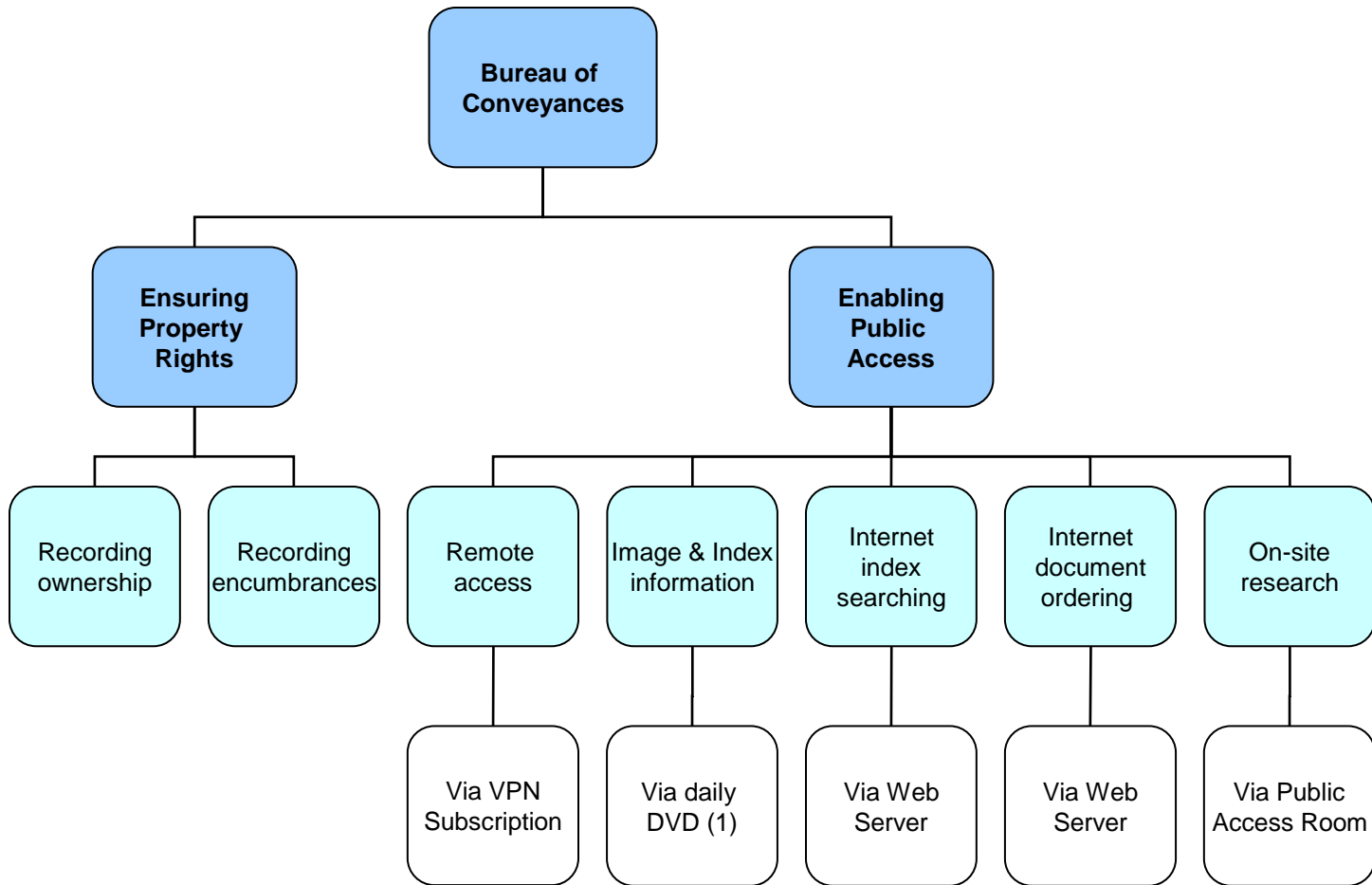
BOC Statutory Authority

- HRS Chapter 501: *Land Court Registration*
- HRS Chapter 502: *Bureau of Conveyances; Recording*

BOC Operational Processes

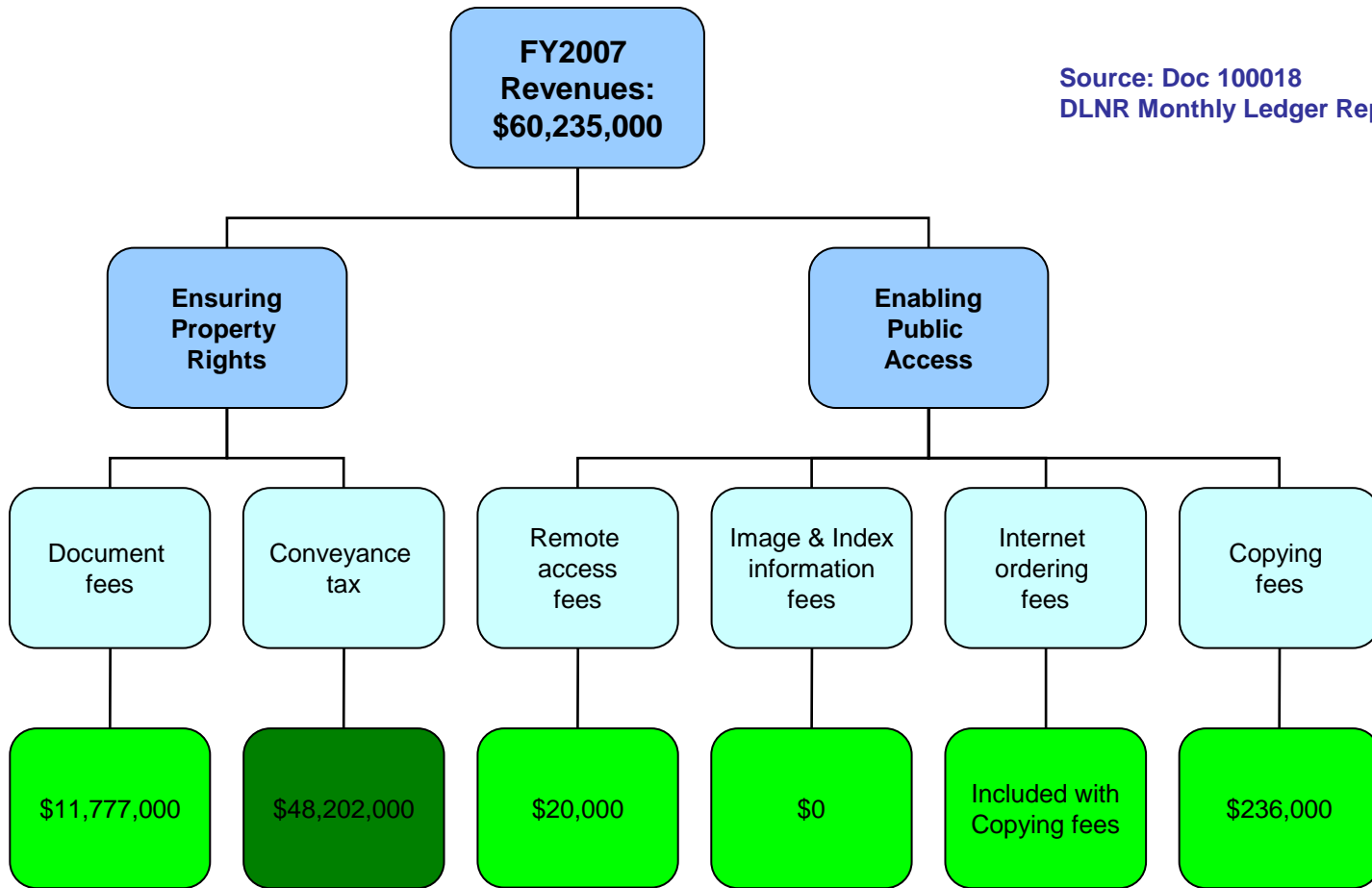
- Receiving and reviewing documents, collecting fees
- Reproduction (scanning of documents)
- Abstracting (summarizing relevant details, indexing, inputting data)
- UCC recording
- Will Call (customer support)

BOC Services



BOC Revenues

Source: Doc 100018
DLNR Monthly Ledger Report



Issues Identified To Date

VPN Access to Computer Data

- Allows BCIS access by real estate professionals
- Via VPN (Virtual Private Network) subscription
 - Access levels assigned by BOC
 - Subscriber has read-only capability
 - Can access & print documents
- Monthly & per minute use fees charged
- Subscriber is group account (one account but allows multiple users)

VPN Access Issues

- No contract for subscriber
 - *HAR 13-16-32, Sale of Computerized Information* allows resale of raw data only if product is value-added
 - Rights and obligations not defined, including privacy protection
- Inconsistent monthly fee amounts
 - Varies by subscriber
 - Does not always match HAR fee of \$100/mon.
 - Does not always match website fee of \$250/mon.
- Inconsistent per minute fee
 - First 15 minutes free does not match HAR or website (5 minutes free for each log on)
- Group access results in loss of fees

FTP Access to Computer Data

- Allows FTP Image & Index access to real estate professionals & info service providers
- Via daily DVD
 - DVD contains daily scanned images and processed index
 - Index is 2-3 months behind
- Scanned images contain confidential information
- User fees suspended in 2005 because index was behind 2-3 months

FTP: File Transfer Protocol; a method for sharing data on the Internet.

FTP Access Issues

- No contract for subscriber
 - *HAR 13-16-32, Sale of Computerized Information* allows resale of raw data only if product is value-added
 - Rights and obligations not defined, including privacy protection
- FTP Image instructions and subscription agreement drafted in April 2003 but never finalized
- Inconsistent monthly fee amounts
 - HAR fee schedule does not address these services
 - Does not match website fee schedule of \$250/mon.

FTP Access Issues (Cont'd)

- No contract for subscriber
 - Image and Index separate services but billing suspended in 2005 because of delay of Index data
 - Imaging is current – so shouldn't subscribers pay if they receive service?
- Access provided via FTP Server via subscription until April 2007
 - Beginning April 2007 access via daily DVD
 - April 2007 Attorney General suspended fees for DVD because of lack of rules; rules are in draft

TG Donated Software

- TG Software
 - Title Guaranty developed and donated software to expedite FTP Image & Index services (Sept. 2004)
 - Rotates scanned images
- “TG FTP Server”
 - Per BOC, computer referred to as “TG FTP Server” actually is BOC equipment
 - Named “TG” for network identification

TG Software Issues

- No contract for using TG software
- TG maintains the software and services the computer it operates on, without much oversight of BOC or DLNR personnel
- No analysis performed to ensure no other unauthorized software is connected to BOC via this setup

Lange Group Services

The Lange Group

- Lange Group developed BCIS from original Wang computers
 - Lange also developed LCATS before the merging of land court and regular computer systems in 2002
- Original RFP for BCIS included 3 years of maintenance and support, which expired in 2004
- Since 2005 BOC has been procuring maintenance and support from Lange via purchase orders

Lange Group Service Issues

- No contract to establish rights and obligations for maintenance and support of BCIS
- Unclear whether Lange Group's maintenance services allows greater access and abilities to this contractor
- BOC oversight of Lange Group appears to be minimal even though Lange Group has super-user abilities as system administrator

DLNR Fiscal Issues

Leroy Taira testified:

- New system (BCIS) not working as intended; scanning is current but indexing is not
- TG created software to assist; no contract executed
- Imaging and indexing services provided but charging only for imaging; no executed contracts
- Imaging and indexing fee rules outdated
- Microfilming charges continue even though BCIS was supposed to replace
- Could not locate purchase documents for TG FTP Server

DLNR Fiscal Issues

Leroy Taira recommended:

- Amend Rules for fees; update website
- Execute contracts for system users
- Verify with Lange Group system ability to provide both images and index
- Determine need for continued microfilming charges

DLNR Fiscal Issues

Juliet Kazanjian testified:

- Lack of updated fee rules for imaging & indexing and no executed contracts a concern
- Last invoices for imaging/indexing was Feb. 2005; estimate of lost fees from \$50,000-140,000
- Lange Group paid via purchase orders for system maintenance & support; \$153,000 from FY05-FY07
- In FY07 BOC revenues were \$55million
- Overtime at BOC continues to be a concern

Hoike Consulting Study

- Workflow Study
 - Phase 1: As Is, Oct. 2004
 - Phase 2: To Be, Dec. 2004
 - Phase 3: Findings & Recommendations, June 2005
 - \$75,000 cost
- Recommendations
 - Accepted by DLNR in 2005
 - Still pending implementation

Hoike Workflow Issues

- Final report not issued to or discussed with DLNR
- HGEA not involved in recommendations
- Implementation still pending
- Hoike has relationships with TG
 - Hoike hosts TG computer programs
 - Hoike president's wife works for TG

Future Direction

BCIS

- Review BCIS internal users & abilities
- Review VPN users & abilities
- Re-review internet security vulnerabilities
 - BOC security analysis performed by original designer

BOC Contractors

- The Lange Group
 - BCIS developer
 - BCIS maintenance & support
- Title Guaranty Hawaii
 - BCIS microfilm conversion
 - BCIS FTP software provider
 - FTP Image & Index subscriber

Information Subscribers

- VPN Subscribers
- FTP Image Subscribers
- Estimate of lost fees
 - From inconsistent monthly charges
 - From per minute charges
 - From use of group accounts

Management Issues

- DLNR/BOC attempts to address
- DLNR/BOC plans to address
- Union role
 - HGEA involvement
 - Individual involvement

Fair Treatment

- Title Insurance Companies
- Hawaii Land Title Association

Real Estate Stakeholders

- Mortgage Bankers/Lenders
- Realtors
- Attorneys
- Businesses
- Other interested parties