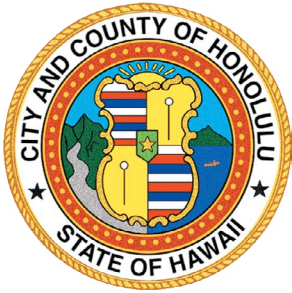




Office of the City Auditor



**City and County of
Honolulu
State of Hawai`i**

**Financial Audit of the
City and County of Honolulu,
State of Hawai`i**

**For the Fiscal Year Ended
June 30, 2020**

**Single Audit of Federal Financial
Assistance Programs**

Part 1 – Introduction

Part 2 – Compliance and Internal Control Over Financial Reporting

Report of Independent Auditors on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Report of Independent Auditors on Compliance for Each Major Program,
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PART 1

INTRODUCTION



May 7, 2021

The Chair and Members of the City Council
City and County of Honolulu
Honolulu, Hawaii

We have completed our financial audit of the basic financial statements of the City and County of Honolulu, State of Hawaii (the "City"), as of and for the year ended June 30, 2020. Our report containing our opinion on those basic financial statements is included in the City's *Comprehensive Annual Financial Report*. We have also audited the City's compliance with requirements applicable to its major federal financial programs. We submit herein our reports on compliance and internal control over financial reporting and over federal awards, the schedule of expenditures of federal awards, and the schedule of findings and questioned costs in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

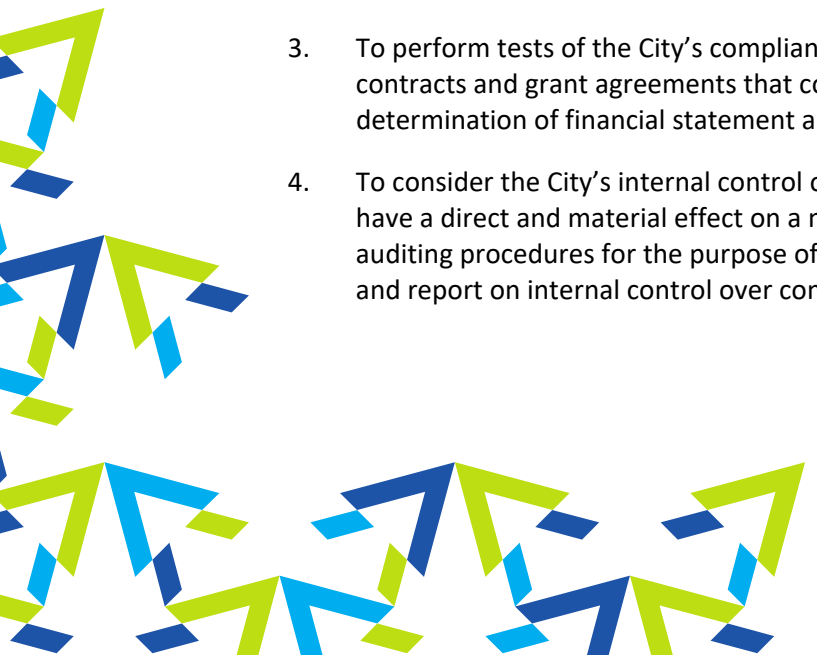
The audit objectives and scope of our audit were as follows:


Audit Objectives

1. To provide an opinion on the fair presentation of the City's basic financial statements and the schedule of expenditures of federal awards as of and for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.
2. To consider the City's internal control over financial reporting in order to design our auditing procedures for the purpose of expressing our opinions on the financial statements.
3. To perform tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts.
4. To consider the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

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Scope of Audit

We performed an audit of the City's basic financial statements and schedule of expenditures of federal awards as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the Uniform Guidance.

Our report on the basic financial statements of the City as of and for the year ended June 30, 2020 is included under a separate cover.

We would like to take this opportunity to express our appreciation to the personnel of the City and County of Honolulu for the cooperation and assistance extended to us during our audit. We will be pleased to discuss any questions that you or your associates may have regarding our recommendations.

Very truly yours,

Accuity LLP

DMN/MYO

PART 2

COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING



**Report of Independent Auditors on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Chair and Members of the City Council
City and County of Honolulu

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of Honolulu, State of Hawaii (the “City”), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated January 15, 2021. Our report includes a reference to other auditors who audited the financial statements of the Board of Water Supply, Honolulu Authority for Rapid Transportation, and Oahu Transit Services, Inc., which are discretely presented component units, as described in our report on the City’s financial statements. This report includes our consideration of the results of the other auditors’ testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We and the other auditors consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding No. 2020-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We and the other auditors consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings No. 2020-002 and 2020-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accuity LLP

Honolulu, Hawaii
January 15, 2021





**Report of Independent Auditors on Compliance for Each Major Program,
Internal Control Over Compliance, and the Schedule of Federal Expenditures
of Federal Awards Required by the Uniform Guidance**

To the Chair and Members of the City Council
City and County of Honolulu

Report on Compliance for Each Major Federal Program

We have audited the City and County of Honolulu, State of Hawaii's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include, among other departments and agencies, the operations of the Board of Water Supply, which expended \$15,809,632 in federal awards, which is not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2020. Our audit, described below, did not include the operations of the Board of Water Supply, because this unit separately engaged auditors to perform an audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

Management's Responsibility

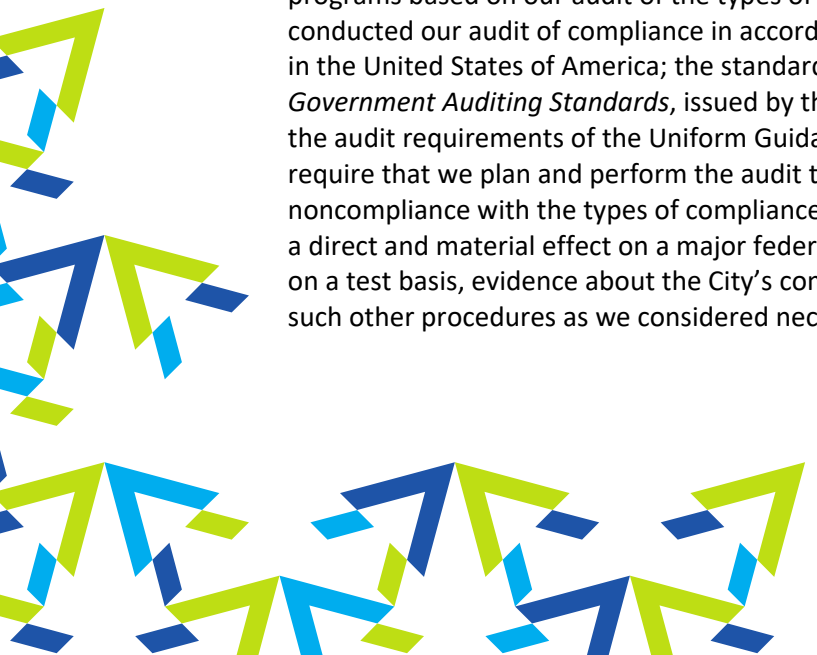
Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for major federal programs. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Major Federal Program

As described in Finding No. 2020-004 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding:

Finding No.	CFDA No.*	Program or Cluster Name	Compliance Requirement
2020-004	14.239	HOME Investment Partnerships Program	Subrecipient Monitoring

* *Catalog of Federal Domestic Assistance number*

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Major Federal Programs section, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs identified above for the year ended June 30, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings No. 2020-005 and 2020-006. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



Report on Internal Control Over Compliance


Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2020-004 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings No. 2020-005 and 2020-006 to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 15, 2021, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Board of Water Supply, Honolulu Authority for Rapid Transportation, and Oahu Transit Services, Inc. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. As described in Note 1 to the schedule of expenditures of federal awards, the accompanying schedule of expenditures of federal awards was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Accuity LLP

Honolulu, Hawaii
May 7, 2021

City and County of Honolulu
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Program/Grant	Federal CFDA Number	Pass-through Entity Identifying Number	Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
<i>Child Nutrition Cluster</i>				
Pass-through State Department of Education – Summer Food Service Program for Children	10.559	12-351523	\$ -	\$ 178,462
Total Child Nutrition Cluster			-	178,462
Total U.S. Department of Agriculture			<u>-</u>	<u>178,462</u>
U.S. Department of Housing and Urban Development				
<i>CDBG-Entitlement Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218		4,296,198	8,229,086
Total CDBG-Entitlement Grants Cluster			4,296,198	8,229,086
Emergency Solutions Grant Program	14.231		1,226,010	1,307,146
HOME Investment Partnerships Program	14.239		2,004,224	3,068,423
Housing Opportunities for Persons with AIDS	14.241		514,248	535,069
Family Self-Sufficiency Program	14.896		-	72,000
Pass-through State Hawaii Housing Finance and Development Corporation – Housing Trust Fund	14.275	111763285	-	1,042,034
<i>Section 8 Project-Based Cluster</i>				
Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	14.856		-	145,559
Total Section 8 Project-Based Cluster			-	145,559
<i>Housing Voucher Cluster</i>				
Section 8 Housing Choice Vouchers	14.871		-	60,167,354
COVID-19-Section 8 Housing Choice Vouchers	14.871		-	109,560
Mainstream Vouchers	14.879		-	1,507,185
Total Housing Voucher Cluster			-	61,784,099
Total U.S. Department of Housing and Urban Development			<u>8,040,680</u>	<u>76,183,416</u>
U.S. Department of Justice				
Domestic Cannabis Eradication/Suppression Program	16.000		-	67,327
Services for Trafficking Victims	16.320		-	97,247
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		-	20,383
DNA Backlog Reduction Program	16.741		-	344,827
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		-	37,998
Equitable Sharing Program	16.922		-	187,884
Pass-through State Department of Attorney General – Crime Victim Assistance	16.575	16-VA-02; 17-VA-02	-	1,013,229
Violence Against Women Formula Grants	16.588	16-WF-0816, 17 & 18-WF-04	-	178,609
National Sexual Assault Kit Initiative	16.833	16-AK-03	-	54,500
Justice Assistance Grant (“JAG”) Program				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	220,001
Pass-through State of Hawaii Department of Attorney General – Edward Byrne Memorial Justice Assistance Grant Program	16.738	16-DJ-02 & -06; 17-DJ-02, -08, -09, -10; 18-DJ-0217-DJ-11	-	489,435
Total JAG Program			-	709,436
Total U.S. Department of Justice			<u>-</u>	<u>2,711,440</u>
U.S. Department of Labor				
YouthBuild	17.274		-	409,842
<i>Employment Service Cluster</i>				
Pass-through State Department of Labor & Industrial Relations – Employment Service/Wagner-Peyser Funded Activities	17.207	DEI VIII - PY17 - CC	-	124,977
Total Employment Service Cluster			-	124,977
<i>WIOA Cluster</i>				
Pass-through State Department of Labor & Industrial Relations – WIOA – Adult Program	17.258	WIOA-17 & 18-A&DWP-0; WIOA-17 & 18-LAC-0	-	947,677
WIOA – Youth Activities	17.259	WIOA-17 & 18-LAC-0	-	1,070,796
WIOA Dislocated Worker Formula Grants	17.278	WIOA-17 & 18-A&DWP-0(DW); WIOA-17 & 18-LAC-0	-	584,684
Total WIOA Cluster			-	2,603,157
Pass-through State Department of Labor & Industrial Relations – H-1B Job Training Grants	17.268	AAI-15-O	-	257,559
Total U.S. Department of Labor			<u>-</u>	<u>3,395,535</u>

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

City and County of Honolulu
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Program/Grant	Federal CFDA Number	Pass-through Entity Identifying Number	Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Transportation				
<i>Highway Planning & Construction Cluster</i>				
Pass-through State Department of Transportation & Oahu Metropolitan Planning Organization –				
		CMAQ-0001(41); SRS-0300(149); STP-0001(042) (047) (060); STP-0300(141); STP-6010(001); STP-7180(001); STP-7502(001)		
Highway Planning and Construction	20.205		-	4,202,649
Highway Planning and Construction	20.205	BR-NBIS-073	-	954,687
Highway Planning and Construction	20.205	206.02-17	-	135,700
Highway Planning and Construction	20.205	TAP-0300(151)	-	62,302
		FHWA 202.07-17; 203.10-18; 203.75-09; TAP-0300(154)		
Highway Planning and Construction	20.205		-	950,828
Total Highway Planning & Construction Cluster			-	6,306,166
<i>Federal Transit Cluster</i>				
Federal Transit – Formula Grants	20.507		117,937	16,333,281
COVID-19-Federal Transit – Formula Grants	20.507		-	17,625,399
Bus and Bus Facilities Formula Program	20.526		-	133,600
Total Federal Transit Cluster			117,937	34,092,280
<i>Transit Services Programs Cluster</i>				
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513		210,875	210,875
Total Transit Services Programs Cluster			210,875	210,875
<i>Highway Safety Cluster</i>				
Pass-through State Department of Transportation –				
		PS19-08(05-O-01); AL-19-02; EM19-04(01-O-01); DD19-09(01-O-01); PT19-01(01-O-01); SC19-06(01-O-01); AL19-02(01-O-01); OP19-05(01-O-01); PS19-08(01-O-01) & (02-O-01); TR 19-03(02-O-01)		
State and Community Highway Safety	20.600		-	290,841
National Priority Safety Programs	20.616		-	169,733
Total Highway Safety Cluster			-	460,574
Pass-through State Department of Transportation –				
Alcohol Open Container Requirements	20.607	AL 19-02(07-O-01) (14-O-01)	-	237,984
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL 19-02(01-O-01)	-	258,099
Total U.S. Department of Transportation			328,812	41,565,978
U.S. Department of Treasury				
Equitable Sharing Program	21.016		-	525,239
COVID-19 – Coronavirus Relief Fund	21.019		-	29,180,636
Total U.S. Department of Treasury			-	29,705,875
Environmental Protection Agency				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		-	26,011
<i>Clean Water State Revolving Fund Cluster</i>				
Pass-through State Department of Health –				
Capitalization Grants for Clean Water SRF	66.458	C150051-78; C150048-07; C150048-06; C150048-00	-	7,306,757
Total Clean Water State Revolving Fund Cluster			-	7,306,757
Total Environmental Protection Agency			-	7,332,768
U.S. Department of Education				
Pass-through State Department of Human Services –				
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	DHS 16-VR-3074; 17-VR-4100	-	101,281
Pass-through State Department of Education –				
21st Century Community Learning Center	84.287	13023	-	16,318
Total U.S. Department of Education			-	117,599

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

City and County of Honolulu
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Program/Grant	Federal CFDA Number	Pass-through Entity Identifying Number	Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services				
<i>Aging Cluster</i>				
Pass-through State Executive Office on Aging – Special Programs for the Aging-Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	HON2016N03	862,697	931,888
Special Programs for the Aging Title III, Part C – Nutrition Services	93.045	HON2016N03	<u>917,954</u>	<u>1,128,608</u>
<i>Total Aging Cluster</i>			1,780,651	2,060,496
Pass-through State Executive Office on Aging – Special Programs for the Aging-Title III, Part D – Disease Prevention and Health Promotion Services	93.043	HON2016N03	29,400	29,400
National Family Caregiver Support, Title III, Part E	93.052	HON2016N03	188,149	244,550
Pass-through State Department of Health – Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	ASO Log 16-125	-	172,797
Block Grants for Community Mental Health Services	93.958	N/A	<u>-</u>	<u>615,067</u>
Total U.S. Department of Health and Human Services			<u>1,998,200</u>	<u>3,122,310</u>
Corporation for National and Community Service				
Retired and Senior Volunteer Program	94.002		-	2,944
Total Corporation for National and Community Service			<u>-</u>	<u>2,944</u>
Executive Office of the President				
High Intensity Drug Trafficking Area Program	95.001		-	1,456,510
Total Executive Office of the President			<u>-</u>	<u>1,456,510</u>
U.S. Department of Homeland Security				
Assistance to Firefighters Grant	97.044		-	23,800
Pass-through State Civil Defense – Homeland Security Grant Program				
State Homeland Security Program	97.067	EMW2016-SS-00004; EMW2017-SS-00002; EMW2018-SS-00006 EMW2016-SS-00004; EMW2017-SS-00002; EMW2018-SS-00006	-	603,082
Urban Areas Security Initiative Program	97.067		-	383,913
<i>Total Homeland Security Grant Program</i>			<u>-</u>	<u>986,995</u>
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4365-DR-HI	-	39,619
Hazard Mitigation Grant	97.039	FEMA-4282-DR-HI	-	15,388
Emergency Management Performance Grants	97.042	EMW-2018-EP-00006	-	450,000
Pre-Disaster Mitigation	97.047	FEMA PDM-09-HI-2016	-	18,750
Port Security Grant Program	97.056	EMW-2016-PU-00072	-	85,037
Rail and Transit Security Grant Program	97.075		<u>-</u>	<u>2,076</u>
Total U.S. Department of Homeland Security			<u>-</u>	<u>1,621,665</u>
Total Expenditures of Federal Awards			<u>\$ 10,367,692</u>	<u>\$ 167,394,502</u>

(concluded)

See accompanying notes to the schedule of expenditures of federal awards.

City and County of Honolulu
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and County of Honolulu (“City”) and is presented on the cash basis of accounting and in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore, some amounts may differ from amounts presented in, or used in the preparation of the basic financial statements. The schedule does not include the federal grant activity of the Board of Water Supply, a discretely-presented component unit of the City.

2. Loans Outstanding

The City had the following loan balances outstanding awarded as of and for the year ended June 30, 2020, which are not presented in the schedule of expenditures of federal awards. There were no advances in fiscal year 2020.

Program Title	CFDA Number	Loans Outstanding
Major programs		
Community Development Block Grants/Entitlement Grants	14.218	\$ 31,462,187
HOME Investment Partnerships Program	14.239	22,662,194
Section 8 Housing Choice Vouchers	14.871	3,647,688
		<u>\$ 57,772,069</u>

3. Capitalization Grants for Clean Water State Revolving Funds

For the year ended June 30, 2020, federal awards and state matching fund expenditures under capitalization grants for clean water state revolving funds were as follows:

Federal	\$ 7,306,757
State	49,199
	<u>\$ 7,355,956</u>

4. Indirect Cost Rate

The City does not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

PART 3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued	Unmodified
Internal control over financial reporting	
• Material weaknesses identified?	<u> X </u> yes <u> </u> no
• Significant deficiencies identified?	<u> X </u> yes <u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes <u> X </u> no

Federal Awards

Internal control over major programs	
• Material weaknesses identified?	<u> X </u> yes <u> </u> no
• Significant deficiencies identified?	<u> X </u> yes <u> </u> none reported

Type of auditors’ report issued on compliance for major programs	Qualified
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An unmodified opinion was issued on the City and County of Honolulu’s compliance with its major federal programs for the year ended June 30, 2020, except for the requirements regarding subrecipient monitoring for the HOME Investment Partnerships Program (CFDA No. 14.239), for which the opinion on compliance was qualified.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	<u> X </u> yes <u> </u> no
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Dollar threshold used to distinguish between type A and type B program	\$ 3,000,000
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Identification of Major Programs

Federal CFDA Number	Name of Federal Program or Cluster
14.239	HOME Investment Partnerships Program
21.019	COVID-19 – Coronavirus Relief Fund
66.458	Capitalization Grants for Clean Water SRF
	CDBG – Entitlement Grants Cluster
14.218	Community Development Block Grants/Entitlement Grants
	WIOA Cluster
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Worker Formula Grants
	Federal Transit Cluster
20.507	Federal Transit – Formula Grants
20.507	COVID-19 – Federal Transit – Formula Grants
20.526	Bus and Bus Facilities Formula Program

FINANCIAL STATEMENT FINDINGS

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section II – Financial Statement Findings

Finding No. 2020-001: Timely Financial Statement Reporting for the Honolulu Authority for Rapid Transportation (“HART”) (Material Weakness)

Condition

HART reports on a cash basis throughout the fiscal year and only prepares accrual basis financial statements for its annual report as of and for the fiscal year ended June 30. Accordingly, in preparing accrual basis financial statements, there should be written procedures to clearly define the reporting and closing procedures, the timing of such procedures, and the review and approval process involved. Included in the reporting and closing procedures should be account reconciliations that must be prepared, and adjustments that must be recorded in order to properly present timely accrual basis financial statements. This process ensures the accuracy and validity of the financial information provided.

Similar findings were reported as a material weakness in the prior year as Findings No. 2019-001 and 2019-002.

Criteria

Management is responsible for establishing and maintaining internal control over financial reporting to permit the preparation of HART’s financial statements in conformity with accounting principles generally accepted in the United States of America. These accounting principles require financial statements to be prepared using the economic resources measurement focus and accrual basis of accounting. Effective internal control supports timely and accurate financial reporting.

Cause

The accuracy and delay of the preparation of the accrual basis financial statements and the trial balance were affected by the following:

- Account reconciliations not being performed timely;
- Numerous audit and client adjustments proposed after receipt of the initial trial balance;
- Follow-ups with management regarding classification of the information contained in the supporting schedules; and
- Insufficient or inappropriate resources devoted to timely closing process.

Effect

The preceding issues resulted in numerous audit and client adjustments proposed after receipt of the initial trial balance. The issues also resulted in significant delays in receiving the trial balances and financial statements resulting in a delayed audit process and issuance of the audited financial statements.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Recommendation

HART's auditors recommend that HART management re-evaluate its annual closing process to clearly define financial reporting and closing procedures, the timing of such reporting, and the review and approval process involved. These written procedures should also document the process to ensure the trial balance and financial statement preparation process captures all valid journal entries and accruals, and that the year-end trial balance is complete and accurate.

HART management should also consider performing adjustments, including cash to accrual or capitalization of costs, etc., prior to fiscal year-end closing, either on a quarterly or semi-annual basis, or at the end of the third quarter of the fiscal year. An evaluation should be made by management to determine if additional resources are needed to perform these procedures.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Finding No. 2020-002: Information Technology General Control Deficiencies (Significant Deficiency)

Condition

Information technology (“IT”) is a strategic element of the City’s operations. Because of the high volume of transactions at the City, the establishment of internal controls over processes incorporating IT is critical to its operations. As part of our financial statement audit for the year ended June 30, 2020, we performed an IT general controls review of the following systems operated by the City:

- Windows Domain
- AMS Advantage Financial Management System (“Advantage Financial”)
- AMS Advantage Human Resources Management System (“Advantage HRM”)
- Personnel Time and Attendance System
- IAS World Web Based Real Property System (“IAS”)
- Revenue Collection Cashier System (“ReCo”)
- Official Payment Corporation (“OPC”)

Our review resulted in several IT control deficiencies in the area of logical security and change management as follows:

Logical security

- A review of permissions assigned to security roles was not performed on the Advantage Financial, Advantage HRM, and IAS systems to determine whether access rights granted to employees were commensurate with their job responsibilities.
- Real Property Division and Treasury Division users process transactions in the IAS system and can add or modify access rights causing a segregation of duties concern and no monitoring control is in place to detect unauthorized transactions.
- No database activity monitoring control is in place to detect unauthorized changes to the data.
- Database administrators use shared accounts to access IAS production databases.
- Vulnerability assessments are not regularly performed on Advantage servers due to system limitations with the previous version of Advantage.

Change management

- There is no monitoring control in place to detect unauthorized or untested changes in the Advantage Financial, Advantage HRM, and ReCo systems.

Collectively, the number and related nature of the IT control deficiencies resulted in an overall significant deficiency.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

A similar finding was reported in the prior year as Finding No. 2019-003.

Criteria

When IT is used to initiate, record, process and report on transactions included in the financial statements, the systems and related processes should include internal controls to prevent or detect potential misstatements.

Cause

The City's IT policies and procedures do not include internal control procedures addressing the risks discussed above or are not being consistently followed.

Effect

Internal controls in the areas of logical security and change management address the following risks:

Logical security

Unauthorized access to financial systems could result in the loss of data, unauthorized or nonexistent transactions, or inaccurately recorded transactions.

Change management

Unauthorized or untested changes promoted to the production environment could cause the financial systems to either process data differently than intended or unexpectedly compromise the integrity of the data maintained.

Recommendation

We recommend that the City perform the following:

Logical security

- Implement user access review procedures to ensure user access rights are commensurate with job responsibilities.
- Implement proper segregation of duties amongst those who administer IT security and perform transaction and accounting duties.
- Restrict the use of shared accounts.
- Implement vulnerability assessment procedures over the new Advantage servers to ensure protection from any existing or potential cyber threats.

Change management

- Restrict developers and end-users from promoting changes to production environments.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Finding No. 2020-003: Change Orders – HART (Significant Deficiency)

Condition

Out of a population of 108 contract changes, HART’s auditors selected 22 changes for testing. There were 15 files that did not include the documentation required under HART’s Contract Change Procedure Manual (“Manual”) Rev 5.0.

A similar finding was reported in the prior year as Finding No. 2019-004.

Criteria

HART’s Manual provides the policies, procedures and documentation requirements related to change orders. Manual Rev 5.0 was effective for contract change orders and amendments executed through May 26, 2020, and Manual Rev 6.0 was effective for contract change orders and amendments executed subsequent to May 26, 2020.

Cause

The documentation issues related to the following:

- For fourteen (14) approved unilateral change orders, the following were missing: Summary of Negotiations, Negotiation Strategy Memo, Cost Analysis, Schedule Analysis, Contractor Certification of Cost, Independent Cost Estimate, Contractor Proposed Cost, Schedule Impact, Finding of Merit/ No Merit Memorandum, Request for Change, Technical Approvals, and Backup Correspondence, Drawings, and Other Documents. In HART’s Manual Rev 5.0, there are no written procedures that cover this specific type of contract change. Consequently, management applied the standard procedures per the Manual with certain deviations to accommodate the term and change order; however, the rationale for the deviations were not documented in HART’s Manual Rev 5.0.
- For one (1) approved change order related to a cost reimbursement contract with a not-to-exceed amount, the following were missing: Summary of Negotiations, Negotiation Strategy Memo, Cost Analysis, Schedule Analysis, Request for Change, Technical Approvals, and Backup Correspondence, Drawings, and Other Documents. In HART’s Manual Rev 5.0, there are no written procedures that cover this specific type of contract change. Consequently, management applied the standard procedures per the Manual with certain deviations to accommodate the terms of the change order; however, the rationale for the deviations was not documented in HART’s Manual Rev 5.0.

Effect

HART did not comply with the documentation requirements in its Manual Rev 5.0 nor did they provide documentation of deviations for instances that were not covered by the Manual.

Recommendation

HART’s auditors recommend that management be more diligent in retaining required documentation. HART’s auditors also recommend that management document the rationale for deviations from the procedures and required documents prescribed by the Manual and consider revising the Manual to accommodate the aforementioned contract types.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

HART management has informed HART's auditors that as a result of the prior year Finding No. 2019-004 issued by the predecessor auditor, Manual Rev 6.0 was implemented on May 26, 2020 to update current processes and to address documentation issues. Relevant updates to the Manual include clarification that negotiations are not needed for no-cost or cost reimbursable changes/amendments, therefore Cost Analyses, Negotiation Strategy Memos, and Summary of Negotiations are not needed, and Independent Cost Estimates are not needed for pending changes that will not change the value of the contract.

**FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS**

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section III – Federal Award Findings and Questioned Costs

		Questioned Cost
Finding No. 2020-004:	Subrecipient Monitoring (Material Weakness)	\$ _____ –
Federal Agency:	HUD	
CFDA Number and Title:	14.239 HOME Investment Partnerships Program	
Award Number and Year:	M02-MC150201 2003 M03-MC150201 2004 M04-MC150201 2005 M05-MC150201 2006 M06-MC150201 2007	
Repeat Finding?	No	

Condition

The financial review portion of the subrecipient monitoring was not performed for five out of six projects tested.

The City also lacked the proper monitoring controls related to the following: 1) tracking post-development monitoring and newly completed projects for timely monitoring, 2) a formal review process to ensure reports are reviewed and finalized, and 3) procedures to review subrecipient Single Audit reports and related findings.

Criteria

2 CFR 200.331 states that depending on the pass-through entity’s assessment of risk posed by the subrecipient, one monitoring tool that may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals is an on-site review of the subrecipient’s program operations. 2 CFR 200.331(b) states that pass-through entities must evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. 2 CFR 200.331(d) states that pass-through entities must monitor subrecipient Single Audit Findings related to the subaward.

2 CFR 92.504(d) requires a financial review to be performed at least annually for rental projects with 10 or more units.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Effect

Failure to perform reviews timely may result in subrecipients misusing or mismanaging program funds.

Cause

Due to significant staffing turnover and the COVID-19 restrictions, the City was unable to perform timely reviews and complete the monitoring reports. There was a lack of diligence in complying with the policies and procedures.

Recommendation

Management should create policies and procedures to ensure required monitoring procedures are performed timely, including the review and issuance of monitoring reports. Management should also implement a schedule for targeted monitoring and comprehensively track those projects that require monitoring.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

		Questioned Cost
Finding No. 2020-005:	Period of Performance (Significant Deficiency)	\$ _____ -
Federal Agency:	United States Department of Housing and Urban Development (“HUD”)	
CFDA Number and Title:	14.218 Community Development Block Grants – Entitlement Grants (“CDBG” Entitlement Grants Cluster)	
Award Number and Year:	B-19-MC-15-0001	2020
Repeat Finding?	Yes, Finding No. 2019-005	

Condition

HUD notified the City via a letter dated August 28, 2020 that the City was not in compliance with the sixty-day timeliness test conducted on May 2, 2020 as the City had a line-of-credit balance 1.64 times its annual grant.

Criteria

24 CFR 570.902 of the CDBG regulations states that a grantee is in compliance with timely expenditure requirements if, 60 days prior to the end of its program year, there is no more than 1.5 times its annual grant remaining in the line of credit, including any program income on hand.

Effect

Failure to meet the timeliness standard results in noncompliance with the period of performance requirement. However, HUD has currently suspended all corrective actions, sanctions, and informal consultations for timeliness in light of the ongoing COVID-19 pandemic.

Cause

The failure to meet the timeliness requirement was primarily due to the ongoing COVID-19 pandemic, which led to work-from-home orders and other disruptions to the City’s operations.

Recommendation

We recommend that the City establish procedures to ensure that it complies with the CDBG timeliness standard specified in 24 CFR 570.902. In addition, we recommend that the City ensures that it adheres to the workout plan it submitted to HUD.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

		Questioned Cost
Finding No. 2020-006:	Period of Performance (Significant Deficiency)	
		<u>\$ 92,640</u>
Federal Agency:	United States Department of Transportation	
CFDA Number and Title:	20.507 Federal Transit – Formula Grants (Federal Transit Cluster)	
Award Number and Year:	HI-90-X036	2015
Repeat Finding?	No	

Condition

During our audit, we examined 25 haphazardly selected expenditure transactions and identified seven expenditures totaling \$92,640 that were outside of the grant’s period of performance.

Criteria

Under 2 CFR 200.344(b), unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

Effect

The City may have expended funds outside of the award’s period of performance resulting in \$92,640 in questioned costs.

Cause

The expenditure of funds outside of the period of performance was caused by a lack of controls over project expiration dates and the timing of expenditures.

Recommendation

We recommend that the City establish procedures to monitor the periods of performance of awards and request extensions from the federal awarding agency, if necessary.

DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov

RICK BLANGIARDI
MAYOR



ANDREW T. KAWANO
DIRECTOR

KELLI J. NISHIMURA
ACTING DEPUTY DIRECTOR

May 7, 2021

Mr. Troy Shimasaki
Office of the City Auditor
1001 Kamokila Boulevard, Suite 216
Kapolei, Hawaii 96707

Dear Mr. Shimasaki:

SUBJECT: Single Audit Report for the Fiscal Year Ended June 30, 2020

Enclosed is the response to the recommendations included in Accuity LLP's preliminary draft of the single audit report of the City and County of Honolulu for the fiscal year ended June 30, 2020. The response includes a summary on the status of prior audit findings, actions taken or contemplated, anticipated completion dates, and City personnel responsible for the corrective action.

Sincerely,

A handwritten signature in black ink, appearing to read "A. T. Kawano".

Digitally signed by
Kawano, Andy
Date: 2021.05.07
12:53:12 -10'00'

Andrew T. Kawano, Director
Budget and Fiscal Services

Enclosure

APPROVED:

A handwritten signature in black ink, appearing to read "Michael D. Formby".

Michael D. Formby
Managing Director

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

City and County of Honolulu
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

Finding No.	Description	Classification	Status		Current Year Finding No.
			Resolved	Unresolved	
2019-001	Financial Statement Reporting – HART	Material Weakness		X	2020-001
2019-002	Accounting for Environmental Remediation Liabilities – HART	Material Weakness		X	2020-001
2019-003	Information Technology General Controls Deficiencies	Significant Deficiency		X	2020-002
2019-004	Change Order and Contract Amendment Management – HART	Significant Deficiency		X	2020-003
2019-005	Allowable Costs/Period of Performance	Material Weakness		X	2020-005
2019-006	Eligibility and Special Tests	Significant Deficiency	X		
2019-007	Period of Performance	Significant Deficiency	X		
2018-005	Subrecipient Monitoring	Material Weakness	X		
2018-006	Subrecipient Monitoring	Material Weakness	X		

City and County of Honolulu
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

Corrective Actions Taken for Unresolved Findings

Findings No. 2019-001 and 2019-002

HART is establishing comprehensive documentation of its financial closing procedures. Management will continue to identify and include adjustments and journal entries to be reflected in the initial trial balance. Management also noted, however, that the nature of risks associated with a large, capital project often results in accruals and other adjustments necessary to prevent material misstatement.

Due to the ongoing nature of the project, HART reports on a cash basis throughout the fiscal year and prepares adjustments at year-end. Performing interim adjustments (i.e., quarterly or semi-annually) would serve no meaningful financial reporting purpose nor would it provide any direct benefit to the financial closing process.

HART filled vacancies during the year which provided for more preparation of the year-end closing and financial information. However, management will re-evaluate the capacity and capability of staffing to identify the need for additional resources.

Finding No. 2019-003

Corrective actions were taken in fiscal year 2020 to mitigate a number of the previously reported deficiencies; however, additional deficiencies were noted.

Finding No. 2019-004

HART revised its change order documentation procedures to address this matter. Effective May 26, 2020, HART implemented "5 CA-11 Contract Change Procedures Rev 6 0" to address the documentation issues. Furthermore, the change order process is being reevaluated in its entirety for effectiveness.

Finding No. 2019-005: Allowable Costs/Period of Performance – CDBG

The City is aware of the types of costs that are allowable and followed reimbursement guidelines. In this instance, the Subrecipient overpaid the general contractor. The City resolved the program noncompliance and collected imputed interest from the Subrecipient.

The City also established procedures in 2020 to ensure compliance with the CDBG timeliness standard and adherence to the workout plan submitted to HUD, but was unable to fully adhere to this plan due to the ongoing COVID-19 pandemic, which led to work-from-home orders and other disruptions to the City's operations.

CORRECTIVE ACTION PLAN

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding No. 2020-001: Timely Financial Statement Reporting for the Honolulu Authority for Rapid Transportation (“HART”) (Material Weakness)

Audit Recommendation: HART’s auditors recommend that HART management re-evaluate its annual closing process to clearly define financial reporting and closing procedures, the timing of such reporting, and the review and approval process involved. These written procedures should also document the process to ensure the trial balance and financial statement preparation process captures all valid journal entries and accruals, and that the year-end trial balance is complete and accurate

HART management should also consider performing adjustments, including cash to accrual or capitalization of costs, etc., prior to fiscal year-end closing, either on a quarterly or semi-annual basis, or at the end of third quarter of the fiscal year. An evaluation should be made by management to determine if additional resources are needed to perform these procedures.

Administration’s Comment: HART established a comprehensive document of its financial closing procedures. HART continues to identify and include adjustments and journal entries to be reflected in the initial trial balance even as the audit proceeds. The nature of risks associated with a large, capital project, often results in accruals and other adjustments necessary to prevent material misstatements.

Due to the on-going nature of the project, HART reports on a cash basis throughout the fiscal year and prepares adjustments at year end. Performing interim adjustments (i.e., quarterly or semi-annually) would not serve the financial reporting or provide a direct benefit to the financial closing process.

HART filled a number of Budget and Finance vacancies during the 2020 fiscal year which improved the year-end closing and financial statement preparation process.

Anticipated Completion Date: January 2021

Contact Person(s): Ruth Lohr, Honolulu Authority for Rapid Transportation, Chief Financial Officer

Finding No. 2020-002: Information Technology General Control Deficiencies (Significant Deficiency)

Audit Recommendation: We recommend that the City perform the following:

Logical security:

- 1) Implement user access review procedures to ensure user access rights are commensurate with job responsibilities.
- 2) Implement proper segregation of duties amongst those who administer IT security and perform transaction and accounting duties.
- 3) Restrict the use of shared accounts.
- 4) Implement vulnerability assessment procedures over the new Advantage servers to ensure protection from any existing or potential cyber threats.

Change management: Restrict developers and end-users from promoting changes to production environments.

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Administration's Comment:

Logical security:

- 1) The City implemented user access review procedures to ensure user access rights are commensurate with job responsibilities, and performs such reviews semi-annually.
- 2) The City is in the process of implementing proper segregation of duties amongst those who administer IT security and perform transaction and accounting duties.
- 3) The City is using Bomgar (now known as BeyondTrust), a remote support software solution that restricts the use of shared accounts.
- 4) The City is currently under the F5 umbrella to ensure protection from any existing or potential cyber threats.

Change management: The City is restricting developers and end-users from promoting changes to production environments by creating a batch script to promote the C²HERPS Financial Production System.

Anticipated Completion Dates:

Logical security:

- 1) Completed
- 2) In progress
 - Phase 1 (High Risk Roles): December 2021
 - Phase 2 (Moderate Risk Roles): June 2022
 - Phase 3 (Low Risk Roles): December 2022
- 3) Completed
- 4) Completed

Change management: June 2021

Contact Person(s):

Logical security:

- 1) Bong Canja, Department of Information Technology, Data Processing Systems Analyst II
- 2) Ada Auw-Robinson, Department of Information Technology, Data Processing Systems Analyst IV
Bong Canja, Department of Information Technology, Data Processing Systems Analyst II
- 3) Ada Auw-Robinson, Department of Information Technology, Data Processing Systems Analyst IV
- 4) Ada Auw-Robinson, Department of Information Technology, Data Processing Systems Analyst IV

Change management: Ada Auw-Robinson, Department of Information Technology, Data Processing Systems Analyst IV

Finding No. 2020-003: Change Orders – HART (Significant Deficiency)

Audit Recommendation: HART's auditors recommend that HART management be more diligent in retaining required documentation. HART's auditors also recommend that management document the rationale for deviations from the procedures and required documents prescribed by the Manual and consider revising the Manual to accommodate the aforementioned contract types.

HART management has informed HART's auditors that as a result of the prior year Finding No. 2019-004 issued by the predecessor auditor, Manual Rev 6.0 was implemented on May 26, 2020 to update current processes and to address documentation issues. Relevant updates to the Manual include clarification that negotiations are not needed for no-cost or cost-reimbursable changes/amendments, therefore cost analyses, Negotiation Strategy Memos, and Summary of Negotiations are not needed, and Independent Cost Estimates are not needed for pending changes that will not change the value of the contract.

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Administration's Comments: HART revised its change order documentation procedures to address this matter. As noted above, effective May 26, 2020, HART implemented "5 CA-11 Contract Change Procedures Rev 6.0" to address the documentation issues. Furthermore, the change orders process is being re-evaluated in its entirety for effectiveness.

Anticipated Completion Date: Completed

Contact Person(s): Ruth Lohr, Honolulu Authority for Rapid Transportation, Chief Financial Officer

Finding No. 2020-004: Subrecipient Monitoring (Material Weakness)

Audit Recommendation: Management should create policies and procedures to ensure required monitoring procedures are performed timely, including the review and issuance of monitoring reports. Management should also implement a schedule for targeted monitoring and comprehensively track those projects that require monitoring.

Administration's Comment: The City will create and adhere to policies and procedures for the timely performance of required monitoring, including the review and issuance of monitoring reports. The City will prepare a schedule for targeted monitoring and comprehensively track these projects. The City acknowledges that the finding was caused in part by the aforementioned staffing-related issues which the City plans to address by filling the vacant positions responsible for monitoring.

Anticipated Completion Date: June 2021 (for the monitoring policies and procedures)
Ongoing (until the Post Development Monitoring Section is fully staffed)

Contact Person(s): Evan Wharton, Department of Budget and Fiscal Services, Planner VI

Finding No. 2019-005: Period of Performance (Significant Deficiency)

Audit Recommendation: We recommend that the City establish procedures to ensure that it complies with the CDBG timeliness standard specified in 24 CFR 570.902. In addition, we recommend that the City ensures that it adheres to the workout plan it submitted to HUD.

Administration's Comment: The City will establish procedures to comply with the CDBG timeliness standard specified in 24 CFR 570.902.

Anticipated Completion Date: Ongoing (as HUD has currently suspended all corrective actions, sanctions, and informal consultations for timeliness in light of the ongoing COVID-19 pandemic according to the aforementioned effect of the finding)

Contact Person(s): Holly Kawano, Department of Budget and Fiscal Services, Federal Grants Coordinator

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Finding No. 2019-006: Period of Performance (Significant Deficiency)

Audit Recommendation: We recommend that the City establish procedures to monitor the periods of performance of awards and request extensions from the federal awarding agency if necessary.

Administration's Comment: The City will establish procedures to monitor the periods of performance of awards and request extensions from the federal awarding agency if necessary.

Anticipated Completion Date: June 2021

Contact Person(s): Mark Au, Department of Transportation Services, Federal Compliance Branch Chief