



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, 2013

Single Audit of Federal Financial
Assistance Programs



City and County of Honolulu
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Year Ended June 30, 2013

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PART 1

INTRODUCTION

December 13, 2013

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, 2013. 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.

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, 2013 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 U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
5. To report on the status of prior year findings and questioned costs.

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, 2013, 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 OMB Circular A-133.

Organization of Report

Our report is organized into three parts as follows:

1. Part 1, entitled "Introduction," describes the objectives and scope of our audit and the organization and contents of this report.
2. Part 2, entitled "Compliance and Internal Control over Financial Reporting," contains our report on the City's internal control over financial reporting and on compliance and other matters based upon our audit of the City's basic financial statements.
3. Part 3, entitled "Schedule of Findings and Questioned Costs," contains our report on the City's compliance with requirements that could have a direct and material effect on each major program and on the internal control over compliance in accordance with OMB Circular A-133, the City's schedule of expenditures of federal awards, and the schedule of findings and questioned costs.
4. The "Corrective Action Plan," includes the City's corrective action plan for the internal control and compliance matters noted in this report.

Our report on the basic financial statements of the City as of and for the year ended June 30, 2013 is included under a separate cover. A separate management letter containing our observations regarding the City's internal controls dated December 13, 2013 has also been issued to the City Council.

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

CY/SN

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 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2013. Our report includes a reference to other auditors who have audited the financial statements of the Honolulu Authority for Rapid Transportation, 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 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 preceding paragraph 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 and the other auditors identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. 2013-1, 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 consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding Nos. 2013-2 and 2013-3 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
December 13, 2013

Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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 Circular A-133 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, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

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

Opinion on Each Major Federal Program

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 major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding Nos. 2013-4 through 2013-6. 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 schedule of findings and questioned costs. 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 OMB Circular A-133, 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.

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. *A significant deficiency in internal control over compliance* is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 13, 2013, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Honolulu Authority for Rapid Transportation, which is a discretely presented component unit of the City. 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Accuity LLP

Honolulu, Hawai'i
December 13, 2013

**City and County of Honolulu
State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Federal Grantor/Program/Grant	Catalog of Federal Domestic Assistance Number	Pass-Through Identifier	Federal Expenditures
U.S. Department of Agriculture			
Pass-through from the State Department of Education Summer Food Service Program for Children	10.559	12-351523	\$ 191,460
Pass-through from the State Department of Human Services Supplemental Nutritional Assistance Program	10.561	DHS-11-SNAP-301 SA1, SA2	<u>16,448</u>
Total U.S. Department of Agriculture			<u>207,908</u>
U.S. Department of Commerce			
Economic Adjustment Assistance	11.307	—	26
Pass-through from the State Department of Commerce National Oceanic and Atmospheric Administration Meteorologic and Hydrologic Modernization Development	11.467	NA5-NA09NWS46700016	<u>37,413</u>
Total U.S. Department of Commerce			<u>37,439</u>
U.S. Department of Housing and Urban Development			
Supportive Housing for Persons with Disabilities	14.181	—	1,594,595
<i>CDBG Entitlement Grants Cluster</i>			
Community Development Block Grants – Entitlement Grants	14.218	—	8,351,250
ARRA – Community Development Block Grants – Entitlement Grants	14.253	—	<u>527,401</u>
<i>Total CDBG Entitlement Grants Cluster</i>			<u>8,878,651</u> *
Emergency Shelter Grant Program	14.231	—	385,781
Supportive Housing Program	14.235	—	303,360
Shelter Plus Care	14.238	—	4,972,658 *
HOME Investment Partnerships Program	14.239	—	3,492,456
Housing Opportunities for Persons with AIDS	14.241	—	496,658
ARRA – Homelessness Prevention and Rapid Re-Housing Program	14.257	—	115,293
Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants	14.704	—	73,764
Lower Income Housing Assistance – Section 8 Moderate Rehabilitation	14.856	—	128,259
Section 8 Housing Choice Vouchers	14.871	—	46,028,119
Pass-through from the Hawaii Public Housing Authority Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	14.877	PMB 09-03 SA2, SA3, SA4	<u>260,190</u>
Total U.S. Department of Housing and Urban Development			<u>66,729,784</u>
U.S. Department of the Interior			
Historic Preservation Fund Grants-In-Aid	15.904	—	<u>13,447</u>
Total U.S. Department of Interior			<u>13,447</u>

**City and County of Honolulu
State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Federal Grantor/Program/Grant	Catalog of Federal Domestic Assistance Number	Pass-Through Identifier	Federal Expenditures
U.S. Department of Justice			
Domestic Cannabis Eradication/Suppression Program	16.000	—	100,000
Pass-through from the State Department of Justice Office for Victims of Crime Services for Trafficking Victims	16.320	10-VT-01	38,650
Pass-through from the State Department of Human Services Juvenile Accountability Block Grants	16.523	DHS-12-OYS-264, MOA-CA-1130	166,526
Pass-through from the State Department of Attorney General Crime Victim Assistance	16.575	09-VA-02, 10-VA-02	806,903
Pass-through from the State Department of the Attorney General Violence Against Women Formula Grants	16.588	10-WF-09, 11-WF-08, 09-WF-10, 10-WF-13	130,685
Project Safe Neighborhoods	16.609	07-PG-02, 10-GP-01	77,116
ARRA – Public Safety Partnership and Community Policing Grants	16.710	—	827,700
Public Safety Partnership and Community Policing Grants	16.710	—	529,824
			<u>1,357,524 *</u>
Pass-through from the State Department of Health Enforcing Underage Drinking Laws Program	16.727	ASO Log 09-010, ASO Log 11-104	103,470
<i>JAG Program Cluster</i>			
Edward Byrne Memorial Justice Assistance Grant	16.738	—	363,856
Pass-through from the State Attorney General Edward Byrne Memorial Justice Assistance Grant	16.738	09-DJ-12, 07-DJ-18, 09-DJ-11, 10-DJ-04	360,520
Pass-through from the State Attorney General ARRA – Edward Byrne Memorial Justice Assistance Grant Program/ Grants to States and Territories	16.803	09-SU-19, 09-SU-25, 09-SU-27 09-SU-21, 09-SU-11	244,853
ARRA – Edward Byrne Memorial Justice Assistance Grant Program/ Grants to Units of Local Government	16.804	—	<u>721,614</u>
<i>Total JAG Program Cluster</i>			<u>1,690,843 *</u>
DNA Backlog Reduction Program	16.741	—	247,164
Pass-through from the State Department of Attorney General Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	10-CD-01	181,690
ARRA – State Victim Assistance Formula Grant Program	16.801	09-SG-02	254,316
Equitable Sharing Program	16.922	—	<u>411,917</u>
Total U.S. Department of Justice			<u>5,566,804</u>
U.S. Department of Labor			
Pass-through from the State Department of Labor and Industrial Relations <i>Workforce Investment Act Cluster</i>			
Work Investment Act – Adult Program	17.258	WIA-11-AP-0, WIA-11-LAC-0, WIA-11-LAC-2	1,072,050
Work Investment Act – Youth Activities	17.259	WIA-11-YP-0, WIA-11-LAC-0, WIA-11-LAC-1	1,315,535
Work Investment Act – Dislocated Worker Formula Grants	17.278	WIA-11-DW-0, WIA-11-LAC-0 & 3	785,227
<i>Total Workforce Investment Act Cluster</i>			<u>3,172,812</u>
ARRA – Work Investment Act – Dislocated Workers Program	17.260	WIA-09-NEGOJT-0	57,134
WIA Pilots, Demonstrations, and Research Projects	17.261	—	86,912
Reintegration of Ex-Offenders	17.270	—	217,295
Youthbuild	17.275	—	578,823
Pass-through from the State Department of Labor and Industrial Relations ARRA – Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	WDC-ARRA-2010-12	561,669
Total U.S. Department of Labor			<u>4,674,645</u>

**City and County of Honolulu
State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Federal Grantor/Program/Grant	Catalog of Federal Domestic Assistance Number	Pass-Through Identifier	Federal Expenditures
U.S. Department of Transportation			
Pass-through from the Oahu Metropolitan Planning Organization ARRA – Highway Planning and Construction	20.205	ARR-001-(45), ARR-095-1(1), ARR-8915(2), STP-0001(36), STP-0300(112), STP-7139(1)	7,805,886
Highway Planning and Construction	20.205	BR-NBIS(53), CMAQ-0300(128), CMAQ-7863(001), FLH-0300(90), STP-0300(63)(69), STP-7311(2), STP-0001(30) (32) (33) (34) (35) (36) (37) (39) (40) (41) (42) (43) (47) (48) (49) (050) (051) (052) (053) (054) (055), STP-0300(57), STP-083-1(33), STP-6012(001), STP-7411(1), 8920(003), WE 201.65-07	11,709,182
			<u>19,515,068</u> *
<i>Federal Transit Cluster</i>			
Federal Transit – Capital Investment Grants – HART	20.500	—	81,821,600
Federal Transit – Capital Investment Grants	20.500	—	4,755,538
ARRA – Federal Transit – Formula Grants	20.507	—	1,438,068
Federal Transit – Formula Grants	20.507	—	18,289,268
<i>Total Federal Transit Cluster</i>			<u>106,304,474</u> *
<i>Transit Services Program Cluster</i>			
Job Access Reverse Commute	20.516	—	102,628
New Freedom Program	20.521	—	178,190
<i>Total Transit Services Program Cluster</i>			<u>280,818</u>
Pass-through from the State Department of Transportation State and Community Highway Safety	20.600	AL 09-02(01-O-01), AL 10-02(01-O-01), AL 13-02(01-O-01), DD 13-10(01-O-01), OP 09-05(01-O-01), OP 11-05(01-O-01), OP 12-05(01-O-01), OP 13-05 (01-O-01), PS 09-06(02-O-01), PS 13-06(02-O-01), PT 09-01(01-O-01), PT 13-01 (01-O-01), SC 13-06(01-O-01), TR 11-03(04-O-01), TR 13-03(04-O-01), EM12-04(01-O-01), EM13-04(04-O-01), PS10-09(03-O-01)	1,554,943
Total U.S. Department of Transportation			<u>127,655,303</u>
U.S. Environmental Protection Agency			
Climate Showcase Communities Grant	66.041	—	249,682
Pass-through from the Environmental Protection Agency Office of Water Capitalization Grants for Clean Water State Revolving Funds	66.458	C150048-00, C150046-68, C150046-70, C150051-70	7,027,538
Nonpoint Source Implementation Grants	66.460	C9-989423-00-1	9,848
Total U.S. Environmental Protection Agency			<u>7,287,068</u>

**City and County of Honolulu
State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Federal Grantor/Program/Grant	Catalog of Federal Domestic Assistance Number	Pass-Through Identifier	Federal Expenditures
U.S. Department of Energy			
Pass-through from the State Department of Energy			
ARRA – State Energy Program	81.041	DE-EE0000216	60,000
ARRA – Energy Efficiency and Conservation Block Grant Program	81.128	—	229,096
Total U.S. Department of Energy			<u>289,096</u>
U.S. Department of Education			
Pass-through from the State Department of Human Services			
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	DHS-09-VR-9022, DHS-12-VR-533, VR-640, VR-640 SA1, VR-641, VR-641 SA1, DHS-13-VR-758	466,567
ARRA – Vocational Rehabilitation	84.390	DHS-10-VR-151	72
Pass-through from the State Department of Education			
Twenty-First Century Community Learning Centers	84.287	13023	16,447
Total U.S. Department of Education			<u>483,086</u>
U.S. Department of Health and Human Services			
Pass-through from the Executive Office on Aging			
Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services	93.043	HON2012N03, HON2013N03	59,485
<i>Aging Cluster</i>			
Pass-through from the Executive Office on Aging			
Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	HON2011N03, HON2012N03, HON2013N03	1,036,529
Special Programs for the Aging – Title III, Part C – Nutrition Services	93.045	HON2011N03, HON2012N03	968,268
Total Aging Cluster			<u>2,004,797</u>
Special Programs for the Aging – Title IV and Title II – Discretionary Projects	93.048	HONADRCHD-2010-N, HON2010N04	135,765
National Family Caregiver Support, Title III, Part E	93.052	HON2011N03, HON2012N03, HON2013N03	383,645
ARRA – Centers for Disease Control and Prevention-Investigation and Technical Assistance	93.283	PO00037348	1,000
Affordable Care Act – Medicare Improvements for Patients and Providers	93.518	—	45,619
Pass-through from the State Department of Health and Human Services			
Administration for Community Living			
ARRA – Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725	HON-ARRA-CDSMP-10-N	12,268
Pass-through from the State Department of Human Services			
Temporary Assistance for Needy Families	93.558	DHS-08-BESSD-5042, 5043 SA2, DHS-08-BESSD-5043 SA2, DHS-12-ETPO-611 SA1	1,120
Block Grants for Community Mental Health Services	93.958	—	41,615
Pass-through from the State Department of Health			
Block Grants for Prevention and Treatment of Substance Abuse (SPF-SIG)	93.959	ASO Log. 10-038	906,541
Retired and Senior Volunteer Program	94.002	—	98,406
Total U.S. Department of Health and Human Services			<u>3,690,261</u>
U.S. Executive Office of the President			
High Intensity Drug Trafficking Areas Program	95.001	—	2,206,181
Total U.S. Executive Office of the President			<u>2,206,181</u>

**City and County of Honolulu
State of Hawaii
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Federal Grantor/Program/Grant	Catalog of Federal Domestic Assistance Number	Pass-Through Identifier	Federal Expenditures
U.S. Department of Homeland Security			
Pass-through from the State Department of Defense Emergency Management Performance Grants	97.042	2009-EP-E9-0042, 2011-EP-00072	280,000
Assistance to Firefighter Grant	97.044	EMW-2010-FO-05152, EMW-2011-FO-04891	1,104,228
Pre-Disaster Mitigation	97.047	PDMC-PL-09-HI-2008-003	15,707
Interoperable Emergency Communications	97.055	2008-IO-T8-0013, 2009-IP-T9-0025, 2010-IP-TO-0010	15,808
Pass-through from the State Civil Defense Homeland Security Grant Program			
Citizen Corp Program	97.067	2009-SS-T9-0006, 2010-SS-T0-0006	42,661
Metropolitan Medical Response System Program	97.067	2008-GE-T8-0022, 2009-SS-T9-0006, 2010-SS-T0-0006, 2011-SS-00129	296,922
Urban Areas Security Initiative Program	97.067	2008-GE-T8-0022, 2009-SS-T9-0006, 2010-SS-T0-0006,	2,492,438
State Homeland Security Program	97.067	2008-GE-T8-0022, 2009-SS-T9-0006, 2010-SS-T0-0006, 2011-SS-00129	456,040
<i>Total Homeland Security Grant Program</i>			<u>3,288,061</u>
Pass-through from the State Department of Defense			
Rail and Transit Security Grant Program	97.075	2008-RL-T8-0023, 2010-RA-T0-0036, EMW-2011-RA-00058	349,697
Regional Catastrophic Preparedness Grant Program	97.111	2008-CP-T80020, 2009-CA-T9-0009, 2010-CA-T0-0003	1,739,600
Total U.S. Department of Homeland Security			<u>6,793,101</u>
Total Expenditure of Federal Awards			<u>\$ 225,634,123</u>

(*)Denotes major federal financial assistance program as defined by OMB Circular A-133.

City and County of Honolulu
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30 2013

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. The schedule does not include the federal grant activity of the Board of Water Supply, a discretely presented component unit of the City. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Loans Outstanding

The City had the following loan balances outstanding awarded as of and for the year ended June 30, 2013, which are not presented in the schedule of expenditures of federal awards. There were no advances in fiscal year 2013.

Program Title	CFDA Number	Loans Outstanding
Major programs		
Community Development Block Grants – Entitlement Grants	14.218	\$ 34,953,884
HOME Investment Partnerships Program	14.239	19,434,975
Section 8 Housing Choice Vouchers	14.871	<u>3,647,688</u>
		<u>\$ 58,036,547</u>

3. Capitalization Grants for Clean Water State Revolving Funds

At June 30, 2013, federal awards and state matching fund expenditures under capitalization grants for clean water state revolving funds were as follows:

Federal	\$ 7,027,538
State	<u>867,908</u>
	<u>\$ 7,895,446</u>

City and County of Honolulu
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30 2013

4. Subrecipients

Of the federal expenditures presented in the schedule of expenditures of federal awards, the City provided federal awards to subrecipients as follows:

Program Title	CFDA No.	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development		
Community Development Block Grants – Entitlement Grants	14.218	\$ 6,007,902
Emergency Shelter Grants Program	14.231	385,781
Supportive Housing Program	14.235	232,025
Shelter Plus Care	14.238	4,972,658
HOME Investment Partnerships Program	14.239	2,294,336
Housing Opportunities for Persons with AIDS	14.241	496,658
ARRA – CDBG Entitlement Grants	14.253	524,929
ARRA – Homelessness Prevention and Rapid Re-Housing Program	14.257	106,675
Total U.S. Department of Housing and Urban Development		<u>15,020,964</u>
U.S. Department of Justice		
Crime Victim Assistance	16.575	225,532
Total U.S. Department of Justice		<u>225,532</u>
U.S. Environmental Protection Agency		
Climate Showcase Communities Grant	66.041	249,682
Total U.S. Environmental Protection Agency		<u>249,682</u>
U.S. Department of Health and Human Services		
Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services	93.043	59,485
Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	927,615
Special Programs for the Aging – Title III, Part C – Nutrition Services	93.045	768,041
Special Programs for the Aging – Title IV and Title II Discretionary Projects	93.048	4,121
National Family Caregiver Support, Title III, Part E	93.052	368,024
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	1,000
ARRA – Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725	9,593
Total U.S. Department of Health and Human Services		<u>2,137,879</u>
Total Provided to Subrecipients		<u>\$ 17,634,057</u>

PART 3

**SCHEDULE OF
FINDINGS AND QUESTIONED COSTS**

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditors’ report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	Yes

Identification of Major Programs

CFDA Number	Federal Program or Cluster
14.218, 14.253	CDBG Entitlement Grants Cluster
14.238	Shelter Plus Care
16.710	Public Safety Partnership and Community Policing Grants
16.738, 16.803, 16.804	JAG Program Cluster
20.205	Highway Planning and Construction
20.500, 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$3,000,000
Auditee qualified as low-risk auditee?	Yes

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II – Financial Statement Findings

Finding No. 2013-1: Federal Grant Reimbursements for the Honolulu Authority for Rapid Transportation (“HART”) (Material Weakness)

Condition

Certain unbilled amounts for reimbursement of costs from the federal government related to the construction of the HART project were discovered by the other auditors during the audit.

Criteria

In accordance with accounting principles generally accepted in the United States of America, governments should recognize revenues and intergovernmental receivables from the intergovernmental transactions that are either government-mandated or voluntary nonexchange transactions when all eligibility requirements, including time requirements, have been met.

Effect

An adjustment was proposed by the other auditors, which management recorded, to record unbilled receivables of \$83,783,523 as of June 30, 2013.

Cause

The above finding was caused primarily by lack of policies and procedures to ensure that reimbursable expenses are billed in a timely manner.

Recommendation

The other auditors recommend that management of HART consider implementing policies and procedures to ensure billings related to reimbursable federal expenses are completed in a timely manner. Management should also evaluate the resources required to perform this function.

City and County of Honolulu

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Finding No. 2013-2: Deficiencies in Information Technology Controls (Significant Deficiency)

Condition

Information technology ("IT") is a strategic element of the City and County of Honolulu's (the "City") operations. Because of the high volume 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, 2013, we performed an IT general controls review of the following systems operated by the City:

- Windows Domain
- AMS Advantage Financial Management System
- AMS Advantage Human Resources Management System
- Personnel Time and Attendance System
- IAS World Web Based Real Property System
- Revenue Collection Cashier System

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

Physical and logical security

- Several terminated employees continued to have access to the City's IT systems.
- No effective periodic review performed to detect whether terminated individuals are able to log in to the IT systems.
- No effective periodic review performed to determine whether access rights granted to employees were commensurate with their job responsibilities.
- Lack of documentation evidencing approval to provide transferred employees access rights to the IT systems.
- Lack of segregation of duties in certain areas of security administration, operating system and database security.
- Lack of monitoring controls to identify unauthorized changes within the IT systems.
- Excessive user accounts with administrative privileges.
- User IDs to directly access the database are shared.

Change management

- Lack of segregation of duties among programmers.

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

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.

Effect

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

Physical and logical security

Unauthorized access to these systems could result in either the destruction of data, unauthorized or nonexistent transactions being made, or transactions being inaccurately recorded.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Change management

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

Causes

The primary cause of the internal control deficiencies is that the City's IT procedures do not include internal control procedures addressing the IT risks discussed above.

Recommendation

We recommend that the City perform the following:

- Update its IT procedures to include internal control procedures addressing the IT risks above.
- Identify methods to ensure that IT policies and procedures are consistently followed.
- Work with vendor programmers to address any internal control deficiencies due to system limitations.

City and County of Honolulu

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Finding No. 2013-3: Information Technology for the Board of Water Supply (“BWS”) (Significant Deficiency)

Condition

Information technology (“IT”) is a strategic element of the BWS operations. Because of the high volume of transactions at the BWS, 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, 2013, we performed an IT general controls review of the following systems operated by the BWS:

- J.D. Edwards
- Oracle Utilities Customer Care and Billing
- Automated Meter Reading System
- Kronos Workforce Timekeeper

As the BWS migrated to a new customer information system in the year ended June 30, 2013, we performed additional migration testing over:

- Data Conversion
- Logical Security
- Interface Implementation
- Project Governance
- Reporting
- Project Risk Management

Our review resulted in several IT control deficiencies in the areas of IT governance, logical and physical security, change management, IT operations and system migration as follows:

IT governance

- Lack of management steering committee to review and approve IT plans and priorities.

Logical and physical security

- Lack of formal information security policies and procedures for financial systems.
- Weak password security.
- User access rights not approved and granted on a need-to-know, need-to-do basis.
- Physical access to sensitive equipment not appropriately restricted.

Change management

- Lack of formal change management policies and procedures for certain financial systems.
- Lack of IT segregation of duties.
- Lack of user acceptance for configuration changes.

IT operations

- Lack of system test restores.
- Lack of monitoring batch processing for certain financial systems.
- Lack of monitoring controls for certain financial system interfaces.

System migration

- Lack of validation by users for certain converted data.
- Lack of validation by business for user access rights.
- Lack of adequate user involvement in deriving bill estimation requirements.
- Failure to adequately address business readiness concerns.

City and County of Honolulu

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

Effect

Internal controls in the areas of IT governance, logical and physical security, change management, IT operations and system migration address the following risks:

IT governance

Control environment not appropriately supported by management, setting a weak tone at the top, causing a lack of accountability with employees. IT risk management process not in place to support financial reporting requirements.

Logical and physical security

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

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.

IT operations

Programs and processes are not executed as planned and deviations from scheduled processing are not identified and investigated causing data integrity concerns. There exists an inability to correct or recover from data loss, corruption, or data integrity concerns.

System migration

Data conversion errors could cause data integrity concerns. Project management and governance may not be effective to ensure business objectives are met.

Recommendations

We recommend that BWS perform the following:

- Formally hold management steering committee meetings for IT on a monthly or bi-monthly basis.
- Update IT policies and procedures to include internal control procedures.
- Identify methods to ensure IT policies and procedures are consistently followed.
- Remove user access that is not commensurate with job responsibilities.
- Implement formal change management policies and procedures.
- Identify methods to ensure change management policies and procedures are consistently followed.
- Perform formal system restoration testing.
- Implement monitoring controls over batch processing.
- Implement a standard project management framework which includes appropriate training.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs

		Questioned Cost
Finding No. 2013-4:	Federal Reporting (Significant Deficiency)	\$ _____
Federal Agency:	United States Department of Housing and Urban Development	
CFDA Number and Title:	14.218, 14.253 Community Development Block Grants – Entitlement Grants	
Award Year:	2012	
Award Number:	B-12-MC-15-0001	

Condition

During our testing over the Federal Funding Accountability and Transparency Act (“FFATA”) reporting compliance requirement, we noted that both reports selected for testing out of a total of nine reports were reported 51 days late in the Federal Subaward Reporting System (“FSRS”).

Criteria

Per the 2013 OMB Circular A-133 Compliance Supplement, Part 3, “the action is required to be reported in FSRS no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/modification was made.”

Effect

The effect of not reporting the FFATA reports to the FSRS website in a timely manner will result in noncompliance with the FFATA reporting requirement.

Cause

The delay was due to a lack of knowledge of the reporting compliance requirement by the City personnel and no formal procedures to ensure compliance with the requirement.

Recommendation

We recommend that the City implement procedures to ensure that the information is reported in a timely manner.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

		Questioned Cost
Finding No. 2013-5:	Eligibility and Special Tests (Significant Deficiency)	\$ _____
Federal Agency:	United States Department of Housing and Urban Development	
CFDA Number and Title:	14.238 Shelter Plus Care	
Award Year:	2013	
Award Number:	HI0029C9C011104	

Condition

We noted three out of twenty instances where an annual Housing Quality Standards inspection was not performed.

In addition, one participant's annual rent calculation was not performed in accordance with the Shelter Plus Care guidance since 2010. The most recent third party income verification included in the file was from 2010.

Criteria

Per 24 Code of Federal Regulations ("CFR") section 582.305(a), "Housing assisted under the Shelter Plus Care Program must meet applicable housing quality standards. Before any assistance is provided on behalf of a participant, the non-Federal entity, or another entity acting on behalf of the non-Federal entity (other than the owner of the housing), must physically inspect all units annually during the grant period to ensure that units continue to meet housing quality standards."

Per 24 CFR section 582.310(b)(2), "Recipients must examine a participant's income initially, and at least annually thereafter, to determine the amount of rent payable by the participant. Adjustments to a participant's rental payment must be made as necessary."

Effect

Possible ineligibility can result in noncompliance with federal requirements.

Cause

We were informed that these noncompliance instances were due to the City being unable to contact these participants to schedule inspection visits and to obtain updated information for the annual rent calculation.

Recommendation

We recommend that the City designate appropriate personnel to perform a review to ensure all required documents have been updated and executed annually for each participant. We also recommend that the City establish procedures to contact the participants for site visits on a timely basis.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

		Questioned Cost
Finding No. 2013-6:	Period of Availability (Significant Deficiency)	
		\$ _____
Federal Agency:	United States Department of Housing and Urban Development	
CFDA Number and Title:	14.218, 14.253 Community Development Block Grant ("CDBG")	
Award Year:	2013	
Award Number:	B-12-MC-15-0001	

Condition

The U.S. Department of Housing and Urban Development ("HUD") notified the City via a letter dated August 27, 2013 that the City was not in compliance with the sixty-day timeliness test conducted on May 2, 2013 as the City had a line-of-credit balance 1.76 times its annual grant. Additionally, taking into account the City's current balance of CDBG program income and revolving loan funds, the City's timeliness ratio increased to 2.07 for the second tier of the CDBG timeliness test.

Per the HUD letter dated December 6, 2013, we noted that the City failed to meet the HUD minimum ratio as of November 30, 2013.

Criteria

Per 24 CFR 570.902, HUD will consider a grantee to be failing to carry out its CDBG activities in a timely manner if sixty days prior to the end of the grantee's current program year, the amount of entitlement grant funds available to the recipient under grant agreements but undisbursed by the U.S. Treasury is more than 1.5 times the entitlement grant amount for its current program year.

Effect

As the City failed the timeliness test under CDBG regulations, the City is now subject to HUD's sanctions policy and has until May 2, 2014 to reach the timeliness standard. If the City fails to meet the timeliness standard at that time, HUD may reduce the 2014 program year grant by 100 percent of the amount in excess of 1.5 times the annual grant.

Cause

We were informed by the City that in spite of ongoing monitoring, the City failed to meet the timeliness requirement due to major issues related to several projects and ongoing bid protests and questions that resulted in delays in these project expenditures.

Recommendation

We recommend that the City establish procedures to ensure that it is in compliance with the CDBG timeliness standard specified in 24 CFR 570.902. In addition, we recommend that the City ensures that it complies with the final workout agreement to be provided by HUD.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section IV – Summary Schedule of Prior Audit Findings

Finding No.	Description	Classification	Status		Current Year Finding No.
			Resolved	Unresolved	
2012-1; 2011-1; 2010-1	Deficiencies in Information Technology Controls	Significant deficiency		X	2013-1
2012-2	Schedule of Expenditures of Federal Awards		X		
2012-3	Financial Statement Reporting for the Honolulu Authority for Rapid Transportation		X		
2012-4	Federal Reporting – Energy Efficiency and Conservation Block Grant		X		
2012-5	Federal Reporting – HOME Investment Partnerships Program		X		
2012-6; 2011-2	Suspension and Debarment		X		

As we have reported current year findings, Finding Nos. 2012-1, 2011-1 and 2010-1 will not be carried forward.

CORRECTIVE ACTION PLAN

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

KIRK CALDWELL
MAYOR



NELSON H. KOYANAGI, JR.
DIRECTOR

GARY T. KUROKAWA
DEPUTY DIRECTOR

December 13, 2013

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

Dear Mr. Young:

SUBJECT: Single Audit Report for the Fiscal Year Ended June 30, 2013

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, 2013. The response includes 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 "Nelson H. Koyanagi, Jr.", is written over the name in the signature block.

Nelson H. Koyanagi, Jr., Director
Budget and Fiscal Services

NHK:lt

Enclosures

APPROVED: .

A handwritten signature in black ink, appearing to read "Ember Lee Shinn", is written over the name in the signature block.

Ember Lee Shinn
Managing Director

**RESPONSE TO SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding No. 2013-1: Federal Grant Reimbursements for the Honolulu Authority for Rapid Transportation

Audit Recommendation: The other auditors recommend that management of HART consider implementing policies and procedures to ensure billings related to reimbursable federal expenses are completed in a timely manner. The other auditors also recommend that management evaluate the resources required to perform this function.

Administration's Comment: Policies and procedures already are being implemented to submit reimbursement claims for eligible expenses on a monthly basis and to determine the related intergovernmental receivables at fiscal year end.

HART's management presently is recruiting for a full-time federal grants manager who will be responsible to ensure the timely billing for all reimbursable expenses.

Anticipated Completion Dates: January 2014 for full implementation of the policies and procedures on reimbursable federal expenses and March 2014 for the hiring of the federal grants manager.

Contact Person(s): Diane R. Arakaki, Chief Financial Officer, Honolulu Authority for Rapid Transportation

Finding No. 2013-2, 2012-1, 2011-1 and 2010-1: Deficiencies in Information Technology Controls

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

- Update its IT procedures to include internal control procedures addressing the IT risks above.
- Identify methods to ensure that IT policies and procedures are consistently followed.
- Work with vendor programmers to address any internal control deficiencies due to system limitations.

Administration's Comment: The City has begun to make progress towards the audit recommendations and will continue to take corrective actions where possible to ensure control and compliance. DIT is working towards improving its current technology environment so that policies can be met.

Anticipated Completion Date: December 2014

Contact Person(s): Mark D. Wong, Director and CIO, Department of Information Technology
Keith G.H. Ho, Deputy Director, Department of Information Technology

**RESPONSE TO SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Finding No. 2013-3: Information Technology for the Board of Water Supply

Audit Recommendation: The auditors recommend that BWS perform the following:

1. Formally hold management steering committee meetings for IT on a monthly or bi-monthly basis.
2. Update IT policies and procedures to include internal control procedures.
3. Identify methods to ensure IT policies and procedures are consistently followed.
4. Remove user access that is not commensurate with job responsibilities.
5. Implement formal change management policies and procedures.
6. Identify methods to ensure change management policies and procedures are consistently followed.
7. Perform formal system restoration testing.
8. Implement monitoring controls over batch processing.
9. Implement a standard project management framework which includes appropriate training.

Administration's Comments:

1. Management steering committee members were identified and already conducted its first meeting.
2. All areas of IT are working towards addressing improved security and internal control by updating the IT policies and procedures.
3. Methods have been identified to ensure IT policies and procedures are being consistently followed. This issue is being addressed concurrently with the update of the IT policies and procedures discussed in item 2 above.
4. IT Operations and Applications Development already removed the inappropriate user access, and implemented procedures to ensure this practice is undertaken on a recurring basis.
5. BWS will re-evaluate its existing change management policies and procedures and will implement enhancements as needed.
6. BWS will identify methods to ensure its change management policies and procedures are followed consistently.
7. IT Operations has adjusted its process to perform recurring system restoration testing inclusive of user participation.
8. The existing batch scheduler is being replaced with BC Control-M which has monitoring capabilities.
9. BWS will implement a project management framework which is most suitable to its needs and includes appropriate training.

Anticipated Completion Date: June 2014

Contact Person(s): Ernest Y.W. Lau, Manager and Chief Engineer, Board of Water Supply
Henderson Nuuhiwa, IT Principal Executive, Board of Water Supply

Finding No. 2013-4: Federal Reporting

Audit Recommendation: We recommend that the City implements procedures to ensure that the information is reported in a timely manner.

Administration's Comment: The City implemented procedures to ensure that FFATA information is reported on a timely basis.

**RESPONSE TO SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Anticipated Completion Date: July 2013

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

Finding No. 2013-5: Eligibility and Special Tests

Audit Recommendation: We recommend that the City designate appropriate personnel to perform a review to ensure all required documents have been updated and executed annually for each participant. We also recommend that the City establish procedures to contact the participants for site visits on a timely basis.

Administration's Comment: In 2013, Department of Community Services (DCS) staff implemented new monitoring forms related to its Shelter Plus Care programs, which are now called Permanent Housing (PH) programs under HUD's latest Continuum of Care Interim Rules. The form tests for, among other things, initial and annual Housing Quality Standards inspection and rent calculation. The forms were used for monitoring two of the City's subrecipients in 2013. One monitoring was successfully completed and another is ongoing.

DCS staff will implement the audit recommendations with service providers through:

- 1) Training with all DCS PH subrecipients, and
- 2) Including a test that the audit recommendations are being implemented in DCS PH monitoring procedures.

Anticipated Completion Date: March 2014

Contact Person(s): Keith Ishida, Administrator, Department of Community Services
Gabe Naeole, Planner, Department of Community Services

Finding No. 2013-6: Period of Availability

Audit Recommendation: We recommend that the City establish procedures to ensure that it is in compliance with the CDBG timeliness standard specified in 24 CFR 570.902. In addition, we recommend that the City ensure that it complies with the final workout agreement to be provided by HUD.

Administration's Comment: The City will be implementing controls to ensure compliance with the CDBG timeliness standard, will be working with its subrecipients to meet the 1.5 threshold, and will take measures to comply with HUD's workout agreement.

Anticipated Completion Date: June 2014

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