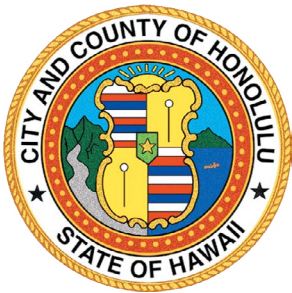




Office of the City Auditor



**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, 2022**

**Single Audit of Federal Financial
Assistance Programs**

City and County of Honolulu

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Year Ended June 30, 2022

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PART 1

INTRODUCTION



March 29, 2023

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, 2022. Our report containing our opinion on those basic financial statements is included in the City's *Annual Comprehensive 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").

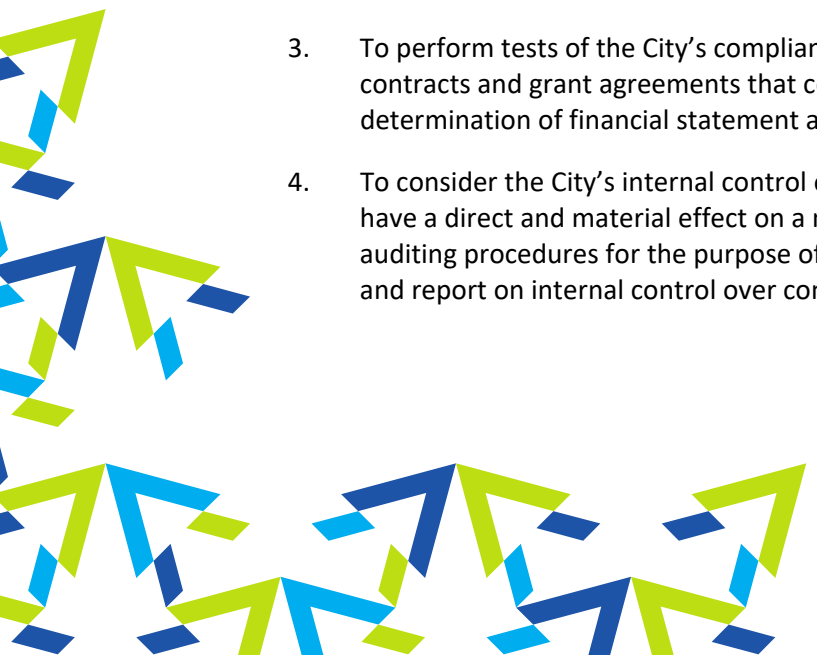
The audit objectives and scope of our audit were as follows:


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, 2022 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, 2022, 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, 2022 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

KM/LKC

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, 2022, 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 23, 2022. Our report includes a reference to other auditors who audited the financial statements of the 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.

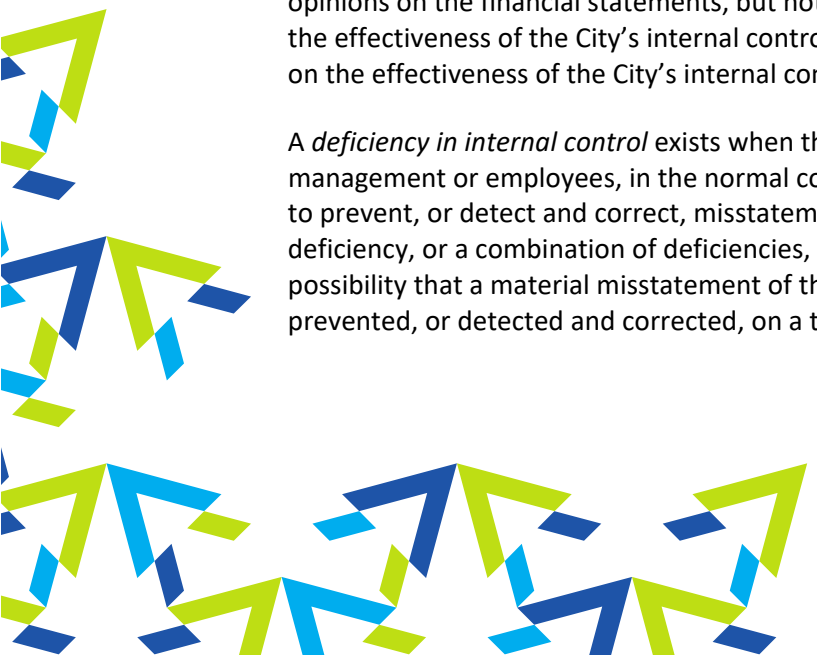
Internal Control over Financial Reporting


In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (“internal control”) as a basis for designing 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.

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. *A significant deficiency* is a deficiency,

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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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding No. 2022-001 that we consider to be a significant deficiency.

Report on 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 financial statements. 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

Government Auditing Standards requires auditors to perform limited procedures on the City's response to the findings identified in our audit and 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 the response.

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 23, 2022



**Report of Independent Auditors on Compliance for Each Major Program,
Internal Control Over Compliance, and the Schedule of 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

Opinion on 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 identified as subject to audit 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, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

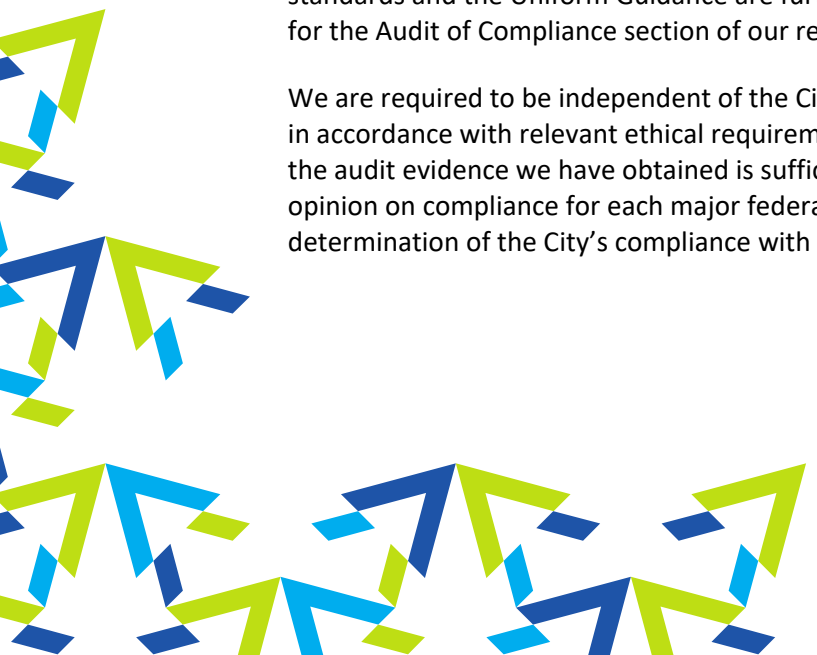
Basis for Opinion on Each Major Federal Program

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 ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("*Uniform Guidance*"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

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Other Matter – Federal Expenditures Not Included in the Compliance Audit

The City's basic financial statements include, among other departments and agencies, the operations of the Board of Water Supply, a discretely-presented component unit, which expended \$12,706,974 in federal awards, which is not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2022. Our compliance audit, described in the Opinion on Each Major Federal Program section of our report, did not include the operations of the Board of Water Supply, because this component unit separately engaged us to perform an audit.

Responsibilities of Management for Compliance


Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed 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 Finding Nos. 2022-002 and 2022-003. Our opinion on each major federal program is not modified with respect to these matters.


Government Auditing Standards requires the auditors to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be 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.

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 Finding Nos. 2022-002 through 2022-003 to be significant deficiencies.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditors to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 23, 2022, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the 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
March 29, 2023



City and County of Honolulu
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Program/Grant	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Pass-through State Department of Education –				
<i>Child Nutrition Cluster</i>				
Summer Food Service Program for Children	10.559	12-351523	\$ -	\$ 296,863
<i>Total Child Nutrition Cluster</i>			-	296,863
Pass-through State Department of Land and Natural Resources –				
Urban and Community Forestry Program	10.675	2021-12	-	432
Total U.S. Department of Agriculture			-	297,295
U.S. Department of Housing and Urban Development				
<i>CDBG-Entitlement Grants Cluster</i>				
COVID-19 – Community Development Block Grants/Entitlement Grants	14.218		5,883,905	6,875,418
Community Development Block Grants/Entitlement Grants	14.218		-	9,000,202
<i>Total CDBG-Entitlement Grants Cluster</i>			5,883,905	15,875,620
<i>Emergency Solutions Grant Program</i>				
COVID-19 – Emergency Solutions Grant Program	14.231		2,670,654	11,853,032
Emergency Solutions Grant Program	14.231		579,023	633,714
<i>Total Emergency Solutions Grant Program</i>			3,249,677	12,486,746
HOME Investment Partnerships Program	14.239		564,651	3,479,371
<i>Housing Opportunities for Persons with AIDS</i>				
COVID-19 – Housing Opportunities for Persons with AIDS	14.241		74,203	74,203
Housing Opportunities for Persons with AIDS	14.241		669,659	690,150
<i>Total Housing Opportunities for Persons with AIDS</i>			743,862	764,353
Family Self-Sufficiency Program	14.896		-	199,142
Pass-through State Hawaii Housing Finance and Development Corporation –				
Housing Trust Fund	14.275	111763285	-	172,903
<i>Section 8 Project-Based Cluster</i>				
Lower Income Housing Assistance Program			-	-
Section 8 Moderate Rehabilitation	14.856		-	163,522
<i>Total Section 8 Project-Based Cluster</i>			-	163,522
<i>Housing Voucher Cluster</i>				
Section 8 Housing Choice Vouchers	14.871		-	63,365,669
COVID-19 – Section 8 Housing Choice Vouchers	14.871		-	943
COVID-19 – Section 8 Emergency Housing Choice Vouchers	14.871		-	119,661
Mainstream Vouchers	14.879		-	1,643,205
<i>Total Housing Voucher Cluster</i>			-	65,129,478
Total U.S. Department of Housing and Urban Development			10,442,095	98,271,135
U.S. Department of Justice				
COVID-19 – Coronavirus Emergency Supplemental Funding Program	16.034		-	347,406
Services for Trafficking Victims	16.320		-	120,047
DNA Backlog Reduction Program	16.741		-	420,203
Equitable Sharing Program	16.922		-	789,337
Pass-through State Department of Attorney General –				
COVID-19 – Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0310	-	56,016
Crime Victim Assistance	16.575	18-VA-02; 19-V2-22	-	1,659,463
Violence Against Women Formula Grants	16.588	18-WF-04; 19-WF-04	-	122,019
Project Safe Neighborhoods	16.609	18-GP-02	-	45,255
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	19-CD-01; 19-CD-02	-	148,748
National Sexual Assault Kit Initiative	16.833	16-AK-03	-	2
Justice Assistance Grant (“JAG”) Program				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	296,113
Pass-through State of Hawaii Department of Attorney General –				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18-DJ-12, -08	-	21,033
Total JAG Program			-	317,146
Total U.S. Department of Justice			-	4,025,642

(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, 2022

Federal Grantor/Program/Grant	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Labor				
YouthBuild	17.274		-	473,337
Pass-through State Department of Labor & Industrial Relations –				
<i>Employment Service Cluster</i>				
Employment Service/Wagner-Peyser Funded Activities	17.207	DEI VIII – PY17 – CC	-	113,627
<i>Total Employment Service Cluster</i>			-	113,627
<i>Workforce Innovation and Opportunity Act ("WIOA") Cluster</i>				
WIOA – Adult Program	17.258	WIOA-19 & 20-A&DWP-0 (DW); WIOA-20 & 21-LAC-0	-	941,993
WIOA – Youth Activities	17.259	WIOA-19 & 20-YP-0; WIOA-20 & 21-LAC-0	-	1,179,020
WIOA Dislocated Worker Formula Grants	17.278	WIOA-19 & 20-A&DWP-0(DW); WIOA-20 & 21-LAC-0; WIOA-20-RRP-0;	-	875,578
<i>Total WIOA Cluster</i>		WDC-DWG-20-003 & 006-2020	-	2,996,591
Pass-through State Department of Labor & Industrial Relations –				
H-1B Job Training Grants				
	17.268	AAI-15-O	-	36,194
Total U.S. Department of Labor			-	3,619,749
U.S. Department of Transportation				
Pass-through State Department of Transportation & Oahu Metropolitan				
Planning Organization –				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	CMAQ-0001 (41); STP-0001 (059); STP-0300(141); STP-7143(001); STP-7180(001); STP-7612(001)	-	2,027,404
Highway Planning and Construction	20.205	BR-NBIS-077; BR-NBIS-080; TAP-0300(151)	-	786,097
Highway Planning and Construction	20.205	FHWA 203.03-16; 203.07-18 203.09-18; 203.12-19; 203.14-19; 203.17-19; 203.19-20; 203.21-20; 203.22-21; 204.06-21; 204.07-21; TAP-0300(159)	-	2,177,280
<i>Total Highway Planning and Construction Cluster</i>			-	4,990,781
<i>Federal Transit Cluster</i>				
COVID-19 – New Starts, Small Starts, and Core Capacity	20.500		-	70,000,000
COVID-19 – Federal Transit – Formula Grants	20.507		-	91,554,784
Federal Transit – Formula Grants	20.507		-	41,159,895
Bus and Bus Facilities Formula Program	20.526		-	69,440
<i>Total Federal Transit Cluster</i>			-	202,784,119
Pass-through State Department of Transportation –				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	PS21-O-03; PS22-O-03; EM21-O-01;PT21-O-01 TR21-O-08; AL21-O-01;	-	166,761
National Priority Safety Programs	20.616	OP-21-O-01; PS21-O-02; TR21-O-02	-	337,682
<i>Total Highway Safety Cluster</i>			-	504,443
Total U.S. Department of Transportation			-	208,279,343

(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, 2022

Federal Grantor/Program/Grant	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Treasury				
Equitable Sharing Program	21.016		-	8,161
COVID-19 – Coronavirus Relief Fund	21.019		850,773	13,491,216
COVID-19 – Emergency Rental Assistance Program	21.023		59,022,363	59,022,363
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		-	19,470,028
Pass-through Executive Office of the State of Hawaii – COVID-19 – Coronavirus Relief Fund	21.019	P.L.116-136 (CARES)	-	395,119
COVID-19 – Emergency Rental Assistance Program	21.023	ERA0173; ERAE0027	87,119,912	87,119,912
Total U.S. Department of Treasury			146,993,048	179,506,799
U.S. Small Business Administration				
COVID-19 – Shuttered Venue Operators Grant Program	59.075		-	4,575,408
Total U.S. Small Business Administration			-	4,575,408
Environmental Protection Agency				
Pass-through State Department of Health – Clean Water State Revolving Fund Cluster				
Capitalization Grants for Clean Water SRF	66.458	C150051-78; C150048-06; C150051-81	-	12,328,712
<i>Total Clean Water State Revolving Fund Cluster</i>			-	12,328,712
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		-	844,739
Total Environmental Protection Agency			-	13,173,451
U.S. Department of Education				
Pass-through State Department of Education – 21st Century Community Learning Center	84.287	13023	-	10,386
Total U.S. Department of Education			-	10,386
U.S. Department of Health and Human Services				
Pass-through State Executive Office on Aging – Aging Cluster				
Special Programs for the Aging-Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	HON2016N03, ASO Log 20-199	530,617	627,131
COVID-19 – Special Programs for the Aging-Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	ASO Log 20-199	272,800	272,800
COVID-19 – Special Programs for the Aging-Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	ASO Log 20-199	96,990	96,990
Special Programs for the Aging Title III, Part C – Nutrition Services	93.045	HON2016N03, ASO Log 20-199	1,039,849	1,185,439
COVID-19 – Special Programs for the Aging Title III, Part C – Nutrition Services	93.045	ASO Log 20-199	510,078	510,078
COVID-19 – Special Programs for the Aging Title III, Part C – Nutrition Services	93.045	ASO Log 20-199	646,357	646,357
National Family Caregiver Support Title III, Part E	93.053	HON2019NSIP; HON2020NSIP	9,367	9,367
<i>Total Aging Cluster</i>			3,106,058	3,348,162
Special Programs for the Aging-Title III, Part D – Disease Prevention and Health Promotion Services	93.043	HON2016N03; ASO Log 20-199	75,503	75,503
COVID-19 – Special Programs for the Aging-Title III, Part D – Disease Prevention and Health Promotion Services	93.043	ASO Log 20-199	44,305	44,305
Nutrition Services Incentive Program	93.052	HON2016N03; ASO Log 20-199	297,618	355,570
Pass-through State Department of Health – Injury Prevention and Control Research and State and Community Based Programs	93.136	MED-21-7790	-	89,034
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	ASO Log 16-125; 22-093	-	96,120
MED Hawaii Opioid Initiative	93.788	MED-20-7700	-	82,467
Total U.S. Department of Health and Human Services			3,523,484	4,091,161

(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, 2022

Federal Grantor/Program/Grant	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Amount Provided to Subrecipients	Federal Expenditures
Corporation for National and Community Service				
Retired and Senior Volunteer Program	94.002		-	93,388
Total Corporation for National and Community Service			-	93,388
Executive Office of the President				
High Intensity Drug Trafficking Area Program	95.001		-	1,358,708
Total Executive Office of the President			-	1,358,708
U.S. Department of Homeland Security				
Pass-through State Department of Defense –				
Disaster Grants – Public Assistance (Presidentially Declared Disasters) Homeland Security Grant Program	97.036	FEMA-3529-EM-HI; FEMA-4365-DR-HI	-	312,506
State Homeland Security Program	97.067	EMW2018-SS-00006; EMW2019-SS-00019; EMW2020-SS-00022; EMW2021-SS-00030	-	197,365
Urban Areas Security Initiative Program <i>Total Homeland Security Grant Program</i>	97.067	EMW2018-SS-00006; EMW2019-SS-00019; EMW2020-SS-00022; EMW2021-SS-00030	-	1,071,167
Pass-through State Emergency Management Agency – Hazard Mitigation Grant	97.039	4365-11-11P	-	32,497
Emergency Management Performance Grants	97.042	EMF-2020-EP-00008-HIEMA-02; EMF-2020-EP-00020-HIEMA-03;	-	573,693
Cooperating Technical Partners	97.045	EMF-2021-EP-00009	-	80,072
Total U.S. Department of Homeland Security			-	2,267,300
Total Expenditures of Federal Awards			\$ 160,958,627	\$ 519,569,765

(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, 2022

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, 2022, which are not presented in the schedule of expenditures of federal awards. There were no advances in fiscal year 2022.

Program Title	Assistance Listing Number	Loans Outstanding
Community Development Block Grants/Entitlement Grants	14.218	\$ 23,903,551
HOME Investment Partnerships Program	14.239	22,634,794
Housing Trust Fund	14.275	1,359,535
Section 8 Housing Choice Vouchers	14.871	3,647,688
		<u>\$ 51,545,568</u>

3. Capitalization Grants for Clean Water State Revolving Funds

For the year ended June 30, 2022, federal awards and state matching fund expenditures under capitalization grants for clean water state revolving funds were as follows:

Federal	\$ 12,328,712
State	789
	<u>\$ 12,329,501</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, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued	Unmodified	
Internal control over financial reporting		
• Material weaknesses identified?	<u> </u> yes	<u> X </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> </u> yes	<u> X </u> no
• Significant deficiencies identified?	<u> X </u> yes	<u> </u> none reported
Type of auditors’ report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	<u> X </u> yes	<u> </u> no
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, 2022

Identification of Major Programs

Assistance

Listing Number	Name of Federal Program or Cluster
14.239	HOME Investment Partnerships Program
16.575	Crime Victim Assistance
16.922	Equitable Sharing Program
21.023	COVID-19 – Emergency Rental Assistance Program
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
59.075	COVID-19 – Shuttered Venue Operators Grant Program
Housing Voucher Cluster	
14.871	Section 8 Housing Choice Vouchers
14.871	COVID-19 – Section 8 Housing Choice Vouchers
14.871	COVID-19 – Section 8 Emergency Housing Choice Vouchers
14.879	Mainstream Vouchers
Highway Planning and Construction Cluster	
20.205	Highway Planning and Construction
Federal Transit Cluster	
20.500	COVID-19 – New Starts, Small Starts, and Core Capacity
20.507	COVID-19 – Federal Transit – Formula Grants
20.507	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, 2022

Section II – Financial Statement Findings

Finding No. 2022-001: 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, 2022, we performed an IT general controls review of the following systems operated by the City:

- AMS Advantage Financial Management System (“Advantage Financial”);
- AMS Advantage Human Resources Management System (“Advantage HRM”);
- Personnel Time and Attendance System; and
- IAS World Web Based Real Property System (“IAS”);

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

- A review of security roles assigned to Advantage Financial and HRM users was not completed in a timely manner. In addition, a review of access permissions assigned to security roles was not completed to determine whether access rights granted to employees were commensurate with their job responsibilities.
- A review of security roles assigned to IAS Treasury users was not performed in a timely manner. In addition, a review of access permissions assigned to security roles was not completed to determine whether access rights granted to employees were commensurate with their job responsibilities.
- Real Property Assessment 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.

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

A similar finding was reported in the prior year as Finding No. 2021-002.

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.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Effect

Internal controls in the area of logical security addresses the following risk:

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

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.

Recommendation

We recommend that the City perform the following:

- 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.

**FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS**

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section III – Federal Award Findings and Questioned Costs

		Questioned Cost
Finding No. 2022-002:	Subrecipient Monitoring (Significant Deficiency)	\$ _____ –
Federal Agency:	Housing and Urban Development	
Assistance Listing Number and Title:	14.239 HOME Investment Partnerships Program	
Award Number and Year:	M02-MC150201	2003
Repeat Finding?	Yes, Finding No. 2021-003	

Condition

During our audit, we examined six haphazardly selected subrecipient monitoring reports and identified one subrecipient for which the financial review portion of their subrecipient monitoring was not performed timely.

Criteria

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

Effect

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

Cause

Due to significant staffing turnover and COVID-19 pandemic restrictions, the City was unable to perform timely reviews and complete the monitoring reports.

Recommendation

Management should create policies and procedures to ensure required monitoring procedures are performed and completed timely.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

		Questioned Cost
Finding No. 2022-003:	Special Tests (Significant Deficiency)	<u>\$ 12,222</u>
Federal Agency:	Housing and Urban Development	
Assistance Listing Number and Title:	14.871, COVID-19 – 14.871, 14.879 Housing Voucher Cluster	
Award Number and Year:	HI003	2021-2022
Repeat Finding?	No	

Condition

During our audit, we examined 25 haphazardly selected failed Housing Quality Standards (“HQS”) inspections to test if corrections and verifications of corrections were performed within the correction period and proper action taken by the Public Housing Agency (“PHA”). We identified for one owner, verification of correction was performed after the correction period, but no housing assistance payments (“HAP”) were abated.

Criteria

24 CFR 92.252(a) provides certain rental assistance limitations that apply to the rent plus the tenant’s utility allowance. The maximum rent is the lesser of 1) the fair market rent for existing housing for comparable units in the area as established by the Department of Housing and Urban Development (“HUD”) under 24 CFR 888.111; or 2) a rent that does not exceed 30% of the adjusted income of a family whose annual income equals 65% of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit. The HOME rent limits provided by HUD include average occupancy per unit and adjusted income assumptions.

24 CFR sections 982.404(a) requires owners to maintain units in accordance with HQS. If an owner fails to maintain a dwelling in accordance with HQS and fails to correct the HQS deficiencies within the correction period, the PHA should abate HAP or terminate the contract.

Effect

As the City verified correction of HQS deficiencies after the correction period, HAP in the amount of \$12,222 was improperly disbursed in the year ended June 30, 2022 resulting in questioned costs.

Cause

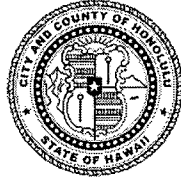
Although the City has policies and procedures in place to ensure proper HQS enforcement, there was a lack of diligence in complying with the policies and procedures due to staffing shortages.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Recommendation

We recommend the City be more diligent in following its policies and procedures for tracking, documenting and performing HQS inspections and taking appropriate action timely when an owner fails to correct HQS deficiencies identified.

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 • WEB: www.honolulu.gov



RICK BLANGIARDI
MAYOR

ANDREW T. KAWANO
DIRECTOR

CARRIE CASTLE
DEPUTY DIRECTOR

March 29, 2023

Ms. Arushi Kumar
Office of the City Auditor
1001 Kamokila Boulevard, Suite 216
Kapolei, Hawaii 96707

Dear Ms. Kumar:

SUBJECT: Single Audit Report for the Fiscal Year Ended June 30, 2022

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, 2022. 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: 2023.03.29
15:56:06 -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, 2022

Finding No.	Description	Classification	Status		Current Year Finding No.
			Resolved	Unresolved	
2021-001	Financial Statement Reporting – HART	Material Weakness	X		
2021-002	Information Technology General Control Deficiencies	Significant Deficiency		X	2022-001
2021-003	Subrecipient Monitoring	Significant Deficiency		X	2022-002
2021-004	Eligibility	Significant Deficiency	X		
2020-005	Period of Performance	Significant Deficiency		X	

City and County of Honolulu
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

Corrective Actions Taken for Unresolved Findings

Finding No. 2021-002

Corrective actions were taken in fiscal year 2022 to mitigate a number of the previously reported deficiencies; however, additional deficiencies were noted. Corrective action is still ongoing.

Finding No. 2021-003

Corrective actions were taken in fiscal year 2022 to mitigate the previously reported deficiencies; however, certain deficiencies remained deficiencies in fiscal year 2021. Corrective action is still ongoing.

Finding No. 2020-005: 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 has established procedures 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 various disruptions to the City's operations.

CORRECTIVE ACTION PLAN

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding No. 2022-001: Information Technology General Control Deficiencies (Significant Deficiency – Financial Reporting)

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

Logical security for AMS Advantage and IAS World Web Based Real Property System:

- 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.

Administration's Comment:

Logical security for AMS Advantage and IAS World Web Based Real Property System:

- 1) The City implemented user access review procedures to ensure user access rights are commensurate with job responsibilities, and performs such reviews 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.

Anticipated Completion Dates:

Logical security for AMS Advantage:

- 1) In progress
 - The security roles review will be completed during the Advantage 4.0 upgrade by June 2024.
- 2) In progress
 - The security roles review will be completed during the Advantage 4.0 upgrade by June 2024.

Logical security for IAS World Web Based Real Property System:

- 1) Completed January 2023
- 2) Completed January 2023

Contact Person(s):

Logical security for AMS Advantage:

- 1) Travis Kamioka, Department of Information Technology, Data Processing Systems Analyst II
- 2) Ada Auw-Robinson, Department of Information Technology, Data Processing Program Manager
Karl Sueyoshi, Department of Information Technology, Data Processing Systems Analyst IV

Logical security for IAS World Web Based Real Property System:

- 1) Aron Kubo, Department of Budget and Fiscal Services, Real Property Appraisal Officer
Clint Matsumoto, Department of Information Technology, Computer Programmer II
- 2) Aron Kubo, Department of Budget and Fiscal Services, Real Property Appraisal Officer
Clint Matsumoto, Department of Information Technology, Computer Programmer II

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Finding No. 2022-002: Subrecipient Monitoring (Significant Deficiency - Internal Control Over Compliance)

Audit Recommendation: Management should create policies and procedures to ensure required monitoring procedures are performed and completed timely.

Administration's Comment: The City will 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 has attempted to address and will continue to attempt to address by filling the vacant positions responsible for monitoring.

Anticipated Completion Date: June 2023 (for the monitoring related issues including issuance of reports)
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. 2022-003: Eligibility (Significant Deficiency - Internal Control Over Compliance)

Audit Recommendation: We recommend the City be more diligent in following its policies and procedures for tracking, documenting and performing HQS inspections and taking appropriate action timely when an owner fails to correct HQS deficiencies identified.

Administration's Comments: The City will follow policies and procedures to ensure tracking, documenting and performing HQS inspections and timely appropriate actions are taken when owner fails to correct HQS deficiencies.

Anticipated Completion Date: Effective immediately (March 2023)

Contact Person(s): Kerry Kaneshiro, Department of Community Services, Housing Assistance Specialist VII
Glen Ocampo, Department of Community Services, Housing Assistance Specialist VI
Acting

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Finding No. 2020-005: Period of Performance (Significant Deficiency – Internal Control Over Compliance)

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 adhere to procedures to comply with the CDBG timeliness standard specified in 24 CFR 570.902.

Anticipated Completion Date: May 2023

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