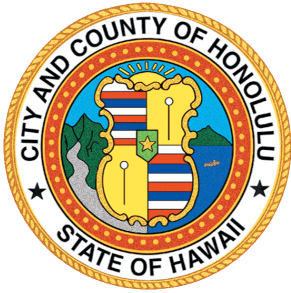




Office of the City Auditor



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

**Report to the Mayor
and the
City Council of Honolulu**

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

**For the Fiscal Year Ended
June 30, 2023**

**Single Audit of Federal Financial
Assistance Programs**

City and County of Honolulu
Index
Year Ended June 30, 2023

Page(s)

Part 1 – Introduction

Part 2 – Compliance and Internal Control Over Financial Reporting

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

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

Schedule of Expenditures of Federal Awards 9–12

Notes to Schedule of Expenditures of Federal Awards 13

Part 3 – Schedule of Findings and Questioned Costs

Section I – Summary of Auditors’ Results 14–15

Section II – Financial Statement Findings 16–17

Section III – Federal Award Findings and Questioned Costs 18–23

Summary Schedule of Prior Audit Findings

Corrective Action Plan

PART 1

INTRODUCTION



March 25, 2024

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 Hawai'i (the "City"), as of and for the year ended June 30, 2023. 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, 2023 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.

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, 2023, 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.

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Our report on the basic financial statements of the City as of and for the year ended June 30, 2023 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 ("*Government Auditing Standards*"), 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 Hawai'i (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 9, 2024. Our report includes a reference to other auditors who audited the financial statements of the Honolulu Authority for Rapid Transportation, which is a major enterprise fund, and Oahu Transit Services, Inc., which is a discretely presented component unit, 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.

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, we 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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule as Finding No. 2023-001 to be a material weakness.

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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 deficiency described in the accompanying schedule as Finding No. 2023-002 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 City’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 City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accuity LLP

Honolulu, Hawaii
January 9, 2024



**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

Qualified and Unmodified Opinions

We have audited the City and County of Honolulu, State of Hawai'i'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, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the CDBG – Entitlement Grants Cluster and Assistance Listing ("AL") No. 21.023, Emergency Rental Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the *CDBG – Entitlement Grants Cluster* and *AL No. 21.023, Emergency Rental Assistance Program*, for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Programs

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

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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Matters Giving Rise to Qualified Opinion on the CDBG – Entitlement Grants Cluster and AL No. 21.023, Emergency Rental Assistance Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding:

| Finding No. | AL Number | Program or Cluster Name | Compliance Requirement |
|--------------------|------------------|--|-------------------------------|
| 2023-004 | 14.218 | CDBG – Entitlement Grants Cluster | Reporting |
| 2023-006 | 21.023 | COVID-19 – Emergency Rental Assistance Program | Reporting |

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

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 \$20,030,927 in federal awards, which is not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2023. Our compliance audit, described in the Qualified and Unmodified Opinions 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. 2023-003, 2023-005, 2023-007, and 2023-008. 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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding Nos. 2023-004 and 2023-006 to be material weaknesses.

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. 2023-003, 2023-005, 2023-007, and 2023-008 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 9, 2024, 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 25, 2024

City and County of Honolulu
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

| 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 | \$ - | \$ 396,563 |
| <i>Total Child Nutrition Cluster</i> | | | - | 396,563 |
| Urban Agriculture and Innovative Production | 10.935 | | - | 10,000 |
| Total U.S. Department of Agriculture | | | - | 406,563 |
| U.S. Department of Housing and Urban Development | | | | |
| <i>CDBG – Entitlement Grants Cluster</i> | | | | |
| COVID-19 – Community Development Block Grants/Entitlement Grants | 14.218 | | 1,684,703 | 2,757,468 |
| Community Development Block Grants/Entitlement Grants | 14.218 | | - | 13,395,407 |
| <i>Total CDBG – Entitlement Grants Cluster</i> | | | 1,684,703 | 16,152,875 |
| <i>Emergency Solutions Grant Program</i> | | | | |
| COVID-19 – Emergency Solutions Grant Program | 14.231 | | 3,899,586 | 6,930,871 |
| Emergency Solutions Grant Program | 14.231 | | 588,587 | 639,968 |
| <i>Total Emergency Solutions Grant Program</i> | | | 4,488,173 | 7,570,839 |
| HOME Investment Partnerships Program | 14.239 | | 1,648,539 | 3,072,477 |
| <i>Housing Opportunities for Persons with AIDS</i> | | | | |
| COVID-19 – Housing Opportunities for Persons with AIDS | 14.241 | | 16,940 | 16,940 |
| Housing Opportunities for Persons with AIDS | 14.241 | | 636,068 | 656,796 |
| <i>Total Housing Opportunities for Persons with AIDS</i> | | | 653,008 | 673,736 |
| Family Self-Sufficiency Program | 14.896 | | - | 205,095 |
| <i>Section 8 Project-Based Cluster</i> | | | | |
| Lower Income Housing Assistance Program | | | | |
| Section 8 Moderate Rehabilitation | 14.856 | | - | 153,836 |
| <i>Total Section 8 Project-Based Cluster</i> | | | - | 153,836 |
| <i>Housing Voucher Cluster</i> | | | | |
| Section 8 Housing Choice Vouchers | 14.871 | | - | 70,624,425 |
| COVID-19 – Section 8 Emergency Housing Choice Vouchers | 14.871 | | - | 3,070,971 |
| Mainstream Vouchers | 14.879 | | - | 1,683,644 |
| <i>Total Housing Voucher Cluster</i> | | | - | 75,379,040 |
| Total U.S. Department of Housing and Urban Development | | | 8,474,423 | 103,207,898 |
| U.S. Department of Justice | | | | |
| COVID-19 – Coronavirus Emergency Supplemental Funding Program | 16.034 | | - | 616,606 |
| Services for Trafficking Victims | 16.320 | | - | 74,564 |
| Public Safety Partnership and Community Policing Grants | 16.710 | | - | 25,960 |
| DNA Backlog Reduction Program | 16.741 | | - | 624,346 |
| Equitable Sharing Program | 16.922 | | - | 414,981 |
| Pass-through State of Hawaii Department of Attorney General – | | | | |
| Crime Victim Assistance | 16.575 | 19-V2-02; 20-V2-02 | 287,702 | 1,460,873 |
| Violence Against Women Formula Grants | 16.588 | 19-WF-04; 21-WF-04; 21-WF-08 | - | 113,120 |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | 20-CD-02 | - | 73,867 |
| Justice Assistance Grant (“JAG”) Program | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | | - | 527,380 |
| Pass-through State of Hawaii Department of Attorney General – | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 19-DJ-06; 18-DJ-12, 19 & 20-DJ-02 | - | 171,478 |
| <i>Total JAG Program</i> | | | - | 698,858 |
| Total U.S. Department of Justice | | | 287,702 | 4,103,175 |

(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, 2023

| 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 | | - | 399,431 |
| Pass-through State Department of Labor & Industrial Relations – <i>Workforce Innovation and Opportunity Act ("WIOA") Cluster</i> | | | | |
| WIOA – Adult Program | 17.258 | WIOA-20 & 21-A&DWP-0 (DW); WIOA-20; 21 & 22-LAC-0 | - | 714,256 |
| WIOA – Youth Activities | 17.259 | WIOA-20 & 21 & 22-LAC-0 | - | 757,469 |
| WIOA Dislocated Worker Formula Grants | 17.278 | WIOA-20 & 21-A&DWP-0(DW); WIOA-20; 21 & 22-LAC-0; WDC-DWG-20-003 & 006-2020; | - | 544,444 |
| <i>Total WIOA Cluster</i> | | WIOA-20 & 21-RRP-0 | - | <u>2,016,169</u> |
| Total U.S. Department of Labor | | | - | <u>2,415,600</u> |
| U.S. Department of Transportation | | | | |
| Highway Planning and Construction | | | | |
| Highway Planning and Construction | 20.205 | | - | 135,308 |
| Pass-through State Department of Transportation & Oahu Metropolitan Planning Organization – | | | | |
| Highway Planning and Construction | 20.205 | CMAQ-0001 (41); STP-0001 (055); STP-0300(141); STP-7143(001); STP-7180(001) | - | 4,077,528 |
| Highway Planning and Construction | 20.205 | BR-NBIS-080; BR-NBIS-082 | - | 878,739 |
| Highway Planning and Construction | 20.205 | FHWA 203.19-20, 203.21-20, 203.17-19, 203.12-19, 204.06-21, 203.14-19, 203.09-18, 204.07-21, 204.08-22, 204.10-22, 203.22-21, 203.18-19; TAP-0300(159) | - | <u>1,446,011</u> |
| <i>Total Highway Planning and Construction</i> | | | - | <u>6,537,586</u> |
| <i>Federal Transit Cluster</i> | | | | |
| COVID-19 – Federal Transit – Formula Grants | 20.507 | | - | 112,554,784 |
| Federal Transit – Formula Grants | 20.507 | | - | 10,077,650 |
| Bus and Bus Facilities Formula Program | 20.526 | | - | <u>32,000</u> |
| <i>Total Federal Transit Cluster</i> | | | - | <u>122,664,434</u> |
| Pass-through State Department of Transportation – <i>Highway Safety Cluster</i> | | | | |
| State and Community Highway Safety | 20.600 | PS23-O-02; EM22-O-01; DD22-O-01; PT22-O-01; SC 22-O-01 | - | 658,274 |
| National Priority Safety Programs | 20.616 | TR22-O-08; PS22-O-03 AL21-O-01; PS21-O-01 | - | <u>258,885</u> |
| <i>Total Highway Safety Cluster</i> | | | - | <u>917,159</u> |
| Alcohol Open Container Requirements | 20.607 | AL21-O-01 & -02; AL23-O-01 | - | 500,057 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | AL21-O-0; AL23-O-01 | - | <u>592,873</u> |
| Total U.S. Department of Transportation | | | - | <u>131,212,109</u> |
| U.S. Department of Treasury | | | | |
| Equitable Sharing Program | 21.016 | | - | 1,984 |
| COVID-19 – Coronavirus Relief Fund | 21.019 | | - | 453,208 |
| COVID-19 – Emergency Rental Assistance Program | 21.023 | | 40,122,729 | 40,122,729 |
| COVID-19 – Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | 41,417,682 | 130,811,014 |
| Pass-through Executive Office of the State of Hawaii – | | | | |
| COVID-19 – Coronavirus Relief Fund | 21.019 | P.L.116-136 (CARES) | - | 204,881 |
| Pass-through State of Hawaii Department of Attorney General – | | | | |
| COVID-19 – Coronavirus Relief Fund | 21.019 | 20-VD-10 | - | <u>143,000</u> |
| Total U.S. Department of Treasury | | | <u>81,540,411</u> | <u>171,736,816</u> |

(continued)

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

City and County of Honolulu
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

| Federal Grantor/Program/Grant | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Amount Provided to Subrecipients | Federal Expenditures |
|---|-----------------------------------|--|----------------------------------|----------------------|
| U.S. Small Business Administration | | | | |
| COVID-19 – Shuttered Venue Operators Grant Program | 59.075 | | - | 8,984 |
| Total U.S. Small Business Administration | | | - | 8,984 |
| Environmental Protection Agency | | | | |
| Pass-through State Department of Health – <i>Clean Water State Revolving Fund Cluster</i> | | | | |
| Capitalization Grants for Clean Water SRF | 66.458 | C150051-81 | - | 12,306,000 |
| Total Environmental Protection Agency | | | - | 12,306,000 |
| U.S. Department of Education | | | | |
| Pass-through State Department of Human Services – Rehabilitation Services – Vocational Rehabilitation Grants to States | | | | |
| | 84.126 | DHS 16-VR-3074 | - | 147 |
| Pass-through State Department of Education – 21st Century Community Learning Center | | | | |
| | 84.287 | 13023 | - | 13,088 |
| Total U.S. Department of Education | | | - | 13,235 |
| U.S. Department of Health and Human Services | | | | |
| Pass-through State Executive Office on Aging – <i>Aging Cluster</i> | | | | |
| Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers | | | | |
| COVID-19 – Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers | 93.044 | ASO Log 20-199; 21-191 | 1,015,003 | 1,249,919 |
| COVID-19 – Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers | 93.044 | ASO Log 20-199 | 82,811 | 82,811 |
| COVID-19 – Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers | 93.044 | ASO Log 20-199 | - | 157,402 |
| COVID-19 – Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers | 93.044 | ASO Log 20-199 | 230,952 | 234,408 |
| Special Programs for the Aging – Title III, Part C – Nutrition Services | 93.045 | ASO Log 20-199; 21-191 | 1,110,352 | 1,305,096 |
| COVID-19 – Special Programs for the Aging – Title III, Part C – Nutrition Services | 93.045 | ASO Log 20-199 | 648,704 | 648,704 |
| National Family Caregiver Support – Title III, Part E | 93.053 | HON2021NSIP; HON2022NSIP | 265,618 | 265,618 |
| <i>Total Aging Cluster</i> | | | 3,353,440 | 3,943,958 |
| Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services | | | | |
| COVID-19 – Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services | 93.043 | ASO Log 20-199; 21-191 | 33,768 | 33,768 |
| Disease Prevention and Health Promotion Services | 93.043 | ASO Log 20-199 | 87,667 | 87,667 |
| Nutrition Services Incentive Program | 93.052 | ASO Log 20-199; 21-191 | 184,533 | 184,533 |
| Pass-through State Department of Health – Injury Prevention and Control Research and State and Community Based Programs | | | | |
| Substance Abuse and Mental Health Services | 93.136 | MED-21-7790; MED-22-7879 | - | 31,099 |
| Projects of Regional and National Significance | 93.243 | ASO Log 22-093; 23-078 | - | 104,843 |
| Total U.S. Department of Health and Human Services | | | 3,659,408 | 4,385,868 |
| Corporation for National and Community Service | | | | |
| Retired and Senior Volunteer Program | 94.002 | | - | 76,762 |
| Total Corporation for National and Community Service | | | - | 76,762 |
| Executive Office of the President | | | | |
| High Intensity Drug Trafficking Area Program | 95.001 | | - | 1,336,062 |
| Total Executive Office of the President | | | - | 1,336,062 |

(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, 2023

| Federal Grantor/Program/Grant | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Amount Provided to Subrecipients | Federal Expenditures |
|--|-----------------------------------|---|----------------------------------|-----------------------|
| U.S. Department of Homeland Security | | | | |
| Pass-through State Department of Defense – | | | | |
| Disaster Grants – Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4365-DR-HI; FEMA-4510-DR-HI | - | 278,803 |
| Hazard Mitigation Grant | 97.039 | 4365-11-11P; 4395-03-03R; 4365-07-07R | - | 116,242 |
| Emergency Management Performance Grants Homeland Security Grant Program | 97.042 | EMF-2021-EP-00009-01; EMF-2022-EP-00006-01 | - | 577,806 |
| State Homeland Security Program | 97.067 | EMW2018-SS-00006; EMW2019-SS-00019; EMW2020-SS-00022; EMW2021-SS-00030 | - | 325,516 |
| Urban Areas Security Initiative Program | 97.067 | EMW2018-SS-00006; EMW2019-SS-00019; EMW2020-SS-00022; EMW2021-SS-00030 | - | 1,825,890 |
| <i>Total Homeland Security Grant Program</i> | | | - | 2,151,406 |
| Cooperating Technical Partners | 97.045 | | - | 142,763 |
| Total U.S. Department of Homeland Security | | | - | 3,267,020 |
| Total Expenditures of Federal Awards | | | \$ 93,961,944 | \$ 434,476,092 |

(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, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and County of Honolulu (the "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, 2023, which are not presented in the schedule of expenditures of federal awards. There were no advances in fiscal year 2023.

| Program Title | Assistance | |
|---|-----------------------|--------------------------|
| | Listing Number | Loans Outstanding |
| Community Development Block Grants/Entitlement Grants | 14.218 | \$ 23,368,845 |
| HOME Investment Partnerships Program | 14.239 | 22,507,039 |
| Housing Trust Fund | 14.275 | 1,366,285 |
| Section 8 Housing Choice Vouchers | 14.871 | <u>3,647,688</u> |
| | | <u>\$ 50,889,857</u> |

3. Capitalization Grants for Clean Water State Revolving Funds

For the year ended June 30, 2023, federal awards and state matching fund expenditures under capitalization grants for clean water state revolving funds were as follows:

| | |
|---------|----------------------|
| Federal | \$ 12,306,000 |
| State | - |
| | <u>\$ 12,306,000</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, 2023

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

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

Type of auditors’ report issued on compliance for major programs
 An unmodified opinion was issued on the City and County of Honolulu’s compliance with its major federal programs for the year ended June 30, 2023, except for the requirements regarding reporting for the *CDBG – Entitlement Grants Cluster* and the *Emergency Rental Assistance Program* (Assistance Listing No. 21.023), for which the opinion on compliance was qualified.

Qualified

| | |
|--|-------------------------------|
| 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, 2023

Identification of Major Programs

Assistance

Listing

| Number | Name of Federal Program or Cluster |
|---------------|--|
| 21.023 | COVID-19 – Emergency Rental Assistance Program |
| 21.027 | COVID-19 – Coronavirus State and Local Fiscal Recovery Funds |
| 97.067 | Homeland Security Grant Program |
| | CDBG – Entitlement Grants Cluster |
| 14.218 | COVID-19 – Community Development Block Grants/Entitlement Grants |
| 14.218 | Community Development Block Grants/Entitlement Grants |
| | WIOA Cluster |
| 17.258 | WIOA – Adult Program |
| 17.259 | WIOA – Youth Activities |
| 17.278 | WIOA Dislocated Worker Formula Grants |
| | Clean Water State Revolving Fund Cluster |
| 66.458 | Capitalization Grants for Clean Water SRF |

FINANCIAL STATEMENT FINDINGS

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II – Financial Statement Findings

Finding No. 2023-001: Financial Statement Reporting (Material Weakness)

Condition

During our audit, we noted that HART was improperly presented as a discretely presented component unit in the City's financial statements. The City should have presented HART as a blended business-type activity component unit beginning in July 2017, the effective date of the Revised City Charter, as amended. The revised City Charter amendment transferred the responsibility for operations and maintenance of the rail system from HART to the City's Department of Transportation Services. With the amendment, HART provides services exclusively to the City for the benefit of the Public Transportation System.

Due to this change, there were restatements to the business-type activities and component units' net position as of July 1, 2022. The restatements resulted in an approximate \$4.3 billion increase to business-type activities net position and a \$4.3 billion decrease to total component units net position.

Criteria

In accordance with GASB Statement 14, paragraph 53, as amended, a component unit should be included in the reporting entity financial statements using the blending method in any of the following circumstances:

- The component's governing body is substantively the same as the governing body of the primary government and (1) there is a financial benefit or burden relationship between the primary government and the component unit, or (2) management of the primary government has operational responsibility for the component unit.
- The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it.
- The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government.

GASB Statement 14 also requires that the reporting entity's financial statements should present the fund types and account groups of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units. If a component unit is blended, the funds of the component unit are subject to the same financial reporting requirements as the primary government's own funds.

Effect

The improper presentation resulted in inaccurate financial reporting in prior years and a current year restatement adjustment.

Cause

The City's financial reporting policies did not include a reevaluation of HART upon the issuance of the revised City Charter.

Recommendation

We recommend that the City implement procedures to evaluate any new laws, regulations, or City Charter amendments to ensure proper financial statement reporting.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Finding No. 2023-002: Information Technology General Control Deficiencies (Significant Deficiency)

Condition

Information technology (“IT”) is a strategic element of the City’s operations. Because of the high volume of transactions at the City, the establishment of internal controls over processes incorporating IT is critical to its operations. As part of our financial statement audit for the year ended June 30, 2023, 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”); 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 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 access permissions to IAS security roles 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.

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. 2022-001.

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 logical security address the risk of unauthorized access to financial systems that 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 implements user access and security role review procedures to ensure user access rights are commensurate with job responsibilities.

**FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS**

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs

| | | Questioned Cost |
|---|---|----------------------------|
| Finding No. 2023-003: | Period of Performance (Significant Deficiency) | \$ _____ – |
| Federal Agency: | Housing and Urban Development | |
| Assistance Listing Number and Title: | 14.218 CDBG – Entitlement Grants Cluster | |
| Award Number and Year: | B-22-MC-15-0001 2023 B-21-MC-15-0001 2022 B-19-MC-15-0001 2020 | |
| Repeat Finding? | Yes, Finding No. 2020-005 | |

Condition

The Department of Housing and Urban Development (“HUD”) notified the City, via letter dated May 31, 2023, that the City was not in compliance with the 60-day timeliness test conducted May 2, 2023, as the City had a line-of-credit balance 1.66 times its annual grant.

Criteria

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

Effect

Failure to meet the timeliness standard results in noncompliance with the period of performance requirement and could result in sanctions and reduction of future grant funds. However, HUD granted the City an exception to the timeliness requirements for the FY2023 grant year due to the lingering impacts of the COVID-19 pandemic.

Cause

The failure to meet the timeliness requirement was primarily due to the impact of the COVID-19 pandemic compounded by supply chain issues.

Recommendation

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

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

| | | |
|---|--|----------------------------|
| | | Questioned Cost |
| Finding No. 2023-004: | Reporting (Material Weakness) | \$ _____ |
| Federal Agency: | Housing and Urban Development | |
| Assistance Listing Number and Title: | 14.218 CDBG – Entitlement Grants Cluster | |
| Award Number and Year: | B-22-MC-15-0001 2023 B-21-MC-15-0001 2022 B-20-MC-15-0001 2021 B-19-MC-15-0001 2020 | |
| Repeat Finding? | No | |

Condition

During our audit, we examined a non-statistical sample of two subawards and found that the required subaward information was not reported in the Federal Funding Accountability and Transparency Act Subaward Reporting System (“FSRS”) as required under the Federal Funding Accountability and Transparency Act (“FFATA”). The two subawards not reported to FSRS totaled approximately \$3,793,000.

Criteria

Under FFATA, which is codified in 2 CFR §170, recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to FSRS, including the following subaward information:

- Subawardee name
- Subawardee DUNS number
- Amount of subaward
- Subaward obligation/action date
- Subaward number
- Subaward project description

Effect

Failure to fully report required subaward information in FSRS may result in noncompliance with FFATA reporting requirements and limits the transparency of the use of federal funds awarded.

Cause

The failure to meet the FFATA requirements was due to a lack of communication and staff turnover with the responsible personnel at the City.

Recommendation

We recommend that the City establish procedures to ensure that subawards are uploaded to the FSRS system on a timely basis.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

| | | Questioned Cost |
|---|---|--------------------|
| Finding No. 2023-005: | Eligibility (Significant Deficiency) | \$ _____ – |
| Federal Agency: | Department of Labor | |
| Assistance Listing Number and Title: | 17.258, 17.259, 17.278 WIOA Cluster | |
| Award Number and Year: | WIOA-21-A&DWP-O 2022 WIOA-21-LAC-O WIOA-21-RRP-O WIOA-21-YP-O | |
| Repeat Finding? | No | |

Condition

During our audit, we examined 15 haphazardly selected program exit forms to test if proper controls were being followed for participants exiting the program. We identified for all samples selected, there was no evidence of review of the program exit forms.

Criteria

20 CFR Section 677 provides certain requirements for reporting and determining participants who exit the program.

Effect

A lack of review on exited participants could result in improper reporting and untimely exits from the program.

Cause

Although the City has policies and procedures in place to ensure proper exit reviews, program personnel were not diligent in maintaining evidence of compliance with the policies and procedures.

Recommendation

We recommend the City be more diligent in following its policies and procedures for tracking, documenting and performing its exit processes.

**City and County of Honolulu
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2023**

| | | Questioned Cost |
|---|--|----------------------------|
| Finding No. 2023-006: | Reporting (Material Weakness) | \$ _____ – |
| Federal Agency: | Department of Treasury | |
| Assistance Listing Number and Title: | 21.023 COVID-19 – Emergency Rental Assistance Program (“ERA”) | |
| Award Number and Year: | ERA0040 2021 ERAE0302 2022 | |
| Repeat Finding? | No | |

Condition

During our audit, we examined a non-statistical sample of four ERA quarterly compliance reports. We identified inaccurate information submitted for one of the reports examined. Also, for two reports examined, we were unable to complete our testing due to incomplete reports being provided.

Criteria

2 CFR Sections 200.328 and 200.329 provide certain requirements for accurate financial and performance reporting.

Effect

Inaccurate reporting affects the accuracy and transparency of the program funds used and reported to the Department of Treasury.

Cause

Although the City has policies and procedures in place to ensure proper reporting, City personnel were not diligent in following procedures to ensure accurate reporting. Also due to system limitations at the Department of Treasury and a lack of retention policies, the City was unable to provide completed quarterly reports.

Recommendation

We recommend the City be more diligent in following its policies and procedures for submitting quarterly information to the Department of Treasury. We also recommend the City implement retention procedures to track the reports and supporting information submitted to the Department of Treasury.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

| | | |
|---|--|------------------------|
| Finding No. 2023-007: | Subrecipient Monitoring (Significant Deficiency) | Questioned Cost |
| | | \$ _____ – |
| Federal Agency: | Department of Treasury | |
| Assistance Listing Number and Title: | 21.023 COVID-19 – Emergency Rental Assistance Program (“ERA”) | |
| Award Number and Year: | ERA0040 2021 ERA0302 2022 | |
| Repeat Finding? | No | |

Condition

During our audit, we examined the two ERA subawards for proper monitoring procedures. For the two subawards tested, the City did not follow their policies and procedures for performing on-site reviews and did not review and evaluate the results of the subrecipients’ single audit reports.

Criteria

2 CFR Section 200.332(d) requires a pass-through entity to perform monitoring procedures which may include on-site monitoring. The City’s policies and procedures require on-site reviews to be conducted for its ERA programs.

2 CFR Section 200.332(d) also requires a pass-through entity to review available single audit reports and follow up on any deficiencies pertaining to the federal award provided.

Effect

Without performing on-site monitoring or evaluating subrecipients’ most recent single audit reports, the City may not be able to determine if subrecipients are using federal funds appropriately.

Cause

Due to staffing shortages and turnover, the City was not able to adhere to its on-site monitoring procedures. The City also lacked procedures to review subrecipients’ single audit reports.

Recommendation

We recommend the City be more diligent in following its policies and procedures for on-site monitoring of its subrecipients. We also recommend the City implement control procedures to review a subrecipient’s most recent single audit report to determine if any management decisions on findings or monitoring is necessary.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

| | | Questioned Cost |
|---|---|--------------------|
| Finding No. 2023-008: | Subrecipient Monitoring (Significant Deficiency) | \$ _____ – |
| Federal Agency: | Department of Treasury | |
| Assistance Listing Number and Title: | 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (“CSLFRF”) | |
| Award Number and Year: | HI003 | 2021–2022 |
| Repeat Finding? | No | |

Condition

During our audit, we selected a non-statistical sample of three CSLFRF subawards for proper monitoring procedures. For two rental assistance subawards examined, we noted the City did not follow its policies and procedures for performing on-site reviews and did not review and evaluate the results of the subrecipients’ single audit reports.

Criteria

2 CFR Section 200.332(d) requires a pass-through entity to perform monitoring procedures which may include on-site monitoring. The City’s policies and procedures require on-site reviews to be conducted for its CSLFRF programs.

2 CFR Section 200.332(d) also requires a pass-through entity to review available single audit reports and follow up on any deficiencies pertaining to the federal award provided.

Effect

Without performing on-site monitoring or evaluating subrecipients’ most recent single audit reports, the City may not be able to determine if subrecipients are using federal funds appropriately.

Cause

Due to staffing shortages and turnover, the City was not able to adhere to its on-site monitoring procedures. The City also lacked procedures to review subrecipients’ single audit reports.

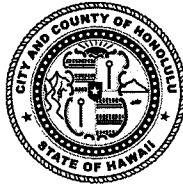
Recommendation

We recommend the City be more diligent in following its policies and procedures for on-site monitoring of its subrecipients. We also recommend the City implement control procedures to review a subrecipient’s most recent single audit report to determine if any management decisions on findings or monitoring is necessary.

DEPARTMENT OF BUDGET AND FISCAL SERVICES
KA 'OIHANA MĀLAMA MO'OHELU A KĀLĀ
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
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RICK BLANGIARDI
MAYOR
MEIA



ANDREW T. KAWANO
DIRECTOR
PO'O

CARRIE CASTLE
DEPUTY DIRECTOR
HOPE PO'O

March 25, 2024

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, 2023

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, 2023. 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 "Andrew T. Kawano".

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, 2023

| <u>Finding No.</u> | <u>Description</u> | <u>Classification</u> | <u>Status</u> | | <u>Current Year Finding No.</u> |
|--------------------|---|------------------------|-----------------|-------------------|---------------------------------|
| | | | <u>Resolved</u> | <u>Unresolved</u> | |
| 2022-001 | Information Technology General Control Deficiencies | Significant Deficiency | | X | 2023-002 |
| 2022-002 | Subrecipient Monitoring | Significant Deficiency | | X | |
| 2022-003 | Special Tests | Significant Deficiency | X | | |
| 2020-005 | Period of Performance | Significant Deficiency | | X | 2023-003 |

City and County of Honolulu
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

Corrective Actions Taken for Unresolved Findings

Finding No. 2022-001: Information Technology General Control Deficiencies

Corrective actions were taken in fiscal year 2023 to mitigate a number of the previously reported deficiencies; however, additional deficiencies were noted. Corrective action is still ongoing.

Finding No. 2022-002: Subrecipient Monitoring – HOME Investment Partnerships Program

Corrective actions were taken in fiscal year 2023 to mitigate the previously reported deficiencies; however, certain deficiencies remained. Corrective action is still ongoing.

Finding No. 2020-005: Period of Performance – CDBG

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 staffing issues and impacts of the COVID-19 pandemic, which led to various disruptions to the City's operations. Corrective action is still ongoing.

CORRECTIVE ACTION PLAN

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding No. 2023-001: Financial Statement Reporting (Material Weakness – Financial Reporting)

Audit Recommendation: We recommend that the City implement procedures to evaluate any new laws, regulations, or City Charter.

Administration’s Comment: Management will evaluate new laws, regulations or City Charter amendments annually during the annual review of each component unit to confirm that it continues to meet the criteria for reporting as either a discretely presented or a blended component unit.

Anticipated Completion Dates: April 2024

Contact Person(s): Nancy Abilay, Department of Budget and Fiscal Services, Chief Accountant
Kelli Nishimura, Department of Budget and Fiscal Services, Assistant Chief Accountant

Finding No. 2023-002: Information Technology General Control Deficiencies (Significant Deficiency – Financial Reporting)

Audit Recommendation: We recommend that the City implements user access and security role review procedures to ensure user access rights are commensurate with job responsibilities for the below systems operated by the City:

- 1) AMS Advantage Financial Management System (“Advantage Financial”)
- 2) IAS World Web Based Real Property System (“IAS”)

Administration’s Comment:

Logical security for the below operating systems:

- 1) Advantage Financial
 - Management developed a plan for user access and security role reviews to ensure user access rights are commensurate with job responsibilities.
- 2) IAS
 - The City modified and implemented user access review procedures to ensure user access rights are commensurate with job responsibilities, and performs such reviews semi-annually.

Anticipated Completion Dates:

Logical security for the below operating systems:

- 1) Advantage Financial
 - User security roles will be reviewed annually. Completed February 2024.

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

- Review of security access assigned will be done over a rolling six-year period. The rolling schedule has been developed and role reviews for year 1 was completed in March 2023 and year 2 will be completed in April 2024. The remaining roles will be reviewed as they come up for evaluation.

2) IAS

- January 2024

Contact Person(s):

Logical security for the below operating systems:

1) Advantage Financial

- Travis Kamioka, Department of Information Technology, Data Processing Systems Analyst III
- Ada Auw-Robinson, Department of Information Technology, Data Processing Program Manager
- Karl Suyeoshi, Department of Information Technology, Data Processing Systems Analyst IV

2) IAS

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

Finding No. 2023-003: Period of Performance (Significant Deficiency – Internal Control Over Compliance)

Federal Award: 14.218 – CDBG – Entitlement Grants Cluster

Audit Recommendation: We recommend that the City establish procedures to ensure that it complies with the CDBG timeliness standard specified in 24 CFR Section 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 2024

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

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Finding No. 2023-004: Reporting (Material Weakness – Internal Control Over Compliance)

Federal Award: 14.218 – CDBG – Entitlement Grants Cluster

Audit Recommendation: We recommend that the City establish procedures to ensure that subawards are uploaded to the FSRs system timely.

Administration’s Comments: The City will establish and follow policies and procedures to ensure that subawards are uploaded to the FSRs system timely. City will establish roles to improve execution of the reporting process.

Anticipated Completion Date: June 30, 2024

Contact Person(s): Timothy Ho, Department of Community Services, Planner VII
Holly Kawano, Department of Budget and Fiscal Services, Federal Grants Coordinator

Finding No. 2023-005: Eligibility (Significant Deficiency – Internal Control Over Compliance)

Federal Award: 17.258, 17.259, 17.278 - WIOA Cluster

Audit Recommendation: We recommend the City be more diligent in following its policies and procedures for tracking, documenting and performing its exit processes.

Administration’s Comments: The City will adhere to established policies and procedures for effectively tracking, documenting and executing its exit processes. The “Exit & Follow Up Services Form” will undergo revision to incorporate the following statement and signature line: “This form has been reviewed and approved by the WIOA Manager.”

Anticipated Completion Date: March 31, 2024

Contact Person(s): Leinaala Nakamura, Department of Community Services, Program Administrator
Lee Ann Williams-Naelo, Department of Community Services, Job Resource Specialist V

Finding No. 2023-006: Reporting (Material Weakness – Internal Control Over Compliance)

Federal Award: 21.023 – COVID-19 – Emergency Rental Assistance Program (“ERA”)

Audit Recommendation: We recommend the City be more diligent in following its policies and procedures for submitting quarterly information to the Department of Treasury. We also recommend the City implement retention procedures to track the reports and supporting information submitted to the Department of Treasury.

Administration’s Comments: The City will follow policies and procedures for submitting quarterly information to the Department of Treasury and also implement retention procedures to track the reports and supporting information submitted to the Department of Treasury. Office of Economic Revitalization (“OER”) will provide Fiscal with a copy of the reports.

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Anticipated Completion Date: May 1, 2024

Contact Person(s): Denise Obrero, Mayor's Office, Planner VII
Rowena Santamaria, Department of Budget and Fiscal Services, Fiscal Officer II

Finding No. 2023-007: Subrecipient Monitoring (Significant Deficiency – Internal Control Over Compliance)

Federal Award: 21.023 – COVID-19 – Emergency Rental Assistance Program (“ERA”)

Audit Recommendation: We recommend the City be more diligent in following its policies and procedures for on-site monitoring of its subrecipients. We also recommend the City implement control procedures to review a subrecipient's most recent single audit report to determine if any management decisions on findings or monitoring is necessary.

Administration's Comments: The City will follow policies and procedures for on-site monitoring of its subrecipients and also implement control procedures to review a subrecipient's most recent single audit report to determine if management decisions on findings or monitoring is necessary. OER will perform a verification to ensure that the subrecipient takes timely and appropriate action on deficiencies detected through their Single Audit.

Anticipated Completion Date: July 31, 2024

Contact Person(s): Denise Obrero, Mayor's Office, Planner VII

Finding No. 2023-008: Subrecipient Monitoring (Significant Deficiency – Internal Control Over Compliance)

Federal Award: 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (“CSLFRF”)

Audit Recommendation: We recommend the City be more diligent in following its policies and procedures for on-site monitoring of its subrecipients. We also recommend the City implement control procedures to review a subrecipient's most recent single audit report to determine if any management decisions on findings or monitoring is necessary.

Administration's Comments: The City will follow policies and procedures for on-site monitoring of its subrecipients and also implement control procedures to review a subrecipient's most recent single audit report to determine if management decisions on findings or monitoring is necessary. OER will perform a verification to ensure that the subrecipient takes timely and appropriate action on deficiencies detected through their Single Audit.

Anticipated Completion Date: July 31, 2024

Contact Person(s): Denise Obrero, Mayor's Office, Planner VII

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

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

Federal Award: 14.239 – HOME Investment Partnerships Program

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

Administration's Comment: The City has created and adhered to policies and procedures that ensures its required monitoring are performed timely, including the review and issuance of monitoring reports for Fiscal Year 2023. It has also created and implemented a schedule for targeted monitoring and will continue to comprehensively track those projects that require monitoring. The City will continue to attempt to address its staffing-related issues by filling the vacant positions responsible for monitoring.

Completion Date: June 30, 2023 (for monitoring-related findings)

Anticipated Completion Date: Ongoing (for staffing-related issues)

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