

DAVID Y. IGE
GOVERNOR



CURT T. OTAGURO
COMPTROLLER
AUDREY HIDANO
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

Comptroller's Certification

Mr. Craig Hirai, Director
Department of Budget and Finance:

We have verified the Honolulu Authority for Rapid Transportation's (HART) compliance with Hawaii Revised Statutes (HRS) §46-16.8(e) for capital costs in invoices submitted to the Comptroller by HART in the accompanying Schedule of Invoices. The management of HART is responsible for HART's compliance with HRS §46-16.8 (e). Our responsibility is to verify that the invoices for capital costs comply with HRS §46-16.8 (e).

As more fully described in Note 2 to the accompanying Schedule of Invoices, our verification procedures involved procedures to obtain evidence about whether the invoices submitted by HART for the capital costs of a locally preferred alternative for a mass transit project comply with HRS §46-16.8 (e). We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

As more fully described in Note 3 to the accompanying Schedule of Invoices, adjustments may be made to reduce the amount of future reimbursements to HART for prior invoices certified by the Comptroller that are found to be in error due to fraud, illegal activities or other violations of laws and regulations.

Our verification procedures do not provide a legal determination of HART's compliance with HRS §46-16.8 (e). Further, as the objective of our procedures were limited to verifying that the costs in invoices submitted by HART complied with a specific law, our procedures have not been designed to detect fraud or other illegal activities.

Based on the results of our verification procedures performed, the invoices for capital costs in the accompanying Schedule of Invoices comply with HRS §46-16.8 (e).

Curt T. Otaguro
Comptroller
January 24, 2020

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

Schedule of Invoices

<u>Vendor</u>	<u>Contract No.</u>	<u>Reference No.</u>	<u>Amount</u>
CH2M Hill, Inc.	SC-1400027	00161	\$ 38,107.56
CH2M Hill, Inc.	SC-1400027	00162	450,598.29
CH2M Hill, Inc.	SC-1400027	00163	346,847.14
CH2M Hill, Inc.	SC-1400027	00165	456,948.62
CH2M Hill, Inc. - Task Orders	SC-1800060	T.O. 1-3	575,728.82
CH2M Hill, Inc. - Task Orders	SC-1800060	T.O. 3-3	58,820.11
CH2M Hill, Inc. - Task Orders	SC-1800060	T.O. 3-4	167,849.79
Lea + Elliott	SC-1400049	00106	65,676.39
Lea + Elliott	SC-1400049	00111	735,628.01
Lea + Elliott	SC-1400049	00113	852,606.64
Lea + Elliott	SC-1400049	00114	634,364.61
Nan, Inc. - KHSG	CT-1600152	00027	134,524.00
Nan, Inc.- Temp Park and Ride	CT-1800101	00014	541,649.20
Nan, Inc.- Temp Park and Ride	CT-1800101	00015	1,260,764.90
PGH Wong Engineering, Inc.	SC-1400050	00209	209,935.26
PGH Wong Engineering, Inc.	SC-1400050	00210	148,397.71
PGH Wong Engineering, Inc.	SC-1400050	00214	777,989.55
R M Towill Corporation	SC-1900010	0001	525,573.97
R M Towill Corporation	SC-1900010	0002	191,782.54
R M Towill Corporation	SC-1900010	0003	184,969.80
R M Towill Corporation	SC-1900010	0004	361,994.57
Royal Contracting Company LTD	CT-1800114	T.O. 11-1	302,796.95
Royal Contracting Company LTD	CT-1800114	T.O. 11-2	54,115.29
Royal Contracting Company LTD	CT-1800114	T.O. 11-3	123,573.24
Royal Contracting Company LTD	CT-1800114	T.O. 11-5	401,158.97
Royal Contracting Company LTD	CT-1800114	T.O. 11-6	327,784.97
Royal Contracting Company LTD	CT-1800114	T.O. 11-7	55,484.72
Royal Contracting Company LTD	CT-1800114	T.O. 11-8	400,444.92
Royal Contracting Company LTD	CT-1800114	T.O. 13-4	14,096.20
Shimmick/ Traylor/ Granite JV	CT-1600385	00031	12,987,407.98
Title Guaranty Escrow Services, In	TMK 1-5-007-028/439		124,336.47
			<u>23,511,957.19</u>

The accompanying notes are an integral part of the Schedule of Invoices.

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

Schedule of Invoices (Continued)

(A) CH2M Hill, Inc.	SC-1400027	▼	00164	530,223.45
(A) CH2M Hill, Inc.	SC-1400027	▼	00167	595,757.95
(A) CH2M Hill, Inc.	SC-1400027	▼	00172	524,232.91
(A) PGH Wong Engineering, Inc.	SC-1400050	▼	00199	722,396.14
(A) PGH Wong Engineering, Inc.	SC-1400050	▼	00204	866,754.32
(A) PGH Wong Engineering, Inc.	SC-1400050	▼	00206	716,124.15
(A) Stantec Consulting Services, Inc.	SC-1600008	▼	00081	716,387.11
(A) Stantec Consulting Services, Inc.	SC-1600008	▼	00085	703,058.68
(B) Nan, Inc. - KHSG	CT-1600152		00029R1	2,592,743.91
(B) Nan, Inc. - KHSG	CT-1600152	▼	00031	2,348,101.68
(B) Nan, Inc. - KHSG	CT-1600152	▼	00032	1,993,434.72
(B) Nan, Inc. - WOSG	CT-1500503	▼	00024	1,625,505.51
(B) Nan, Inc. - WOSG	CT-1500503	▼	00025	2,266,041.66
(B) Schindler Elevator Corp	CT-1300318	▼	00053	715,636.00
(B) Shimmick/ Traylor/ Granite JV	CT-1600385	▼	00032	13,125,282.38
(B) Shimmick/ Traylor/ Granite JV	CT-1600385	▼	00033	16,858,981.27
(B) Shimmick/ Traylor/ Granite JV	CT-1600385	▼	00034	9,315,595.63
	SUBTOTAL			<u>56,216,257.47</u>
	TOTAL			<u><u>\$ 79,728,214.66</u></u>

(A) Adjustments were made to exclude administrative costs to reduce the amount reimbursed to HART.
See Note 2. Hawaii Revised Statutes §46-16.8 (e) and §40-81.5.

(B) Adjustments were made for change orders which have been deemed not allowable per
HRS §46-16.8 (e) to reduce the amount reimbursed to HART.
See Note 2. Hawaii Revised Statutes §46-16.8 (e) and §40-81.5.

The accompanying notes are an integral part of the Schedule of Invoices.

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

Notes to Schedule of Invoices

1. Organization

The Honolulu Authority for Rapid Transportation (HART) is a semi-autonomous government unit of the City and County of Honolulu (City) which came into being pursuant to the Revised Charter of the City and County of Honolulu (RCH). HART is authorized under the RCH to develop, operate, maintain, and expand the City guideway system.

2. Hawaii Revised Statutes §46-16.8 (e) and §40-81.5

Hawaii Revised Statutes (HRS) §46-16.8 (e) provides for the use of surcharge revenues received from the State of Hawaii (State) for capital costs of a locally preferred alternative for a mass transit project provided revenues derived from the county surcharge of State tax shall not be used:

- 1) To build or repair public roads or highways, bicycle paths, or support public transportation systems already in existence prior to July 12, 2005;
- 2) For operating or maintenance costs of a mass transit project or any purpose not consistent with this subsection; or
- 3) For administrative or operating, marketing, or maintenance costs, including personnel costs, of a rapid transportation authority (Authority) charged with the responsibility for constructing, operating or maintaining the mass transit project.

HRS §40-81.5 requires the Comptroller, upon request for payment by the rapid transportation authority, to verify that the Authority's invoices for capital costs of a locally preferred alternative for a mass transit project comply with HRS §46-16.8 (e). After submission of invoices by the Authority for capital costs of a locally preferred alternative for a mass transit project are verified by the Comptroller as an acceptable use of funds pursuant to a surcharge on State tax authorized pursuant to HRS §46-16.8 (e), the Comptroller shall submit a certification statement, including any appropriate supporting documents, to the State Department of Budget and Finance for allocation of funds from the Mass Transit Special Fund, if available. The certification statement shall include, at a minimum, the total amount contained in the invoices for capital costs that are verified as an appropriate use of funds pursuant to HRS §46-16.8 (e).

During the quarter ending December 31, 2019, the Comptroller identified nine invoices that included charges for administrative costs that were deemed not allowable per HRS §46-16.8 (e). The Schedule of Invoices includes eight of these invoices from which these administrative costs were excluded to reduce the amount reimbursed to HART.

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

Notes to Schedule of Invoices (Continued)

The Comptroller also identified 15 invoices that included billings for change orders that were deemed not allowable per HRS §46-16.8 (e). The Schedule of Invoices includes nine of these invoices from which these billings were adjusted to reduce the amount reimbursed to HART.

As of January 24, 2020, the balance in the Mass Transit Special Fund totaled \$79,734,956.13. As disclosed in the accompanying Schedule of Invoices, the total amount certified by the Comptroller as of January 24, 2020, totaled \$79,728,214.66.

3. Fraud, Illegal Activities and/or Violations of Laws and Regulations

During February 2019, HART was served with three separate subpoenas by the United States Attorney for the District of Hawaii. Additionally, on March 8, 2019, the City Council of the City and County of Honolulu passed a resolution for the Office of the City Auditor to select an independent auditor to ensure that no City or HART employee, consultant, or contractor exploited the City's or HART's internal control weaknesses to misappropriate public assets or commit illegal actions. As a result of such actions by Federal and City authorities, DAGS has determined that adjustments to reduce the amount of future reimbursements to HART will be made should prior invoices certified by the Comptroller be determined to be in error due to fraud, illegal activities or other violations of laws and regulations as a result of investigations, audits and/or judicial proceedings by any governmental body. The scope of this policy includes the findings and conclusions of investigators, auditors or other third parties contracted by such governmental bodies for the purpose of examining HART for possible fraudulent and illegal activities or other violations of laws and regulations.