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STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

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

Comptroller's Certification

Mr. Craig K. Hirai, Director
State of Hawaii, 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
April 27, 2020

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

Schedule of Invoices

<u>Vendor</u>	<u>Contract No.</u>	<u>Reference No.</u>	<u>Amount</u>
Ansaldo Honolulu JV (Hitachi Rail)	CT-1200106	00092	\$986,025.90
Ansaldo Honolulu JV (Hitachi Rail)	CT-1200106	00093	4,587,038.90
Ansaldo Honolulu JV (Hitachi Rail)	CT-1200106	00094	1,485,558.70
Ansaldo Honolulu JV (Hitachi Rail)	CT-1200106	00095	3,291,116.12
CH2M Hill, Inc. - Task Orders	SC-1800060	T.O. 1-2	226,859.33
Hawaiian Dredging Co.	CT-1500236	00034	10,087,894.18
Hawaiian Dredging Co.	CT-1500236	00036	1,571,878.98
Nan, Inc. - KHSG	CT-1600152	00030	5,839,529.54
Nan, Inc. - KHSG	CT-1600152	00033	4,347,673.07
Nan, Inc. - WOSG	CT-1500503	00026	2,220,475.46
Nan, Inc. - WOSG	CT-1500503	00031	1,753,716.63
Nan, Inc. - WOSG	CT-1500503	00032	1,559,034.15
Nan, Inc. - WOSG	CT-1500503	00033	2,079,830.03
Nan, Inc. - WOSG	CT-1500503	00034	6,020,540.49
Nan, Inc. - WOSG	CT-1500503	00035	2,243,999.39
Nan, Inc. - WOSG	CT-1500503	00036	878,203.37
Nan, Inc. - WOSG	CT-1500503	00037	1,499,736.26
SSFM International, Inc.	SC-1200077	00062	75,621.25
SSFM International, Inc.	SC-1200077	00063	108,210.75
SSFM International, Inc.	SC-1200077	00064	79,374.75
Stantec Consulting Services, Inc.	SC-1600008	00084	706,062.04
Stantec Consulting Services, Inc.	SC-1600008	00086	710,268.88
Stantec Consulting Services, Inc.	SC-1600008	00092	812,738.24
URS Corporation	SC-1400012	00034	330,936.37
URS Corporation	SC-1400012	00035	265,044.96
URS Corporation	SC-1400012	00036	183,385.26
			<u>\$53,950,753.00</u>

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

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

Schedule of Invoices (Continued)

	<u>Vendor</u>	<u>Contract No.</u>	<u>Reference No.</u>	<u>Amount</u>
(A)	PGH Wong Engineering, Inc.	SC-1400050	00208	\$684,651.61
(B)	Nan, Inc. - KHSG	CT-1600152	00034	3,267,202.18
(B)	Nan, Inc. - KHSG	CT-1600152	00035	3,005,572.51
(B)	Nan, Inc. - KHSG	CT-1600152	00036	2,961,619.05
(B)	Nan, Inc. - WOSG	CT-1500503	00041	810,277.09
(B)	Nan, Inc. - WOSG	CT-1500503	00042	628,885.70
(B)	Shimmick/ Traylor/ Granite JV	CT-1600385	00035	13,190,196.52
(B)	Shimmick/ Traylor/ Granite JV	CT-1600385	00036	9,426,904.18
(C)	Nan, Inc. - KHSG	CT-1600152	00029R1	103,226.70
(C)	Nan, Inc. - KHSG	CT-1600152	00031	135,900.65
(C)	Nan, Inc. - KHSG	CT-1600152	00032	443,555.15
(C)	Nan, Inc. - WOSG	CT-1500503	00024	420,000.00
(C)	Nan, Inc. - WOSG	CT-1500503	00025	700,000.00
(C)	Schindler Elevator Corp	CT-1300318	00053	105,933.00
(C)	Shimmick/ Traylor/ Granite JV	CT-1600385	00032	126,673.69
		SUBTOTAL		<u>\$36,010,598.03</u>
		TOTAL		<u><u>\$89,961,351.03</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.
- (C) Adjustments made in the previous quarter included billings for change orders which were deemed not allowable per HRS §46-16.8 (e). We have obtained additional information to conclude that amounts previously not allowed now meet the requirements for reimbursement from the Mass Transit Special Fund. 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 March 31, 2020, the Comptroller identified one invoice that included charges for administrative costs that are not allowed per HRS §46-16.8 (e). These unallowable charges were adjusted from this invoice to reduce the amount reimbursed to HART - see item (A).

HONOLULU AUTHORITY FOR RAPID TRANSIT

Notes to Schedule of Invoices (Continued)

The Schedule of Invoices also includes seven invoices that contain billings for change orders which have been deemed not allowable per HRS §46-16.8 (e). These invoices were adjusted by the amounts billed for these change orders to reduce the amount reimbursed to HART - see items (B).

During the quarter ending December 31, 2019, the Comptroller identified nine invoices that included billings for change orders which had been deemed not allowable per HRS §46-16.8 (e). We have obtained additional information which resulted in our conclusion that amounts previously not allowed now meet the requirements for reimbursement from the Mass Transit Special Fund pursuant to HRS §46-16.8 (e). The Schedule of Invoices include amounts previously adjusted from seven of these invoices - see items (C).

As of April 27, 2020, the balance in the Mass Transit Special Fund totaled \$89,977,107.93. As disclosed in the accompanying Schedule of Invoices, the total amount certified by the Comptroller as of April 27, 2020, totaled \$89,961,351.03.

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.