

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 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).

/S/

Curt T. Otaguro, Comptroller
July 31, 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	00096	\$3,126,692.53
Ansaldo Honolulu JV (Hitachi Rail)	CT-1200106	00097	4,422,575.58
Ansaldo Honolulu JV (Hitachi Rail)	CT-1200106	00098	2,523,445.10
Hawaiian Dredging Co.	CT-1500236	00037	729,178.85
Hawaiian Dredging Co.	CT-1500236	00044	1,648,668.40
Lea + Elliott	SC-1400049	00108	35,055.68
Nan, Inc. - KHSG	CT-1600152	00037	2,087,229.36
Nan, Inc. - KHSG	CT-1600152	00038	4,176,056.70
Nan, Inc. - KHSG	CT-1600152	00040	3,796,110.00
Nan, Inc. - WOSG	CT-1500503	00038	961,281.63
Nan, Inc. - WOSG	CT-1500503	00039	3,045,509.00
Nan, Inc. - WOSG	CT-1500503	00040	1,000,283.97
Nan, Inc. - WOSG	CT-1500503	00045	7,827,204.75
Nan, Inc. - WOSG	CT-1500503	00045	3,102,090.25
SSFM International, Inc.	SC-1200077	00065	19,767.50
Stantec Consulting Services, Inc.	SC-1600008	00087	735,431.26
Stantec Consulting Services, Inc.	SC-1600008	00089	998,167.20
Stantec Consulting Services, Inc.	SC-1600008	00090	765,606.25
Stantec Consulting Services, Inc.	SC-1600008	00091	833,829.94
Stantec Consulting Services, Inc.	SC-1600008	00093	856,132.58
Stantec Consulting Services, Inc.	SC-1600008	00094	969,445.82
URS Corporation	SC-1200116	00049	124,052.39
URS Corporation	SC-1200116	00051	103,124.25
			<u>\$43,886,938.99</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)	Hawaiian Dredging Co.	CT-1500236	00038	\$448,938.61
(A)	Hawaiian Dredging Co.	CT-1500236	00040	311,072.15
(A)	Hawaiian Dredging Co.	CT-1500236	00043	280,271.90
(A)	Nan, Inc. - KHSG	CT-1600152	00041	5,451,955.10
(A)	Nan, Inc. - KHSG	CT-1600152	00043	1,489,300.00
(A)	Nan, Inc. - WOSG	CT-1500503	00043	1,618,909.04
(A)	Nan, Inc. - WOSG	CT-1500503	00046	1,283,447.44
(A)	Shimmick/ Traylor/ Granite JV	CT-1600385	00038	9,607,753.05
(B)	PGH Wong Engineering, Inc.	SC-1400050	00188	(13,361.36)
(C)	CH2M Hill, Inc.	CT-1400027	00132	(19,907.98)
(C)	CH2M Hill, Inc.	CT-1400027	00135	(12,170.96)
(C)	CH2M Hill, Inc.	CT-1400027	00137	(12,383.55)
(C)	CH2M Hill, Inc.	CT-1400027	00140	(2,277.62)
(C)	CH2M Hill, Inc.	CT-1400027	00142	(23,024.27)
(C)	CH2M Hill, Inc.	CT-1400027	00145	(4,750.94)
(C)	CH2M Hill, Inc.	CT-1400027	00148	(8,354.42)
(C)	CH2M Hill, Inc.	CT-1400027	00150	(21,287.12)
(C)	CH2M Hill, Inc.	CT-1400027	00154	(79,293.77)
(C)	CH2M Hill, Inc.	CT-1400027	00155	(43,452.84)
(C)	CH2M Hill, Inc.	CT-1400027	00157	(30,991.15)
(C)	CH2M Hill, Inc.	CT-1400027	00159	(11,212.31)
(C)	CH2M Hill, Inc.	CT-1400027	00162	(25,551.41)
(C)	CH2M Hill, Inc.	CT-1400027	00164	(25,640.89)
(C)	CH2M Hill, Inc.	CT-1400027	00167	(67,149.89)
(C)	CH2M Hill, Inc.	CT-1400027	00172	(93,228.14)
				<u>\$19,997,608.67</u>
		TOTAL		<u>\$63,884,547.66</u>

- (A) 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.
- (B) Adjustment made to reverse administrative costs from an invoice certified in a previous quarter. See Note 2. Hawaii Revised Statutes §46-16.8(e) and §40-81.5.
- (C) Adjustments made to reverse amounts deemed not allowable per HRS §46-16.8(e) and §40-81.5 from amounts certified in previous quarters. 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 June 30, 2020, the Comptroller identified eight 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 (A).

HONOLULU AUTHORITY FOR RAPID TRANSIT

Notes to Schedule of Invoices (Continued)

The Comptroller also identified one invoice that was certified in a previous quarter that included a charge for administrative costs that are not allowed per HRS §46-16.8 (e). This unallowable charge is being reversed to reduce the amount reimbursed to HART - see item (B).

In addition, the Comptroller identified sixteen invoices that were certified in previous quarters that contained billings for items related to certain stipulations found in HART's Programmatic Agreement with the U.S. Department of Transportation Federal Transit Administration, The Hawaii State Historic Preservation Officer, The United States Navy and the Advisory Council on Historic Preservation which have been deemed as not allowable per HRS §46-16.8 (e). These unallowable charges are being reversed to reduce the amount reimbursed to HART - see item (C).

As of July 31, 2020, the balance in the Mass Transit Special Fund totaled \$63,889,675.45. As disclosed in the accompanying Schedule of Invoices, the total amount certified by the Comptroller as of July 31, 2020, totaled \$63,884,547.66.

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.