

DAVID Y. IGE  
GOVERNOR



CURT T. OTAGURO  
COMPTROLLER  
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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  
October 28, 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	00176	\$ 282,290.03
CH2M Hill, Inc.	SC-1400027	00177	374,503.12
CH2M Hill, Inc.	SC-1400027	00179	299,108.64
Hawaiian Dredging Co.	CT-1500236	00041	411,456.78
Lea + Elliott	SC-1400049	00121	922,082.87
Lea + Elliott	SC-1400049	00125	409,297.44
Lea + Elliott	SC-1400049	00127	363,801.61
Lea + Elliott	SC-1400049	00130	723,928.52
Lea + Elliott	SC-1400049	00133	893,501.84
PGH Wong Engineering, Inc.	SC-1400050	00215	233,306.65
PGH Wong Engineering, Inc.	SC-1400050	00220	254,737.61
PGH Wong Engineering, Inc.	SC-1400050	00227	174,046.85
PGH Wong Engineering, Inc.	SC-1400050	00228	364,176.73
Stantec Consulting Services, Inc.	SC-1600008	00098	993,254.49
Stantec Consulting Services, Inc.	SC-1600008	00100	871,749.94
Stantec Consulting Services, Inc.	SC-1600008	00102	910,313.50
Stantec Consulting Services, Inc.	SC-1600008	00104	971,059.46
URS Corporation	SC-1200116	00053	127,951.09
URS Corporation	SC-1200116	00054	134,825.15
			<u>\$9,715,392.32</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	00039	\$ 756,242.57
(A) Nan, Inc. - KHSB	CT-1600152	00039	3,421,422.12
(A) Nan, Inc. - WOSG	CT-1500503	00047	462,344.74
(A) Shimmick/ Traylor/ Granite JV	CT-1600385	00039	20,735,846.89
(A) Shimmick/ Traylor/ Granite JV	CT-1600385	00040	22,917,175.15
(B) CH2M Hill, Inc.	SC-1400027	00173	376,976.20
(B) CH2M Hill, Inc.	SC-1400027	00174	430,487.57
(B) CH2M Hill, Inc.	SC-1400027	00178	515,248.24
(B) PGH Wong Engineering, Inc.	SC-1400050	00225	751,641.77
(B) Stantec Consulting Services, Inc.	SC-1600008	00095	1,029,763.33
(B) Stantec Consulting Services, Inc.	SC-1600008	00097	813,031.41
(B) Stantec Consulting Services, Inc.	SC-1600008	00099	1,026,158.29
(B) Stantec Consulting Services, Inc.	SC-1600008	00101	843,264.91
(B) Stantec Consulting Services, Inc.	SC-1600008	00103	935,403.80
(C) Nan, Inc.- Temp Park and Ride	CT-1800101	00001 to 00015	(4,147,750.00)
(D) PGH Wong Engineering, Inc.	SC-1400050	Multiple	(209,595.54)
(D) Stantec Consulting Services, Inc.	SC-1600008	Multiple	(841,128.07)
			<u>\$ 49,816,533.38</u>
	<b>TOTAL</b>		<u><u>\$ 59,531,925.70</u></u>

- (A) Adjustments were made for change orders and field change notices 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) Adjustments were made to reverse amounts 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 were made to reverse amounts deemed not allowable per HRS §46-16.8 (e) from invoices certified in previous quarters. See Note 2. Hawaii Revised Statutes §46-16.8 (e) and §40-81.5.
- (D) Adjustments were made to reverse amounts deemed not allowable per HRS §46-16.8 (e) from invoices 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 September 30, 2020, the Comptroller identified five invoices that contained amounts totaling \$606,214.61 for change orders and field change notices 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 three invoices that contained amounts totaling \$245,592.20 for administrative costs that are not allowed per HRS §46-16.8 (e) and six invoices that contained amounts totaling \$280,368.60 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 items (B).

In addition, the Comptroller identified invoices that were certified in previous quarters which have been deemed as not allowable per HRS §46-16.8 (e). for the following reasons:

- a) Fifteen invoices totaling \$4,147,750.00 for the University of Hawaii (UH) Memorandum of Agreement dated April 14, 2016, with HART to build a permanent road (Road B) and cul-de-sac leading to HART's University of Hawaii West Oahu (UHWO) interim park and ride and supporting facilities on a portion of UHWO lands. UH agreed to pay HART for the construction and completion of Road B and cul-de-sac. See item (C).
- b) Forty-four invoices that contained billings totaling \$1,050,723.61 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). See items (D).

These unallowable charges are being reversed to reduce the amount previously reimbursed to HART.

As of September 30, 2020, the balance in the Mass Transit Special Fund totaled \$59,532,496.81. As disclosed in the accompanying Schedule of Invoices, the total amount certified by the Comptroller as of October 28, 2020, totaled \$59,531,925.70.

### 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. As a result of such actions by Federal 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 to be determined to

## HONOLULU AUTHORITY FOR RAPID TRANSIT

### Notes to Schedule of Invoices (Continued)

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.