

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  
Department of Budget and Finance  
State of Hawaii

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).

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Curt T. Otaguro  
Comptroller

Dated: July 29, 2022

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

**Schedule of Invoices**

<u>Vendor</u>	<u>Contract No.</u>	<u>Reference No.</u>	<u>Certified Amount</u>
AON Risk Services, Inc. of Hawaii	SC-HRT-1400008	00041	\$ 12,034.99
AON Risk Services, Inc. of Hawaii	SC-HRT-1400008	00042	9,847.71
AON Risk Services, Inc. of Hawaii	SC-HRT-1400008	00043	1,314,658.00
AON Risk Services, Inc. of Hawaii	SC-HRT-1400008	00044	635,594.00
CH2M Hill, Inc.	SC-HRT-1400027	00229	277,540.02
CH2M Hill, Inc.	SC-HRT-1400027	00231	341,790.84
CH2M Hill, Inc.	SC-HRT-1400027	00234	336,822.69
City & County of Honolulu Division of Treasury	ICP-HRT-19000746	TECP GOCPN Fin Costs Moody's Investors Svcs Issue A-1	7,000.00
City & County of Honolulu Division of Treasury	ICP-HRT-19000892	TECP GOCPN Fin Costs Dorsey Whitney LLP Inv 3463973 Issue A	3,500.00
City & County of Honolulu Division of Treasury	ICP-HRT-22001034	Commit fee for TECP Issue A, 1/3/22 - 3/31/22, BOA Inv #OHKF8PM3O2	141,055.83
City & County of Honolulu Division of Treasury	ICP-HRT-22001034	Commit fee for TECP Issue B, 1/1/22 - 3/31/22, Sumitomo Mitsui Bnk Corp Inv# 2659	285,801.37
City & County of Honolulu Division of Treasury	ICP-HRT-22001045	Int pmt for GOB Series 2019E for Mar, due 3/28/22	731,437.50
City & County of Honolulu Division of Treasury	ICP-HRT-22001127	Int pmt for GOB Series 2019A for Apr, due 4/25/22	874,791.67
City & County of Honolulu Division of Treasury	ICP-HRT-22001127	Int pmt for GOB Series 2020B for Apr, due 4/25/22	1,139,416.67
City & County of Honolulu Division of Treasury	ICP-HRT-22001127	Int pmt for GOB Series 2021E for Apr, due 4/25/22	1,374,104.17
		Carried forward	<u>\$ 7,485,395.46</u>

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

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

**Schedule of Invoices**

<u>Vendor</u>	<u>Contract No.</u>	<u>Reference No.</u>	<u>Certified Amount</u>
		Carried over	\$ 7,485,395.46
City & County of Honolulu Division of Treasury	ICP-HRT-22001128	Int pmt for GOB Series 2019E for Apr, due 4/22/22	731,437.50
Hitachi Rail Honolulu JV	CT-HRT-1200106	00110	18,409,449.13
Hitachi Rail Honolulu JV	CT-HRT-1200106	00112	3,377,696.50
Lea+Elliott, Inc.	SC-HRT-1400049	00164	728,071.63
Lea+Elliott, Inc.	SC-HRT-1400049	00166	415,228.31
Lea+Elliott, Inc.	SC-HRT-1400049	00167	12,257.42
Lea+Elliott, Inc.	SC-HRT-1400049	00170	635,997.79
Lea+Elliott, Inc.	SC-HRT-1400049	00171	621,398.14
Nan, Inc. Airport Utilities	CT-HRT-1400323	00024	800,000.00
Shimmick/Traylor/Granite JV	CT-HRT-1600385	00053	6,630,056.28
Shimmick/Traylor/Granite JV	CT-HRT-1600385	00054	9,828,698.25
Stantec Consulting Services, Inc.	SC-HRT-1600008	00139	847,467.62
		Subtotal	<u>\$ 50,523,154.03</u>

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HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

**Schedule of Invoices**

<u>Vendor</u>	<u>Contract No.</u>	<u>Reference No.</u>	<u>Certified Amount</u>
(A) Nan, Inc. KHSG	CT-HRT-1600152	00053	\$ 651,090.73
(A) Nan, Inc. KHSG	CT-HRT-1600152	00054	117,085.17
(A) Nan, Inc. KHSG	CT-HRT-1600152	00055	355,287.95
(A) Nan, Inc. KHSG	CT-HRT-1600152	00056	158,005.93
(A) Nan, Inc. KHSG	CT-HRT-1600152	00057	165,978.76
(A) Shimmick/Traylor/Granite JV	CT-HRT-1600385	00055	12,384,329.60
(A) Shimmick/Traylor/Granite JV	CT-HRT-1600385	00059	7,978,704.35
(B) CH2M Hill, Inc.	SC-HRT-1400027	00210	280,225.18
(B) CH2M Hill, Inc.	SC-HRT-1400027	00212	307,728.65
(B) CH2M Hill, Inc.	SC-HRT-1400027	00215	270,062.18
(B) CH2M Hill, Inc.	SC-HRT-1400027	00217	273,465.81
(B) CH2M Hill, Inc.	SC-HRT-1400027	00219	286,488.22
(B) CH2M Hill, Inc.	SC-HRT-1400027	00223	261,347.49
(B) CH2M Hill, Inc.	SC-HRT-1400027	00228	329,553.09
(B) CH2M Hill, Inc.	SC-HRT-1400027	00230	266,420.31
(B) CH2M Hill, Inc.	SC-HRT-1400027	00238	306,898.42
(B) Lea+Elliott, Inc.	SC-HRT-1400049	00163	5,063.35
(B) Lea+Elliott, Inc.	SC-HRT-1400049	00169	23,162.67
(B) Stantec Consulting Services, Inc.	SC-HRT-1600008	00138	592,069.84
(C) Nan, Inc. UHWO Temp PNR	CT-HRT-1800101	00019	1,456,491.16
(C) Shimmick/Traylor/Granite JV	CT-HRT-1600385	00056	7,213,753.25
(C) Shimmick/Traylor/Granite JV	CT-HRT-1600385	00058	11,670,861.06
		Subtotal	<u>\$ 45,354,073.17</u>
		Total	<u>\$ 95,877,227.20</u>

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

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

- (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 for amounts that were reimbursed by the University of Hawaii West Oahu and for amounts that may be reimbursed by the City and County of Honolulu Department of Transportation Services (DTS) 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 that 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).

## HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

### Notes to Schedule of Invoices (Continued)

During the quarter ended June 30, 2022, the Comptroller identified seven invoices that contained amounts totaling \$435,491.85 for one change order and sixteen 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 and field change notices to reduce the amount reimbursed to HART - see items (A).

The Comptroller also identified eight invoices that contained amounts totaling \$190,656.16 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); and four invoices totaling \$25,564.93 for administrative, operating and maintenance costs that are not allowed 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 one invoice that contained \$211,180.10 for work performed under a Memorandum of Agreement between the University of Hawaii West Oahu (UHWO) and HART for the construction of Road B and Road B Cul-de-Sac for which UHWO agreed to reimburse HART for related construction costs; and two invoices that contained \$273,807.46 for City Fiber Networks - Traffic Signal System work performed in collaboration with the City and County of Honolulu Department of Transportation Services (DTS) for which DTS may reimburse HART. These costs are not allowed per HRS §46-16.8 (e) and are being reversed to reduce the amount reimbursed to HART - see items (C).

As of June 30, 2022, the balance in the Mass Transit Special Fund totaled \$95,877,228.21. As disclosed in the accompanying Schedule of Invoices, the total amount certified by the Comptroller as of July 29, 2022, totaled \$95,877,227.20.

### 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 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.