

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KEITH A. REGAN
COMPTROLLER
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HO'OMALU HANA LAULĀ

STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ
P O BOX 119, HONOLULU, HAWAII 96810-0119

Comptroller's Certification

Mr. Luis P. Salaveria, 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 and Note 3 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 4 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 were not designed to detect fraud or other illegal activities.

This Comptroller's Certification is being issued to supplement the Comptroller's Certification issued on April 30, 2024, which was limited to the remaining allotment balance in the Mass Transit Special Fund to reimburse HART. On May 13, 2024, Act 23 Making an Emergency Appropriation to the Department of Budget and Finance was signed into law which appropriated out of the Mass Transit Special Fund the sum of \$179,000,000.00 for the fiscal year 2023-2024 for making disbursements pursuant to Section 248-2.7, Hawaii Revised Statutes. As a result of the increase in the allotment balance available to reimburse HART, the supplemental amount for the quarter ended March 31, 2024, certified by the Comptroller as of June 15, 2024, was \$64,864,790.33.

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/

Keith A. Regan
Comptroller

Dated: June 12, 2024

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

Schedule of Invoices

| <u>Vendor</u> | <u>Contract No.</u> | <u>Reference No.</u> | <u>Certified Amount</u> |
|---------------------------------------|---------------------|----------------------|-------------------------|
| Hitachi Rail Honolulu JV | CT-HRT-1200106 | 00146 | \$ 13,656,723.79 |
| Nan, Inc. CCUR | CT-HRT-1800230 | TO 5-19 | 38,165.23 |
| Nan, Inc. CCUR | CT-HRT-1800230 | TO 7-1 | 60,169.83 |
| Nan, Inc. CCUR | CT-HRT-1800230 | TO 7-2 | 395,507.19 |
| Nan, Inc. CCUR | CT-HRT-1800230 | TO 10-15 | 187,261.59 |
| Nan, Inc. CCUR IV | CT-HRT-2300070 | 00009 | 7,888,717.35 |
| Nan, Inc. CCUR IV | CT-HRT-2300070 | 00010R1 | 6,560,415.49 |
| Nan, Inc. CCUR IV | CT-HRT-2300070 | 00011 | 14,748,106.72 |
| Shimmick/Traylor/Granite JV | CT-HRT-1600385 | 00037 | 4,124,094.59 |
| Shimmick/Traylor/Granite JV | CT-HRT-1600385 | 00037 | 6,655,905.41 |
| Shimmick/Traylor/Granite JV | CT-HRT-1600385 | Retainage Bond | 5,178,668.93 |
| Shimmick/Traylor/Granite JV | CT-HRT-1600385 | Retainage Bond | 4,821,331.07 |
| (A) Stantec Consulting Services, Inc. | SC-HRT-2200050 | 00051 | 549,723.14 |
| | | Total | <u>\$ 64,864,790.33</u> |

See Note 3. Adjustment to Reduce Amount Reimbursed to HART for item (A).

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)

3. Adjustment to Reduce Amount Reimbursed to HART

For this supplemental certification, the Comptroller identified one invoice that contained an amount totaling \$22,741.16 which was deemed to be an administrative cost of HART. This cost does not comply with HRS §46-16.8 (e) and the invoice was adjusted for this item to reduce the amount reimbursed to HART - see item (A).

4. 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, the Department of Accounting and General Services (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.