

PHA 5-Year and Annual Plan	U.S. Department of Housing and Urban Development Office of Public and Indian Housing	OMB No. 2577-0226 Expires 8/30/2011
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1.0	PHA Information PHA Name: <u>City and County of Honolulu</u> PHA Code: <u>HI003</u> PHA Type: <input type="checkbox"/> Small <input checked="" type="checkbox"/> High Performing <input type="checkbox"/> Standard <input checked="" type="checkbox"/> HCV (Section 8) PHA Fiscal Year Beginning: (MM/YYYY): <u>07/2015</u>												
2.0	Inventory (based on ACC units at time of FY beginning in 1.0 above) Number of PH units: _____ Number of HCV units: <u>4831</u>												
3.0	Submission Type <input type="checkbox"/> 5-Year and Annual Plan <input checked="" type="checkbox"/> Annual Plan Only <input type="checkbox"/> 5-Year Plan Only												
4.0	PHA Consortia <input type="checkbox"/> PHA Consortia: (Check box if submitting a joint Plan and complete table below.)												
	Participating PHAs	PHA Code	Program(s) Included in the Consortia	Programs Not in the Consortia	No. of Units in Each Program <table border="1"> <thead> <tr> <th>PH</th> <th>HCV</th> </tr> </thead> <tbody> <tr> <td>PHA 1:</td> <td></td> </tr> <tr> <td>PHA 2:</td> <td></td> </tr> <tr> <td>PHA 3:</td> <td></td> </tr> </tbody> </table>	PH	HCV	PHA 1:		PHA 2:		PHA 3:	
PH	HCV												
PHA 1:													
PHA 2:													
PHA 3:													
5.0	5-Year Plan. Complete items 5.1 and 5.2 only at 5-Year Plan update.												
5.1	Mission. State the PHA's Mission for serving the needs of low-income, very low-income, and extremely low income families in the PHA's jurisdiction for the next five years: This is the Annual Plan update. Mission 5.1 is completed only at the 5-year plan update. The FY2014-2019, 5-year plan can be found at: www.honolulu.gov/dcs/housing.html or in person at 51 Merchant St., 2 nd Floor, Honolulu, HI 96813												
5.2	Goals and Objectives. Identify the PHA's quantifiable goals and objectives that will enable the PHA to serve the needs of low-income and very low-income, and extremely low-income families for the next five years. Include a report on the progress the PHA has made in meeting the goals and objectives described in the previous 5-Year Plan. This is the Annual Plan update. Goals and Objectives, 5.2 is completed only at the Final-year plan update. The FY2014-2019, 5 year plan can be found at: <ol style="list-style-type: none"> 1) Main administrative office of the Agency: 51 Merchant St., 2nd Floor, Honolulu, HI 96813 2) Section 8 Office – 842 Bethel Street, 1st Floor, Honolulu, HI 96813 3) Section 8 Office – Kapolei Hale, Room 118, Kapolei, HI 96707 4) PHA website: www.honolulu.gov/dcs/housing.html 5) Mission Memorial Building, Customer Service Department, Information Branch: 550 South King Street, Honolulu, HI 96813 												

PHA Plan Update

(a) Identify all PHA Plan elements that have been revised by the PHA since its last Annual Plan submission:

Location of Administrative Plan: <http://www.honolulu.gov/rep/site/dcs/chapter810finaltenantbasedrules.pdf>

1. Eligibility, Selection and Admissions Policies:

No Changes

2. Financial Resources:

Sources (Estimate)	Planned
HCV Housing Assistance Payments	\$42,680,658
Mainstream (MS) Based on ACC	\$1,751,856
Moderate Rehabilitation (MRP)	\$219,337
Tenant Protection (Opt-outs)	\$1,160,064
FSS Coordinator grant for CY15	\$157,680
Administrative Fees	\$3,251,472
Total Revenue	\$49,221,067

3. Rent Determination:

No Changes

4. Operation and Management:

Program Name	Program Size (Baseline)	FY2015 Projected Program based on Funding availability
Section 8 Vouchers	4292	3,037
Tenant Protection Vouchers	224	96
Section 8 Mod Rehab	40	40
Mainstream Vouchers	175	175
Family Unification Program	100	100

6.0

5. Grievance Procedures:

No Changes

6. Designated Housing for Elderly and Disable Families – N/A

7. Community Service and Self-Sufficiency – N/A

8. Safety and Crime Prevention – N/A

9. Pets – N/A

10. Civil Rights Certification

(See Attachment C)

11. Fiscal year Audit

(See Attachment A)

12. Asset Management – N/A

13. Violence Against Women Act (VAWA):

- 1) Any activities, services, or programs provided or offered by an agency, either directly or in partnership with other service providers, to child or adult victims of domestic violence, dating violence, sexual assault, or stalking:

No revisions

- 2) Any activities, services, or programs provided or offered by a PHA that helps child and adult victims of domestic violence, dating violence, sexual assault, or stalking, to obtain or maintain housing:

No revisions

- 3) Any activities, services, or programs provided or offered by a public housing agency to prevent domestic violence, dating violence, sexual assault, or to enhance victim safety in assisted families.

No revisions

	<p>(b) Identify the specific location(s) where the public may obtain copies of the 5-Year and Annual PHA Plan. For a complete list of PHA Plan elements, see Section 6.0 of the instructions.</p> <ol style="list-style-type: none"> 1) Main administrative office of the Agency: 51 Merchant St., 2nd Floor, Honolulu, HI 96813 2) Section 8 Office – 842 Bethel Street, 1st Floor, Honolulu, HI 96813 3) Section 8 Office – Kapolei Hale, Room 118, Kapolei, HI 96707 4) PHA website: www.honolulu.gov/dcs/housing.html 5) Mission Memorial Building, Customer Service Department, Information Branch: 550 South King Street, Honolulu, HI 96813
7.0	<p>Hope VI, Mixed Finance Modernization or Development, Demolition and/or Disposition, Conversion of Public Housing, Homeownership Programs, and Project-based Vouchers. <i>Include statements related to these programs as applicable.</i></p> <ol style="list-style-type: none"> 1) Homeownership Homeownership Option Program (HOP) continues to provide assistance to families interested in homeownership by preparing families with financial readiness. In 2014, four (4) families moved toward homeownership and three (3) families became subsidy free. 2) Project-based Vouchers The Agency plans to implement a Project-Based Voucher Program at the start of CY16 with 59 units designated to receive Project-Based Assistance provided funds are available. The Agency will continue to meet the Agency’s goal of increasing housing choice opportunities for low income families. The Requests for Proposal has been forwarded for legal review.
8.0	<p>Capital Improvements. Please complete Parts 8.1 through 8.3, as applicable. N/A</p>
8.1	<p>Capital Fund Program Annual Statement/Performance and Evaluation Report. As part of the PHA 5-Year and Annual Plan, annually complete and submit the <i>Capital Fund Program Annual Statement/Performance and Evaluation Report</i>, form HUD-50075.1, for each current and open CFP grant and CFFP financing. N/A</p>
8.2	<p>Capital Fund Program Five-Year Action Plan. As part of the submission of the Annual Plan, PHAs must complete and submit the <i>Capital Fund Program Five-Year Action Plan</i>, form HUD-50075.2, and subsequent annual updates (on a rolling basis, e.g., drop current year, and add latest year for a five year period). Large capital items must be included in the Five-Year Action Plan. N/A</p>
8.3	<p>Capital Fund Financing Program (CFFP). <input type="checkbox"/> Check if the PHA proposes to use any portion of its Capital Fund Program (CFP)/Replacement Housing Factor (RHF) to repay debt incurred to finance capital improvements. N/A</p>
9.0	<p>Housing Needs. Based on information provided by the applicable Consolidated Plan, information provided by HUD, and other generally available data, make a reasonable effort to identify the housing needs of the low-income, very low-income, and extremely low-income families who reside in the jurisdiction served by the PHA, including elderly families, families with disabilities, and households of various races and ethnic groups, and other families who are on the public housing and Section 8 tenant-based assistance waiting lists. The identification of housing needs must address issues of affordability, supply, quality, accessibility, size of units, and location. Not applicable as this is a PHA Annual Plan submission</p>
9.1	<p>Strategy for Addressing Housing Needs. Provide a brief description of the PHA’s strategy for addressing the housing needs of families in the jurisdiction and on the waiting list in the upcoming year. Note: Small, Section 8 only, and High Performing PHAs complete only for Annual Plan submission with the 5-Year Plan. Not applicable as this is a PHA Annual Plan submission</p>
10.0	<p>Additional Information. Describe the following, as well as any additional information HUD has requested. Not applicable as this is a PHA Annual Plan submission</p>

Required Submission for HUD Field Office Review. In addition to the PHA Plan template (HUD-50075), PHAs must submit the following documents. Items (a) through (g) may be submitted with signature by mail or electronically with scanned signatures, but electronic submission is encouraged. Items (h) through (i) must be attached electronically with the PHA Plan. **Note:** Faxed copies of these documents will not be accepted by the Field Office.

11.0

- (a) Form HUD-50077, *PHA Certifications of Compliance with the PHA Plans and Related Regulations* (which includes all certifications relating to Civil Rights)
(See Attachments B and E)
- (b) Form HUD-50070, *Certification for a Drug-Free Workplace* (PHAs receiving CFP grants only) – N/A
- (c) Form HUD-50071, *Certification of Payments to Influence Federal Transactions* (PHAs receiving CFP grants only) – N/A
- (d) Form SF-LLL, *Disclosure of Lobbying Activities* (PHAs receiving CFP grants only) – N/A
- (e) Form SF-LLL-A, *Disclosure of Lobbying Activities Continuation Sheet* (PHAs receiving CFP grants only) – N/A
- (f) Resident Advisory Board (RAB) comments. Comments received from the RAB must be submitted by the PHA as an attachment to the PHA Plan. PHAs must also include a narrative describing their analysis of the recommendations and the decisions made on these recommendations.
(See Attachment D)
- (g) Challenged Elements – There were no challenged elements
- (h) Form HUD-50075.1, *Capital Fund Program Annual Statement/Performance and Evaluation Report* (PHAs receiving CFP grants only) – N/A
- (i) Form HUD-50075.2, *Capital Fund Program Five-Year Action Plan* (PHAs receiving CFP grants only) – N/A



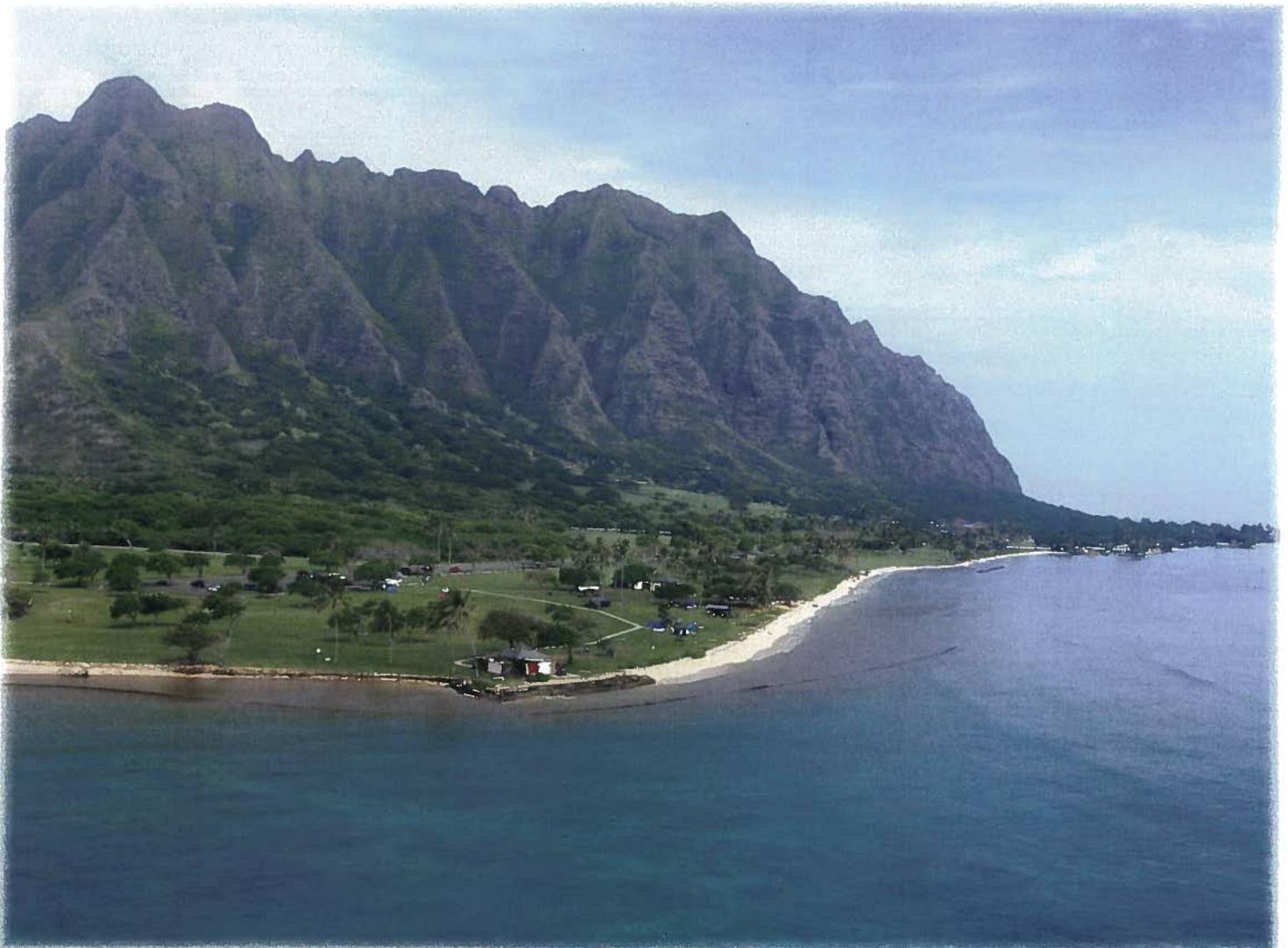
OFFICE OF THE CITY AUDITOR

City and County of Honolulu
State of Hawai'i

Financial Audit of the City and County of Honolulu, State of Hawai'i

For the Fiscal Year Ended
June 30, 2014

Management Letter





A Hawaii Limited Liability Partnership

February 27, 2015

The Chair and Members of the City Council
City and County of Honolulu:

Under auditing standards generally accepted in the United States, auditors are encouraged to report various matters concerning internal control noted during an audit, and are required to report certain of those matters. Matters that are required to be reported are “significant deficiencies in the design or operation of internal control, which could adversely affect the organization’s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.”

As part of our audit of the basic financial statements of the City and County of Honolulu (the City), for the year ended June 30, 2014, we considered the City’s internal control, but only to the extent we felt necessary for the purpose of providing a basis for reliance thereon in determining the nature, timing and extent of the audit tests applied in connection with our audit.

Our consideration of internal control did not entail a detailed study and evaluation of any of its elements and was not made for the purpose of making detailed recommendations or evaluating the adequacy of internal control to prevent or detect errors and fraud. In this regard, it should be recognized that, because of inherent limitations in any internal control, errors or fraud may occur and not be detected. Furthermore, projection of any evaluation of internal control to future periods is subject to the risk it may become inadequate because of changes in conditions or deterioration in its operating effectiveness.

While the purpose of our consideration of internal control was not to provide assurances thereon, certain matters came to our attention that we want to report to you. These matters, which were considered by us during our audit and do not modify the opinions expressed in our auditor’s report dated December 23, 2014, and along with our recommendations, are described in the accompanying memorandum.

We wish to express our appreciation for the courtesies and cooperation extended to our staff. We would be pleased to discuss these recommendations in greater detail or otherwise assist in their implementation.

KMH LLP

KMH LLP

Honolulu, Hawaii

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City and County of Honolulu State of Hawaii

Management Letter
June 30, 2014

Current Year Comments

Financial Statements:

2014-01 Deferred Inflows or Outflows of Resources Related to Advance Refunding of Bonds

In fiscal year 2013, the City issued General Obligation Bond series 2012. Certain proceeds from General Obligation Bond series 2012 were used to advance refund a portion of previously issued General Obligation Bond series. During the audit, we noted the calculation of the deferred outflow of resources related to the advance refunding was not calculated in accordance with GASB No. 7. The erroneous calculation resulted in a current year misclassification between deferred outflows and long-term liabilities of approximately \$15.7 million. Further, due to the errant calculation of the deferred outflow of resources, current year interest expense related to deferred outflows was misstated by approximately \$3.2 million.

Recommendation: We recommend that the City be more diligent in its calculation of any deferred inflows or outflows of resources related to advance refunding in accordance with GASB No. 7.

2014-02 Sewer Fund Inventory

The City's Sewer Fund inventory records are maintained by the City's Department of Environmental Services (ENV). Based on certain parameters requested by ENV, the IT department runs a query from the inventory system detailing the inventory existing at year end. This inventory report is utilized by the City's accounting department to record the inventory held by the Sewer Fund at year end.

During the audit, we noted that the query used by the ENV department did not properly exclude transactions related to the subsequent fiscal year.

Recommendation: Although the resulting difference of approximately \$146,000 was not significant, management should review the parameters of its inventory reports to avoid future errors.

City and County of Honolulu State of Hawaii

Management Letter
June 30, 2014

2014-03 Public Transportation System – Deferred Revenue

During the audit, we noted that Public Transportation System (PTS) management did not perform a reconciliation or analysis on the outstanding deferred revenue balances.

We informed PTS management of this deficiency and after management’s further analysis of the outstanding deferred revenue balance; management provided a post-closing adjustment of approximately \$580,000 to properly state the deferred revenue balance.

Recommendation: We recommend that PTS establish procedures to reconcile and analyze the deferred revenue balances periodically.

Federal Grant Programs:

Housing Voucher Cluster

2014-04 Eligibility

During our testing of the eligibility requirements of the Housing Voucher Cluster program, we noted the following:

- 1) In accordance with 24 CFR Section 5.508(b), “Each family member, regardless of age, must submit the following evidence to the responsible entity: For U.S. citizens or U.S. nationals, the evidence consists of a signed declaration of U.S. citizenship or U.S. nationality.”
 - For 2 out of 60 tenant files tested, we noted that a declaration of citizenship form was missing.
- 2) In accordance with the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement for the Housing Voucher Cluster (CFDA No. 14.871, 14.879), the City must obtain and document in the family file third-party verification of: (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent for both family income examinations and reexaminations.
 - For 1 out of 60 tenant files tested, we noted that the annual income was inadequately documented as there was a lack of documentation of termination of employment.
 - For 2 out of 60 tenant files tested, we noted that the asset verification was incorrectly reported on the HUD-50058 form.

City and County of Honolulu State of Hawaii

Management Letter
June 30, 2014

- 3) In accordance with the OMB Circular A-133 Compliance Supplement for the Housing Voucher Cluster (CFDA No. 14.871, 14.879), the City must determine income eligibility and calculate the tenant's rent payment using the documentation from third-party verification in accordance with 24 CFR part 5 subpart F.
 - For 5 out of 60 tenant files tested, we noted that HAP was incorrectly calculated.

Recommendation: We recommend that the City be more diligent in performing such procedures and continue to enforce the quality control review of tenant files. Such a quality control review could identify areas requiring more attention by management and ultimately reduce the number of errors.

2014-05 Reporting - Special Reporting

During our testing of the reporting (special reporting) requirements of the Housing Voucher Cluster program, we noted the following:

- 1) In accordance with the OMB Circular A-133 Compliance Supplement for the Housing Voucher Cluster (CFDA No. 14.871, 14.879), the City is required to submit the HUD-50058, *Family Report*, electronically to the United States Department of Housing and Urban Development, with several line items indicating critical information.
 - For 3 out of 60 tenant files tested, we noted that the incorrect date of birth was indicated on the HUD-50058 form.
 - For 1 out of 60 tenant files tested, we noted that the asset verification was incorrectly reported on the HUD-50058 form.
 - For 3 out of 60 tenant files tested, we noted that HAP was incorrectly calculated and reported due to incorrect gross income calculations.

Recommendation: We recommend that the City be more diligent in performing such procedures and continue to enforce the quality control review of tenant files. Such a quality control review could identify areas requiring more attention by management and ultimately reduce the number of errors.

City and County of Honolulu State of Hawaii

Management Letter
June 30, 2014

2014-06 Special Test - Housing Assistance Payment

During our testing of the special test (housing assistance payment) requirements of the Housing Voucher Cluster program, we noted the following:

- 1) In accordance with the OMB Circular A-133 Compliance Supplement for the Housing Voucher Cluster (CFDA No. 14.871, 14.879), the City should verify that the HAP contracts or contract amendments agree with the amount recorded on the HAP register and the amount on line 12u of the HUD-50058 form.
 - For 5 out of 60 tenant files tested, we noted that HAP was incorrectly calculated and paid to tenants.

Recommendation: We recommend that the City be more diligent in performing such procedures and continue to enforce the quality control review of tenant files. Such a quality control review could identify areas requiring more attention by management and ultimately reduce the number of errors.

Community Development Block Grants (Entitlement Grants) Cluster

2014-07 Subrecipient Monitoring

During our testing of the subrecipient monitoring requirements of the Community Development Block Grant (“CDBG”) program, we noted that the “Monitoring Risk Analysis” schedule was not updated for fiscal year 2014. This schedule is utilized as a risk analysis that the City and County of Honolulu Department of Community Services (“DCS”) uses to determine high-risk subrecipients subject to on site monitoring.

Recommendation: We recommend that the City’s DCS implement procedures to ensure that the “Monitoring Risk Analysis” schedule is updated at the beginning of each fiscal year and procedures are performed to ensure on-going monitoring occurs.

City and County of Honolulu State of Hawaii

Management Letter
June 30, 2014

Status of Prior Year Comments

2013-01 Accounting for Capital Assets

During our testing of the City's governmental activities capital assets as of June 30, 2013, we noted the following issues:

- Two capital assets totaling \$113.5 million were misclassified as infrastructure rather than buildings and improvements in fiscal year 2012. The City reclassified these capital assets in fiscal year 2013. The cause of this error was due to a lack of proper review by City personnel prior to the capital assets being transferred out of construction work-in-progress.
- Approximately \$25.3 million of capital assets written off in the current year should have been expensed prior to fiscal year 2013. The cause of this error was due to untimely reviews and follow-up with the appropriate project managers to determine that the capital assets should have been written off in prior years.
- Approximately \$6.7 million of capital assets were improperly expensed in the current year rather than being capitalized. The cause of this error was due to untimely reviews and follow-up. The City was also unable to reconcile \$1.4 million in the reconciliation of the governmental funds of capital outlays as expenditures to the change in net position of governmental activities.

Status: Unresolved. See current year finding 2014-5 in the Single Audit Reports.

2013-02 Subrecipient Monitoring and Eligibility

During our testing of the Shelter Plus Care program, we noted the following issues:

- No site visit was performed for one subrecipient during fiscal year 2013. Per the Office of Management and Budget Circular A-133 Compliance Supplement, Part 3 for Subrecipient Monitoring, During-the-Award Monitoring, "the program should monitor the subrecipient's use of Federal awards through reporting, site visits, regular contact or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements and that performance goals are achieved."
- Two out of 19 participant files that we tested did not include a final approval signature by the Housing Program Director.

City and County of Honolulu State of Hawaii

Management Letter
June 30, 2014

- Two out of 20 participant files that we tested were missing a current Housing Assistance Payment (“HAP”) contract that should be executed annually by the participant, the program staff, and the landlord. The HAP contract indicates the participant’s portion of rent owed and the portion the program is responsible to pay on behalf of the participant.

Status: Resolved. No similar instances were noted in the current year.

2013-03 Matching

During our testing of the Shelter Plus Care program, we noted that the Adult Mental Health Division (“AMHD”) match amount included in the Annual Progress Report (“APR”) did not agree to the City’s calculation by approximately \$141,000, due to incorrect estimates by AMHD.

Per 24 Code of Federal Regulations section 582.110(c), a grantee must provide or ensure the provision of supportive services are at least equal in value to the aggregate amount of rental assistance funded by the Department of Housing and Urban Development (“HUD”).

Status: Resolved. No similar instances were noted in the current year.

2013-04 Subrecipient Monitoring

During our testing of the subrecipient monitoring requirements of the Community Development Block Grant (“CDBG”) program, we noted that the “Monitoring Risk Analysis” schedule was not updated for fiscal year 2013. This schedule is utilized as a risk analysis that the City and County of Honolulu Department of Community Services (“DCS”) uses to determine high-risk subrecipients subject to on site monitoring.

We were informed that the cause of this control deficiency was a lack of knowledge of proper procedures by the Acting Director of DCS.

Status: Unresolved. No changes were noted in the current year. See current year comment 2014-07.

**City and County of Honolulu
State of Hawaii**

Management Letter
June 30, 2014

2013-05 Procurement

During the Federal Transit Authority procurement testing for Oahu Transit Services (“OTS”), we noted there was no sign-in sheet with names and addresses of required witnesses at a bid opening.

Per Hawaii Administrative Rules 2-122-30a, the name(s) and address(es) of the required witnesses shall be recorded at the time of the bid opening.

Status: Resolved. No similar instances were noted in the current year.

DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov

KIRK CALDWELL
MAYOR



NELSON H. KOYANAGI, JR.
DIRECTOR

GARY T. KUOKAWA
DEPUTY DIRECTOR

February 27, 2015

Mr. Edwin Young
Office of the City Auditor
1001 Kamokila Blvd., Suite 216
Kapolei, Hawaii 96707

Dear Mr. Young:

SUBJECT: Management Advisory Report for the Fiscal Year Ended June 30, 2014

Enclosed is the response to the recommendations included in KMH LLP's preliminary draft of the management advisory report resulting from the audit of the City and County of Honolulu for the fiscal year ended June 30, 2014. The response includes actions taken or contemplated, anticipated completion dates, and the City personnel responsible for the corrective action.

Sincerely,

A handwritten signature in black ink, appearing to read "Nelson H. Koyanagi, Jr.", is written over a horizontal line.

Nelson H. Koyanagi, Jr., Director
Budget and Fiscal Services

Enclosures

APPROVED:

A handwritten signature in blue ink, appearing to read "Roy K. Amemiya, Jr.", is written over a horizontal line.

Roy K. Amemiya, Jr.
Managing Director

**RESPONSE TO MANAGEMENT ADVISORY REPORT
COMMENTS AND RECOMMENDATIONS
Year Ended June 30, 2014**

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

Comment No. 2014-01: Deferred Inflows or Outflows of Resources Related to Advance Refunding of Bonds

Audit Recommendation: We recommend that the City be more diligent in its calculation of any deferred inflows or outflows of resources related to advance refunding in accordance with GASB No. 7.

Administration's Comment: Upon the issuance of advance refunding bonds, the unamortized bond premium or discount pertaining to the refunded bonds will be classified as deferred inflows or outflows of resources in accordance with Governmental Accounting Standards Board (GASB) Statement No. 65 and will be amortized in accordance with GASB Statement No. 7.

Anticipated Completion Date: September 2014 for fiscal year 2014, and by June of each year whenever applicable

Contact Person(s): Danilo Maximo, Accountant V, Department of Budget and Fiscal Services

Comment No. 2014-02: Sewer Fund Inventory

Audit Recommendation: Although the resulting difference of approximately \$146,000 was not significant, management should review the parameters of its inventory reports to avoid future errors.

Administration's Comment: The Department of Environmental Services staff has reviewed the parameters of the inventory report and made corrections to the parameters to insure that future reports are correct.

Anticipated Completion Date: February 2015

Contact Person(s): John Pedersen, Data Processing Systems Analyst, Department of Environmental Services

Comment No. 2014-03: Public Transportation System – Deferred Revenue

Audit Recommendation: We recommend that PTS establish procedures to reconcile and analyze deferred revenue balances periodically.

Administration's Comment: Procedures have been established to analyze the deferred revenue balance on an annual basis and to make adjustments as deemed necessary.

Anticipated Completion Date: December 2014

Contact Person(s): Melvin Higa, Controller, Oahu Transit Services
Jenny Lemaota, Vice President of Finance, Oahu Transit Services

RESPONSE TO MANAGEMENT ADVISORY REPORT

COMMENTS AND RECOMMENDATIONS

Year Ended June 30, 2014

Comment No. 2014-04, 2013-02 and 2010-06: Eligibility

Audit Recommendation: We recommend that the City be more diligent in performing such procedures and continue to enforce the quality control review of tenant files. Such a quality control review could identify areas requiring more attention by management and ultimately reduce the number of errors.

Comment No. 2014-05: Reporting – Special Reporting

Audit Recommendation: We recommend that the City be more diligent in performing such procedures and continue to enforce the quality control review of tenant files. Such a quality control review could identify areas requiring more attention by management and ultimately reduce the number of errors.

Comment No. 2014-06: Special Test – Housing Assistance Payment

Audit Recommendation: We recommend that the City be more diligent in performing such procedures and continue to enforce the quality control review of tenant files. Such a quality control review could identify areas requiring more attention by management and ultimately reduce the number of errors.

Administration's Comment for No. 2014-04, 2014-05 and 2014-06: Program supervisors currently conduct quality control reviews as required for the Section 8 Management Assessment Program pursuant to 24 CFR 985.2. Supervisors will be monitored each month to ensure the reviews are completed and the errors discussed with staff. In addition, supervisors will conduct an in-house retraining session on the annual reexamination checklist and calculation procedures. The staff will continue to participate in periodic training sessions from the technical assistance provider.

Anticipated Completion Date: June 2015

Contact Person(s): Jayne Lee, Section 8 Administrator, Department of Community Services

Comment No. 2014-07 and 2013-04: Subrecipient Monitoring

Audit Recommendation: We recommend that the City's DCS implement procedures to ensure that the "Monitoring Risk Analysis" schedule is updated at the beginning of each fiscal year and procedures are performed to ensure on-going monitoring occurs.

Administration's Comment: As required by the U.S. Department of Housing and Urban Development in 2013, the City participated in the Technical Assistance (TA) program. The program's work plan dated May 2013 – February 2014 included a task the TA team was to complete, that is, to work with the Grantee to develop new monitoring procedures and tools for CDBG funded activities. In December 2013, the TA team again reiterated its intent to work with the City to develop new monitoring procedures and tools such as workflow charts and checklists for use by City staff. The TA team's help in developing City monitoring procedures and tools amounted to the delivery in August 2014 of the subrecipient monitoring plan for a county in Texas which City staff did not find useful or timely. As a result, the City returned to its existing monitoring practices which is more pertinent to its locale.

Anticipated Completion Date: February 2015 for the risk analysis with updates prepared annually beginning in July 2015, and March 2015 for the commencement of monitoring of open projects

Contact Person(s): Keith Ishida, Administrator, Department of Community Services



OFFICE OF THE CITY AUDITOR

City and County of Honolulu
State of Hawai'i

Financial Audit of the City and County of Honolulu, State of Hawai'i

For the Fiscal Year Ended
June 30, 2014

Single Audit of Federal Financial
Assistance Programs



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INTRODUCTION



A Hawaii Limited Liability Partnership

February 27, 2015

The Chair and Members of the City Council
City and County of Honolulu

Dear Chair and Members of the City Council:

We have completed our financial audit of the basic financial statements of the City and County of Honolulu, State of Hawaii (the City) as of and for the fiscal year ended June 30, 2014. Our report containing our opinion on those basic financial statements is included in the City's *Comprehensive Annual Financial Report*. We have also audited the City's compliance with requirements applicable to its major federal financial programs. We submit herein our reports on compliance and internal control over financial reporting and over federal awards, the schedule of expenditures of federal awards, and the schedule of findings and questioned costs. Our audit was performed in accordance with the terms of our contract with the City and with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

OBJECTIVES OF THE AUDIT

1. To provide an opinion on the fairness of the presentation of the City's basic financial statements and the schedule of expenditures of federal awards as of and for the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.
2. To consider the City's internal control over financial reporting in order to design our auditing procedures for the purpose of expressing our opinions on the financial statements.
3. To perform tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts.
4. To consider the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.
5. To report on the status of prior year findings and questioned costs.

SCOPE OF THE AUDIT

We performed an audit of the City's basic financial statements and schedule of expenditures of federal awards as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133.

Our report on the basic financial statements of the City as of and for the year ended June 30, 2014 is included under a separate cover. A separate management letter containing our observations regarding the City's internal controls dated February 27, 2015 has also been issued to the City Council.

We wish to express our sincere appreciation for the excellent cooperation and assistance extended by the management and staff of the City.

Sincerely,

A handwritten signature in black ink that reads "Wilcox Choy". The signature is written in a cursive, slightly slanted style.

Wilcox Choy
Partner

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***



A Hawaii Limited Liability Partnership

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Independent Auditor's Report

The Chair and Members of the City Council
City and County of Honolulu

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City and County of Honolulu, State of Hawaii (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 23, 2014. Our report includes a reference to other auditors who have audited the financial statements of the Board of Water Supply, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or

detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We considered the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs*, items 2014-3 and 2014-4 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs*, items 2014-1, 2014-2, and 2014-5, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items 2014-6 and 2014-7.

The City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KMH LLP

KMH LLP

Honolulu, Hawaii
February 27, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON
INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**



A Hawaii Limited Liability Partnership

Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

The Chair and Members of the City Council
City and County of Honolulu

Report on Compliance for Each Major Federal Program

We have audited the City and County of Honolulu, State of Hawaii's (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Continuum of Care and Community Challenge Planning Grants and Department of Transportation’s TIGER II Planning

As described in items 2014-6 and 2014-7 in the accompanying *Schedule of Findings and Questioned Costs*, the City did not comply with requirements regarding the following:

Finding No.	CFDA No.	Program Name	Compliance Requirement
2014-6	14.267	Continuum of Care	Subrecipient Monitoring
2014-7	14.704	Community Challenge Planning Grants and Department of Transportation’s TIGER II Planning	Reporting

Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to those programs.

Qualified Opinion on Continuum of Care and Community Challenge Planning Grants and Department of Transportation’s TIGER II Planning

In our opinion, except for the noncompliance described in Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on Continuum of Care and Community Challenge Planning Grants and Department of Transportation’s TIGER II Planning for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the other major federal programs identified in the Summary of Auditor’s Results section of the accompanying *Schedule of Findings and Questioned Costs* for the year ended June 30, 2014.

Other Matters

The City’s responses to the noncompliance findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The City’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on these responses.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-6 and 2014-7 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on these responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2014, and have issued our report thereon dated December 23, 2014, which contained an unmodified opinion on those financial statements. We did not audit the financial statements of the Board of Water Supply, which is a discretely presented component unit of the City. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. As described in Note 1 to the schedule of expenditures of federal awards, the accompanying schedule of expenditures of federal awards was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KMH LLP

KMH LLP

Honolulu, Hawaii
February 27, 2015

City and County of Honolulu
State of Hawaii

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Pass-through from the State Department of Education-- Summer Food Service Program for Children	10.559	12-351523	\$ 160,608
Pass-through from the State Department of Human Services-- Supplemental Nutritional Assistance Program	10.561	DHS-11-SNAP-301 SA2; SA3	15,338
Pass-through from the State Department of Land and Natural Resources-- Cooperative Forestry Assistance	10.664	11-DG-11052012-031	96,458
Total U.S. Department of Agriculture			272,404
U.S. Department of Housing and Urban Development:			
<i>CDBG-Entitlement Grants Cluster:</i>			
Community Development Block Grants/Entitlement Grants	14.218	-	15,911,648
CDBG ARRA Entitlement Grants (CDBG-R)(ARRA)	14.253	-	(156)
<i>Total CDBG-Entitlement Grant Cluster</i>			15,911,492
Emergency Solutions Grant Program	14.231	-	689,757
Supportive Housing Program	14.235	-	170,477
Shelter Plus Care	14.238	-	116,854
HOME Investment Partnerships Program	14.239	-	4,449,661
Housing Opportunities for Persons with AIDS	14.241	-	405,669
Community Challenge Planning Grants and the DOT's TIGER II Planning Grants	14.704	-	2,188,866
Continuum of Care Program	14.267	-	5,480,048
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	-	149,689
<i>Housing Voucher Cluster:</i>			
Mainstream Vouchers	14.879	-	1,524,468
Section 8 Housing Choice Vouchers	14.871	-	45,426,754
Pass-through from the State Hawaii Public Housing Authority-- Section 8 Housing Choice Vouchers: FSS	14.871	PMB 09-03 SA3, 4 PMB 13-04	304,537
<i>Total Housing Voucher Cluster</i>			47,255,759
Total U.S. Department of Housing and Urban Development			76,818,272
U.S. Department of the Interior--			
Pass-through from the State Department of Land and Natural Resources-- Outdoor Recreation Acquisition, Development and Planning	15.916	15-00160	584,060
Total U.S. Department of the Interior			584,060
U.S. Department of Justice:			
Domestic Cannabis Eradication/Suppression Program	16.000	2013-69	100,000
Equitable Sharing Program	16.922	-	517,990
Pass-through from the State Department of the Attorney General-- Services for Trafficking Victims	16.320	10-VT-01	12,035
Pass-through from the State Department of Human Services-- Juvenile Accountability Block Grants	16.523	DHS-12-OYS-264	187,834
Pass-through from the State Department of the Attorney General-- Crime Victim Assistance	16.575	10-VA-02, 11-VA-02	949,822
Pass-through from the State Department of the Attorney General-- Violence Against Women Formula Grants (Non-ARRA)	16.588	09-WF-10, 10-WF-13, 11-WF-05, 12-WF-0410-WF-09, 11-WF-08	239,015
Pass-through from the State Department of the Attorney General-- Project Safe Neighborhoods	16.609	10-GP-01	40,631
Public Safety Partnership and Community Policing Grants (ARRA)	16.710	2009-RJ-WX-0040	83,577
Public Safety Partnership and Community Policing Grants (Non-ARRA)	16.710	2008 -CK-WX-05762008 -CK-WX-05772008 -CK-WX- 0481	78,176
Pass-through from the State Department of Health-- Enforcing Underage Drinking Laws Program	16.727	ASO Log. 11-104	47,759
DNA Backlog Reduction Program	16.741	2011-DN-BX-K416, 2012-DN-BX-0080, 2013-DN-BX- 0059	304,962
Pass-through from the State Department of the Attorney General-- Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	10-CD-01, 11-CD-02	70,711
Pass-through from the State Department of the Attorney General-- Anti-Gang Initiative	16.744	07-PG-02	33,068

**City and County of Honolulu
State of Hawaii**

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>Justice Assistance Grant (JAG) Program Cluster:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0354, 2010-DJ-BX-0347, 2011-DJ-BX-2891, 2012-DJ-BX-1227, 2013-DJ-BX-0731	739,075
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	11-DJ-0111-DJ-0209-DJ-11, 10-DJ-04, 11-DJ-09	567,352
Edward Byrne Memorial JAG Program / Grants To Units Of Local Government (ARRA)	16.804	2009-SB-B9-1306	368,299
<i>Total JAG Program Cluster</i>			<u>1,674,726</u>
Total U.S. Department of Justice			<u>4,340,306</u>
U.S. Department of Labor:			
Pass-through from the State Department of Labor & Industrial Relations-- (WIA) National Emergency Grant	17.277	WIA-12-NEG-DWT-0	13,361
Pass-through from the State Department of Labor & Industrial Relations: <i>Workforce Investment Act (WIA) Cluster:</i>			
Workforce Investment Act - Adult Program	17.258	WIA-12-AP-0, WIA-12-LAC-0	1,861,198
Workforce Investment Act - Youth Activities	17.259	WIA-12-YP-0WIA-12-LAC-0	1,028,003
WIA Dislocated Worker Formula Grants	17.278	WIA-12-DW-0, WIA-12-LAC-0	1,130,394
<i>Total Workforce Investment Act Cluster</i>			<u>4,019,595</u>
Pass-through from the State Department of Labor & Industrial Relations-- Trade Adj. Asst. Comm. College and Career Training (TAACCCT) Grants	17.282	C3T-Oahu	55,441
Reintegration of Ex-Offenders	17.270	-	440,678
Youthbuild	17.274	-	328,003
Total U.S. Department of Labor			<u>4,857,078</u>
U.S. Department of Transportation:			
Pass-through from the State Department of Transportation: <i>Highway Planning & Construction Cluster:</i>			
Highway Planning and Construction (ARRA)	20.205	STP-0001(36)	30,818
Highway Planning and Construction (non-ARRA)	20.205	ARR001(45), ARR0951(1), ARR8915(2), BR-NBIS(49)(53)(56), CMAQ0001(41), CMAQ0300(128), CMAQ7863(001), FLH0300(90), STP0001(22)(30)(35)(36)(37)(39)(40)(42)(43)(46)(47)(50)(51)(52)(55)(56)(57), STP0300(57)(112), STP6012(01), STP7139(1), STP7411(1), STP7542(0)	15,750,986
Highway Planning and Construction (non-ARRA)	20.205	FHWA-206.01-12	283,582
Highway Planning and Construction (non-ARRA)	20.205	FHWA 201.01-12 202.84-11 203.75-09 203.79-10 203.80-10 203.81-10 203.82-11 203.83-11 203.84-13	360,982
<i>Total Highway Planning & Construction Cluster</i>			<u>16,426,368</u>
<i>Federal Transit Cluster:</i>			
Federal Transit - Capital Investment Grants (Non-ARRA)	20.500	-	113,949,743
Federal Transit - Formula Grants (ARRA)	20.507	-	2,087,862
Federal Transit - Formula Grants (Non-ARRA)	20.507	-FTA HI-90-X029, FTA HI-90-X030, FTA HI-90-X033	27,427,663
<i>Total Federal Transit Cluster</i>			<u>143,465,268</u>
<i>Transit Services Programs Cluster:</i>			
Job Access and Reverse Commute	20.516	FTA HI-37-X004, HI-37-X005, HI-37-X007	257,557
New Freedom Program	20.521	FTA HI-57-X004, HI-57-X005, HI-57-X007	220,594
<i>Total Transit Services Programs Cluster</i>			<u>478,151</u>
Pass-through from the State Department of Transportation-- State and Community Highway Safety	20.600	AL 09-02 (01-O-01), AL 12-02 (01-O-01), AL 13-02 (01-O-01), DD 13-10 (01-O-01), OP 10-05 (01-O-01), OP 11-05 (01-O-01), OP 12-05 (01-O-01), OP 13-05 (01-O-01), PS 10-09 (02-O-01), PS 11-09 (02-O-01), PS 12-09 (02-O-01), PS 14-09 (01-O-01), PT 09-01 (01-O-EM 13-04)(04-O-01), EM 14-04 (02-O-01)PS12-09(03-O-01)	2,116,896
Total U.S. Department of Transportation			<u>162,486,683</u>

City and County of Honolulu
State of Hawaii

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Environmental Protection Agency:			
Pass-through from the State Department of Health-- Water Quality Management Planning Grant	66.454	-	39,155
Pass-through from the State Department of Health: <i>Clean Water State Revolving Fund Cluster:</i>			
Capitalization Grants for Clean Water SRF	66.458	C150048-00	11,473,158
Capitalization Grants for Clean Water SRF	66.458	C150046-70	134,553
<i>Total Clean Water State Revolving Fund Cluster</i>			<u>11,607,711</u>
State Clean Diesel Grant Program	66.040	-	131,417
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	-	18,711
Total Environmental Protection Agency			<u>11,796,994</u>
U.S. Department of Education:			
Pass-through from the State Department of Human Services-- Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	DHS-13-VR-758 (SA1), DHS-12-VR-640 (SA1,2,3), DHS-14-VR-1024, DHS-12-VR-641 (SA1)	489,651
Pass-through from the State Department of Education-- Twenty-First Century Community Learning Centers	84.287	13023	36,005
Total U.S. Department of Education			<u>525,656</u>
U.S. Department of Health and Human Services:			
Pass-through from the State Executive Office on Aging-- Special Programs for the Aging-Title III, Part D-Disease: Prevention and Health Promotion Services	93.043	HON2013N03	60,685
Pass-through from the State Executive Office on Aging: <i>Aging Cluster:</i>			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	HON2013N03	969,119
Special Programs for the Aging-Title III, Part C-Nutrition Services			
Supportive Services, (Title IIIC-1) Home Delivered Meals (Title IIIC-2)	93.045	HON2011N03, HON2012N03	686,048
<i>Total Aging Cluster</i>			<u>1,655,167</u>
Pass-through from the State Executive Office on Aging-- Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048	HONADRChd-2010-N	47,879
Pass-through from the State Executive Office on Aging-- National Family Caregiver Support, Title III, Part E	93.052	HON2013N03	350,942
Pass-through from the State Department of Health-- Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	PO0058205	1,967
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	-	48,066
Pass-through from the State Department of Human Services-- <i>Temporary Assistance for Needy Families (TANF) Cluster:</i>			
Temporary Assistance for Needy Families	93.558	DHS-08-BESSD-5042, DHS-08-BESSD-5043 (SA2), DHS-12-ETPO-611 (SA1,2)	23,278
<i>Total TANF Cluster</i>			<u>23,278</u>
Pass-through from the State Department of Health-- Block Grants for Community Mental Health Services	93.958	-	303,567
Total U.S. Department of Health and Human Services			<u>2,491,551</u>
Corporation for National and Community Service--			
Retired and Senior Volunteer Program	94.002	-	134,972
Total Corporation for National and Community Service			<u>134,972</u>
Executive Office of the President--			
High Intensity Drug Trafficking Area Program	95.001	G11HI0001A, G12HI0001A, G13HI0001A	1,916,269
Total Executive Office of the President			<u>1,916,269</u>

**City and County of Honolulu
State of Hawaii**

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security:			
Pass-through from the State Civil Defense:			
<i>Homeland Security Grant</i>			
Homeland Security Preparedness Technical Assistance Program:			
Citizen Corp Program	97.067	2010-SS-T0-0006	6,322
Metropolitan Medical Response System Program	97.067	2009-SS-T9-0006, 2010-SS-T0-0006, 2011-SS-00129	293,366
Urban Areas Security Initiative Program	97.067	2010-SS-T0-0006	1,858,835
State Homeland Security Program	97.067	2010-SS-T0-0006, 2011-SS-00129, 2012-SS-00009, 2013-SS-00003	2,420,833
<i>Total Homeland Security Grant</i>			4,579,356
Rail and Transit Security Grant Program	97.075	2010-RA-T0-0036, EMW2011RA00058	464,928
Pass-through from the State Department of Defense:			
Regional Catastrophic Planning Grant Program	97.111	2009-CA-T9-0009, 2010-CA-T0-0003, 2011-CA-00017	843,220
Total U.S. Department of Homeland Security			5,887,504
Total Expenditures of Federal Awards			\$ 272,111,749

**City and County of Honolulu
State of Hawaii**

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City and County of Honolulu (the City) and is presented on the cash basis of accounting and in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Schedule does not include the federal grant activity of the Board of Water Supply, a discretely presented component unit of the City.

2. Loans Outstanding

The City had the following loan balances outstanding awarded as of and for the year ended June 30, 2014, which are not presented in the schedule of expenditures of federal awards. There were no advances in fiscal year 2014.

Program Title	CFDA Number	Loans Outstanding
Major programs		
Community Development Block Grants – Entitlement Grants	14.218	\$ 36,461,524
HOME Investment Partnerships Program	14.239	19,624,635
Section 8 Housing Choice Vouchers	14.871	<u>3,647,688</u>
		<u>\$ 59,733,847</u>

3. Capitalization Grants for Clean Water State Revolving Funds

At June 30, 2014, federal awards and state matching fund expenditures under capitalization grants for clean water state revolving funds were as follows:

Federal	\$ 11,607,711
State	<u>1,480,518</u>
	<u>\$ 13,088,229</u>

**City and County of Honolulu
State of Hawaii**

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

4. Subrecipients

Of the federal expenditures presented in the schedule of expenditures of federal awards, the City provided federal awards to subrecipients as follows:

Federal Grantor/Program/Grant	CFDA Number	Amount Provided to Subrecipients
U.S. Department of Health and Human Services:		
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	\$ 60,685
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	838,021
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	660,585
National Family Caregiver Support, Title III, Part E	93.052	298,482
Total U.S. Department of Health and Human Services		<u>1,857,773</u>
U.S. Department of Housing and Urban Development:		
Community Development Block Grants/Entitlement Grants	14.218	12,196,095
Emergency Solutions Grant Program	14.231	689,757
Supportive Housing Program	14.235	100,723
Shelter Plus Care	14.238	116,854
HOME Investment Partnerships Program	14.239	3,532,914
Housing Opportunities for Persons with AIDS	14.241	405,669
Continuum of Care Program	14.267	5,474,716
Total U.S. Department of Housing and Urban Development		<u>22,516,728</u>
U.S. Department of Justice--		
Crime Victim Assistance	16.575	393,986
Total U.S. Department of Justice		<u>393,986</u>
U.S. Environmental Protection Agency--		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	18,711
Total U.S. Environmental Protection Agency:		<u>18,711</u>
Total Provided to Subrecipients		<u>\$ 24,787,198</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes None reported
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditor’s report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2014

Section I – Summary of Auditor’s Results (continued)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.218, 14.253 14.267 14.704	Community Development Block Grants – Entitlement Grants Cluster Continuum of Care Program Community Challenge Planning Grants and the Department Of Transportation's TIGER II Planning
14.871, 14.879	Section 8 Housing Choice Vouchers Cluster
17.258, 17.259, 17.278	Work Investment Act Cluster
20.500, 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes No

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2014

Section II – Financial Statement Findings

Finding No. 2014-1: Deficiencies in Information Technology Controls

Type of Finding: Significant Deficiency

Criteria: Information technology (IT) is a strategic element of the City and County of Honolulu's (the City) operations. Because of the high volume of transactions, the establishment of internal controls over processes incorporating IT is critical to its operations. As IT is used to initiate, record, process and report on transactions included in the financial statements, the systems and related processes should have internal controls to prevent or detect potential misstatements.

Condition, cause, and context: As part of our financial statement audit for the year ended June 30, 2014, we performed an IT general controls review of the following systems operated by the City:

- Windows Domain
- AMS Advantage Financial Management System
- AMS Advantage Human Resources Management System
- Personnel Time and Attendance (PT&A) System
- IAS World Web Based Real Property System
- Revenue Collection Cashier System

Our review resulted in several IT control deficiencies in the areas of logical security and change management as follows:

Physical and logical security

- Several terminated employees continued to have access to the City's IT systems.
- No effective periodic review performed to detect whether terminated individuals are able to log in to the IT systems.
- No effective periodic review performed to determine whether access rights granted to employees were commensurate with their job responsibilities.
- Lack of segregation of duties in certain areas of security administration.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2014

Section II – Financial Statement Findings (continued)

- Excessive user accounts with administrative privileges.
- User IDs to directly access the database is shared.
- Activity logging configurations do not meet standards.

Change Management Review

- Direct Data Changes – currently no process for monitoring/reviewing direct data changes.

The primary cause of the internal control deficiencies is that the City's IT procedures do not incorporate internal control procedures addressing the items discussed above.

Effect: Internal controls in the areas of physical and logical security and change management address the following risks:

Physical and logical security

Unauthorized access to these systems could result in either the destruction of data, unauthorized or nonexistent transactions being made, or transactions being inaccurately recorded.

Change Management

Unauthorized or untested changes made directly to production databases could compromise the integrity of the data maintained.

Recommendation: We recommend that the City perform the following:

- Update its IT procedures to include internal control procedures addressing the IT risks above.
- Identify methods to ensure that IT policies and procedures are consistently followed, such as centralizing their user administration process to streamline provisioning and de-provisioning.
- Work with vendor programmers to address any internal control deficiencies due to systems limitations.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2014

Section II – Financial Statement Findings (continued)

Finding No. 2014-2: Information Technology

Type of Finding: Significant Deficiency

Criteria: IT is a strategic element of the Board of Water Supply's (BWS) operations. Because of the high volume of transactions at BWS, the establishment of internal controls over processes incorporating IT is critical to its operations. When IT is used to initiate, record, process and report on transactions included in the financial statements, the systems and related processes should include internal controls to prevent or detect potential misstatements.

Condition, cause, and context: As part of the other auditors financial statement audit for the year ended June 30, 2014, they performed an IT general controls review of the following systems operated by BWS:

- J.D. Edwards
- Oracle Utilities Customer Care and Billing
- Automated Meter Reading System
- Kronos Workforce Timekeeper

The other auditors noted that as BWS performed a significant migration to an updated version of J.D. Edwards in the year ended June 30, 2014, they performed additional migration testing over:

- Data Conversion
- Logical Security
- Interface Implementation
- Project Governance
- Reporting

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2014

Section II – Financial Statement Findings (continued)

The other auditors review resulted in several IT control deficiencies in the areas of logical security, change management and IT operations as follows:

Logical security

- Weak password security
- User access rights not approved and granted on a need-to-know, need-to-do basis
- Lack of validation by business for user access rights

Change management

- Lack of IT segregation of duties
- Lack of user acceptance for configuration changes

IT operations

- Lack of monitoring controls for certain financial system interfaces

Collectively, the number and related nature of the IT control deficiencies resulted in an overall significant deficiency.

Effect: Internal controls in the areas of logical security, change management and IT operations address the following risks:

Logical security

Unauthorized access to financial systems could result in the loss of data, unauthorized or nonexistent transactions being made or transactions being inaccurately recorded.

Change management

Unauthorized or untested changes promoted to the production environment could cause the financial systems to either process data differently than intended or unexpectedly compromise the integrity of the data maintained.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2014

Section II – Financial Statement Findings (continued)

IT operations

Programs and processes are not executed as planned and deviations from scheduled processing are not identified and investigated causing data integrity concerns.

Recommendation: The other auditors recommend that management of BWS perform the following:

- Identify methods to ensure IT policies and procedures are consistently followed.
- Remove user access that is not commensurate with job responsibilities.

Identify methods to ensure change management policies and procedures are consistently followed.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2014

Section II – Financial Statement Findings (continued)

Finding No. 2014-3: Employer Contributions to Employee Retirement System

Type of Finding: Material Weakness

Criteria: Chapter 88 of the Hawaii Revised Statutes requires the City to contribute certain amounts to the Employees' Retirement System (the ERS). In accordance with Governmental Accounting Standards Board (GASB) Statement No. 27, pension expenditures are recognized in the period to which the contractually required payment relates.

Condition, cause, and context: During the audit, we noted that the City did not entirely contribute the statutory employer contribution for several years and report the liability. Consequently, as of June 30, 2014, the cumulative amount due to the ERS was approximately \$31.1 million, of which approximately \$16.2 million was related to prior fiscal years. The City did not record the liability owed to the ERS.

There was a combination of control deficiencies that caused the contribution deficiency. The City's contribution amount is calculated by the City's integrated payroll system. The payroll section within the City's Department of Budget and Fiscal Services (BFS) is responsible for communicating any statutory contribution rate changes to the City's Department of Informational Technology (DIT) for processing in the City's integrated payroll system. In 2011, legislation passed that increased employer contributory rates gradually for the next several years which was communicated to BFS and the Department of Human Resources via memo to their respective Directors. Management was not able to provide any evidence during the audit that the rate changes were communicated to DIT. In addition, budget to actual comparisons identified the large variances in pension expenditures, but no further analysis was performed by BFS.

Based on our discussion with management and ERS, ERS did not communicate to the City that a contribution liability existed until 2014.

Effect: The issues noted above resulted in a \$31.1 million adjustment to the initial 2014 management prepared financial statements and a \$16.2 million restatement adjustment to properly state beginning net assets/fund balance. Also, inadequate follow-up of certain budget to actual variances could lead to future material misstatements.

Recommendation: The payroll section should timely communicate and properly document statutory contribution rate changes to DIT. The City should consider implementing a detective control to ensure that the changes communicated to DIT have been accurately updated into the system such as reconciliation between expected pension expense and actual pension expense.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2014

Section II – Financial Statement Findings (continued)

Finding No. 2014-4: Effective Review of Reconciliations and Details Supporting the Financial Statements of the Proprietary Funds

Type of Finding: Material Weakness

Criteria: The City is responsible for the fair presentation of the proprietary fund financial statements in conformity with accounting principles generally accepted in the United States of America.

Condition, cause, and context: During the audit, we identified several misstatements related to the review of the reconciliation and account balance detail supporting the financial statements of the Sewer Fund and Solid Waste Fund, that, when considered in the aggregate, indicated a material weakness in internal control.

During the audit, we noted the following misstatements related to the Sewer Fund:

- Fiscal year 2013 inventories of parts, materials and supplies were overstated by approximately \$6.1 million. In addition, related materials and supplies expense was understated by approximately \$6.1 million.
- Fiscal year 2013 interest expense was understated by approximately \$9.3 million.
- Fiscal year 2013 capital assets were overstated by approximately \$3.7 million.

In addition, we noted the following misstatements related to the Solid Waste Fund:

- Fiscal year 2014 estimated liability for landfill closure and postclosure care costs and related contractual service expenses were understated by approximately \$3.2 million.
- Fiscal year 2014 accounts receivable and related disposal and collection fees revenue was overstated by approximately \$1.3 million.

Adjustment were proposed, which management recorded, to correct all misstatements identified above. Although the City has assigned personnel to perform the review of reconciliations and schedules supporting the balances reflected in the financial statements, the review process did not identify the misstatements noted above. Management has defined the scope of their reviews as evaluating balances for “reasonableness,” but does not use a specific dollar amount or percentage. When management’s review of year-over-year changes did identify variances, management did not effectively evaluate variance explanations from other departments/divisions.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2014

Section II – Financial Statement Findings (continued)

Effect: The mistatements noted above resulted in several adjustments and restatement adjustments to the initial management prepared financial statements.

Recommendation: We recommend that the City improve its review policies and procedures as part of the accounting process. This includes defining the scope utilized in the review of the account balances. During the performance of such review, management should also ensure that they consider obtaining corroborating evidence to support management’s explanations, where applicable.

Finding No. 2014-5: Sewer Fund Capital Assets

Type of Finding: Significant Deficiency

Criteria: Management is responsible for establishing and maintaining a capitalization policy for capital assets, the objectives of which are to provide management assurance that transactions and recorded in conformity with accounting principles generally accepted in the United States of America.

The City’s capitalization policy is published on the City’s intranet as index code 22.2.

Condition, cause, and context: During the audit, we noted two capital asset projects that were improperly capitalized resulting in a restatement to the Sewer Fund financial statements. One project did not meet the City’s capitalization criteria and therefore should have been expensed as the project costs were incurred in prior years. The other project was terminated in the prior year and should have been expensed in the year that the project was cancelled.

Although the City has procedures in place to ensure that capital assets are recorded in accordance with generally accepted accounting principles, the errors noted above were not initially identified during the review process.

Effect: A restatement was proposed and recorded, to correct an overstatement of approximately \$3.7 million of prior years’ capital assets.

Recommendation: We recommend that the City be more diligent in performing its existing procedures.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section III – Federal Award Findings and Questioned Costs

Finding No.: 2014-6 Perform Annual Subrecipient Monitoring Duties

Federal Agency: United States Department of Housing and Urban Development
CFDA No.: 14.267
Program: Continuum of Care
Requirement: Subrecipient Monitoring
Type of Finding: Non-Compliance and Material Weakness

Criteria: In accordance with 24 CFR section 578.7, the grantee must "monitor recipient and subrecipient performance." Further, in accordance with the grant agreement with the U.S. Department of Housing and Urban Development, the grantee must "monitor subrecipients at least annually."

Condition, cause and context: For three out of four subrecipients tested, no annual subrecipient monitoring was performed. Management indicated that due to the turnover of a lead contact of the Continuum of Care program, personnel were not aware of such requirement.

Effect: Failure to monitor subrecipients annually results in noncompliance with the subrecipient monitoring requirement.

Questioned costs: None

Recommendation: We recommend the City document its procedures to monitor subrecipients on a timely basis. This will ensure that compliance procedures are continued, should there be changes in personnel.

Contact Person: Keith Ishida, Department of Community Services Division Chief

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2014

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No.: 2014-7 Submit Reports in a Timely Manner

Federal Agency: United States Department of Housing and Urban Development
CFDA No.: 14.704
Program: Community Challenge Planning Grants and Department of Transportation’s TIGER II Planning
Requirement: Reporting
Type of Finding: Non-Compliance and Material Weakness

Criteria: In accordance with 2 CFR section 170 and the U.S. Office of Management and Budget Circular A-133 Compliance Supplement, the grantee must "report the subaward in Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made."

Condition, cause and context: Under the program requirements of CFDA No. 14.704, three types of reports must be completed and submitted timely: financial (“SF-425”), narrative, and FFATA reports. As the grant was completed in 2014, the program was required to submit three SF-425 reports, one final narrative report, and one FFATA report, for a total of five reports.

During our audit, we noted that the FFATA data was not submitted in FSRS on a timely basis (162 days late). Management indicated that the subaward was reported late due to the lack of awareness of the requirement.

Effect: Failure to report subawards in FSRS timely results in noncompliance with the reporting requirement.

Questioned costs: None

Recommendation: We recommend the City review its grant agreements to identify all program requirements and implement procedures to ensure compliance.

Contact Person: Kathy Sokugawa, Department of Planning and Permitting Chief

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City and County of Honolulu State of Hawaii

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Financial Statement Findings

Finding No.: 2013-1 Federal Grant Reimbursements for the Honolulu Authority for Rapid Transportation (“HART”) (Material Weakness)

Condition, cause, and context: Certain unbilled amounts for reimbursement of costs from the federal government related to the construction of the HART project were discovered by the other auditors during the audit.

Recommendation: The others auditors recommend that management of HART consider implementing policies and procedures to ensure billings related to reimbursable federal expenses are completed in a timely manner. Management should also evaluate the resources required to perform this function.

Status: The comment is no longer applicable.

Finding No.: 2013-2 Deficiencies in Information Technology Controls (Significant Deficiency)

Condition, cause and context: Information technology (IT) is a strategic element of the City and County of Honolulu’s (the City) operations. Because of the high volume transactions at the City, the establishment of internal controls over processes incorporating IT is critical to its operations. As part of our financial statement audit for the year ended June 30, 2013, we performed an IT general controls review of the following systems operated by the City:

- Windows Domain
- AMS Advantage Financial Management System
- AMS Advantage Human Resources Management System
- Personnel Time and Attendance System
- IAS World Web Based Real Property System
- Revenue Collection Cashier System

Our review resulted in several IT control deficiencies in the areas of logical security and change management as follows:

Physical and logical security

- Several terminated employees continued to have access to the City’s IT systems.
- No effective periodic review performed to detect whether terminated individuals are able to log in to the IT systems.

City and County of Honolulu State of Hawaii

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2014

- No effective periodic review performed to determine whether access rights granted to employees were commensurate with their job responsibilities.
- Lack of documentation evidencing approval to provide transferred employees access rights to the IT systems.
- Lack of segregation of duties in certain areas of security administration, operating system and database security.
- Lack of monitoring controls to identify unauthorized changes within the IT systems.
- Excessive user accounts with administrative privileges.
- User IDs to directly access the database are shared.

Change management

- Lack of segregation of duties among programmers.

Collectively, the number and related nature of the IT control deficiencies resulted in an overall significant deficiency.

Recommendation: We recommend that the City perform the following:

- Update its IT procedures to include internal control procedures addressing the IT risks above.
- Identify methods to ensure that IT policies and procedures are consistently followed.
- Work with vendor programmers to address any internal control deficiencies due to system limitations.

Status: The comment is still applicable. See finding 2014-1.

Finding No.: 2013-3 Information Technology for the Board of Water Supply (“BWS”) (Significant Deficiency)

Condition, cause and context: Information technology (IT) is a strategic element of the BWS operations. Because of the high volume of transactions at the BWS, the establishment of internal controls over processes incorporating IT is critical to its operations. As part of our financial statement audit for the year ended June 30, 2013, we performed an IT general controls review of the following systems operated by the BWS:

- J.D. Edwards
- Oracle Utilities Customer Care and Billing
- Automated Meter Reading System
- Kronos Workforce Timekeeper

City and County of Honolulu State of Hawaii

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2014

As the BWS migrated to a new customer information system in the year ended June 30, 2013, we performed additional migration testing over:

- Data Conversion
- Logical Security
- Interface Implementation
- Project Governance
- Reporting
- Project Risk Management

Our review resulted in several IT control deficiencies in the areas of IT governance, logical and physical security, change management, IT operations and system migration as follows:

IT governance

- Lack of management steering committee to review and approve IT plans and priorities.

Logical and physical security

- Lack of formal information security policies and procedures for financial systems.
- Weak password security.
- User access rights not approved and granted on a need-to-know, need-to-do basis.
- Physical access to sensitive equipment not appropriately restricted.

Change management

- Lack of formal change management policies and procedures for certain financial systems.
- Lack of IT segregation of duties.
- Lack of user acceptance for configuration changes.

IT operations

- Lack of system test restores.
- Lack of monitoring batch processing for certain financial systems.
- Lack of monitoring controls for certain financial system interfaces.

System migration

- Lack of validation by users for certain converted data.
- Lack of validation by business for user access rights.
- Lack of adequate user involvement in deriving bill estimation requirements.
- Failure to adequately address business readiness concerns.

**City and County of Honolulu
State of Hawaii**

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2014

Collectively, the number and related nature of the IT control deficiencies resulted in an overall significant deficiency.

Recommendation: We recommend that BWS perform the following:

- Formally hold management steering committee meetings for IT on a monthly or bi-monthly basis.
- Update IT policies and procedures to include internal control procedures.
- Identify methods to ensure IT policies and procedures are consistently followed.
- Remove user access that is not commensurate with job responsibilities.
- Implement formal change management policies and procedures.
- Identify methods to ensure change management policies and procedures are consistently followed.
- Perform formal system restoration testing.
- Implement monitoring controls over batch processing.
- Implement a standard project management framework which includes appropriate training.

Status: The comment is still applicable. See finding 2014-2.

Community Development Block Grants – Entitlement Grants Cluster CFDA No. 14.218, 14.253

Finding No.: 2013-4 Financial Reporting (Significant Deficiency)

Condition, cause, and context: During our testing over the Federal Funding Accountability and Transparency Act (FFATA) reporting compliance requirement, we noted that both reports selected for testing out of a total of nine reports were reported 51 days late in the Federal Subaward Reporting System (FSRS).

Recommendation: We recommend that the City implement procedures to ensure that the information is reported in a timely manner.

Status: The comment is no longer applicable.

Shelter Plus Care CFDA No. 14.238

**City and County of Honolulu
State of Hawaii**

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2014

Finding No.: 2013-5 Eligibility and Special Tests (Significant Deficiency)

Conditions, cause, and context: We noted three out of twenty instances where an annual Housing Quality Standards inspection was not performed.

In addition, one participant's annual rent calculation was not performed in accordance with the Shelter Plus Care guidance since 2010. The most recent third party income verification included in the file was from 2010.

Recommendation: We recommend that the City designate appropriate personnel to perform a review to ensure all required documents have been updated and executed annually for each participant. We also recommend that the City establish procedures to contact the participants for site visits on a timely basis.

Status: The comment is no longer applicable.

Community Development Block Grants – Entitlement Grants Cluster CFDA No. 14.218, 14.253

Finding No.: 2013-6 Period of Availability (Significant Deficiency)

Condition, cause, and context: The U.S. Department of Housing and Urban Development (HUD) notified the City via a letter dated August 27, 2013 that the City was not in compliance with the sixty-day timeliness test conducted on May 2, 2013 as the City had a line-of-credit balance 1.76 times its annual grant. Additionally, taking into account the City's current balance of CDBG program income and revolving loan funds, the City's timeliness ratio increased to 2.07 for the second tier of the CDBG timeliness test.

Per the HUD letter dated December 6, 2013, we noted that the City failed to meet the HUD minimum ratio as of November 30, 2013

Recommendation: We recommend that the City establish procedures to ensure that it is in compliance with the CDBG timeliness standard specified in 24 CFR 570.902. In addition, we recommend that the City ensure that it complies with the final workout agreement to be provided by HUD.

Status: The comment is no longer applicable.

CORRECTIVE ACTION PLAN

DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov

KIRK CALDWELL
MAYOR



NELSON H. KOYANAGI, JR.
DIRECTOR

GARY T. KUOKAWA
DEPUTY DIRECTOR

February 27, 2015

Mr. Edwin Young
Office of the City Auditor
1001 Kamokila Boulevard, Suite 216
Kapolei, Hawaii 96707

Dear Mr. Young:

SUBJECT: Single Audit Report for the Fiscal Year Ended June 30, 2014

Enclosed is the response to the recommendations included in KMH LLP's preliminary draft of the single audit report of the City and County of Honolulu for the fiscal year ended June 30, 2014. The response includes actions taken or contemplated, anticipated completion dates, and City personnel responsible for the corrective action.

Sincerely,

A handwritten signature in black ink, appearing to read "Nelson H. Koyanagi, Jr.", is written over the name in the typed signature block.

Nelson H. Koyanagi, Jr., Director
Budget and Fiscal Services

Enclosures

APPROVED:

A handwritten signature in blue ink, appearing to read "Roy K. Amemiya, Jr.", is written over the name in the typed signature block.

Roy K. Amemiya, Jr.
Managing Director

**RESPONSE TO SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding No. 2014-1, 2013-2, 2012-1, 2011-1 and 2010-1: Deficiencies in Information Technology Controls

Audit Recommendation: We recommend that the City perform the following:

- Update its IT procedures to include internal control procedures addressing the IT risks above.
- Identify methods to ensure that IT policies and procedures are consistently followed, such as centralizing their user administration process to streamline provisioning and de-provisioning.
- Work with vendor programmers to address any internal control deficiencies due to systems limitations.

Administration's Comment: The deficiencies were addressed by performing quarterly audits of access rights for all departments and global lists, and centralizing user authentication through the Active Directory system for the City's financial management, human resource management and payroll ERP system. In addition, City vendors will be integrating the administrative process for the real property system and the revenue collection cashier system to the Active Directory system.

Anticipated Completion Date: Fall of 2014 for the quarterly audits of access rights, February 2015 for user authentication of the ERP system, and June 2015 for the integration of the real property and revenue collection cashier systems

Contact Person(s): Mark D. Wong, Director and CIO, Department of Information Technology
Keith G.H. Ho, Deputy Director, Department of Information Technology

Finding No. 2014-2 and 2013-3: Information Technology

Audit Recommendation: The other auditors recommend that management of BWS perform the following:

- Identify methods to ensure IT policies and procedures are consistently followed.
- Remove user access that is not commensurate with job responsibilities.
- Identify methods to ensure change management policies and procedures are consistently followed.

Administration's Comments:

- Enterprise system policies and procedures have been implemented and will be performed annually. Policies and procedures will be annually reviewed and updated.
- Inappropriate user access have already been removed. Procedures have been updated as recommended and periodic user review are scheduled on a recurring basis.
- Formal change management policies and procedures were implemented for Oracle Utilities Customer Care & Billing, J.D. Edwards, and Kronos Workforce Timekeeper systems.

Anticipated Completion Date: June 2014. Beginning in the second quarter of fiscal year 2015, removal of inappropriate user access will be scheduled on a recurring basis.

Contact Person(s): Henderson Nuuhiwa, IT Principal Executive, Board of Water Supply

**RESPONSE TO SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

Finding No. 2014-3: Employer Contributions to Employee Retirement System

Audit Recommendation: The payroll section should timely communicate and properly document statutory contribution rate changes to DIT. The City should consider implementing a detective control to ensure that the changes communicated to DIT have been accurately updated into the system such as reconciliation between expected pension expense and actual pension expense.

Administration's Comment: A Payroll Section supervisor will communicate with the Employees' Retirement System (ERS) to confirm the following: (1) the rates to be used in the upcoming fiscal year are the rates established by the Hawaii Revised Statutes, and (2) the amounts due to ERS agree to the amounts actually remitted by the City to ERS. In addition, the rates or rate changes will be communicated to the Department of Information Technology in writing with a copy of the transmittal document retained in the Payroll Section's files. Lastly, a dollar or percentage threshold will be established, a variance analysis will be performed semi-annually, comparing current payments to budgeted amounts and prior year actual amounts, with follow up planned for any significant variances.

Anticipated Completion Date: March 2015 for the confirmation letter to the ERS for the fiscal year 2015 rates. By June of each year for the upcoming fiscal year's rates, and for the comparison of the amounts due and actually paid during the fiscal year.

Contact Person(s): Roy Kumashiro, Accountant VII, Department of Budget and Fiscal Services
Wayne Yoshimura, Accountant VI, Department of Budget and Fiscal Services

Finding No. 2014-4: Effective Review of Reconciliations and Details Supporting the Financial Statements of the Proprietary Funds

Audit Recommendation: We recommend that the City improve its review policies and procedures as part of the accounting process. This includes defining the scope utilized in the review of the account balances. During the performance of such review, management should also ensure that they consider obtaining corroborating evidence to support management's explanations, where applicable.

Administration's Comment: The review procedures for the financial statements of the proprietary funds will be updated including determination of dollar and percentage materiality thresholds, the requirement that the appropriate City agency staff provide adequate documentation supporting material variances, more thorough and timely analysis of the general ledger accounts, and follow up on major discrepancies.

Anticipated Completion Date: March 2015

Contact Person(s): Nancy Abilay, Accountant VI, Department of Budget and Fiscal Services

Finding No. 2014-5: Sewer Fund Capital Assets

Audit Recommendation: We recommend that the City be more diligent in performing its existing procedures.

Administration's Comment: The City will improve its review to ensure capital assets are properly classified and timely recorded. Such review includes checking the status of inactive projects to determine if the contracts were terminated or cancelled. Studies included in construction work in progress will be reviewed at the time the contracts are awarded to determine if costs are likely to be expensed. Additional analysis of the related general ledger accounts will be performed.

**RESPONSE TO SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

Anticipated Completion Date: June 2015

Contact Person(s): Luz Peirson, Accountant V, Department of Budget and Fiscal Services

Finding No. 2014-6: Perform Annual Subrecipient Monitoring Duties

Audit Recommendation: We recommend the City document its procedures to monitor subrecipients on a timely basis. This will ensure that compliance procedures are continued, should there be changes in personnel.

Administration's Comment: Staff from the Community Based Development Division is currently preparing a Continuum of Care (CoC) Monitoring Plan that will guide future monitoring activities for the CoC program. The Monitoring Plan will address monitoring procedures, scheduling, and documentation. Additional staff training is also underway on CoC program requirements. In the interim, prior to the completion of the Monitoring Plan, on-site monitoring using current CoC monitoring protocols has been scheduled for all Continuum of Care subrecipients.

Anticipated Completion Date: April 2015 for on-site monitoring and August 2015 for the Monitoring Plan

Contact Person(s): Keith Ishida, Administrator, Department of Community Services

Finding No. 2014-7: Submit Reports in a Timely Manner

Audit Recommendation: We recommend that the City review its grant agreements to identify all program requirements and implement procedures to ensure compliance.

Administration's Comment: The Department of Planning and Permitting (DPP) staff reviewed its U.S. Department of Housing and Urban Development grant agreement to ensure compliance with its reporting requirements, and submitted an additional required report. DPP is working with the Department of Information Technology to develop an online project management application to track reporting requirements and the status of grant activities. DPP program management staff will be instructed to enter into the tracking system all reporting requirements including periodic reports and deadlines at the initiation of the grant project, and use that system in grant management to ensure compliance.

Anticipated Completion Date: September 2014 for the compliance review and May 2015 for the online tracking system

Contact Person(s): Kathy Sokugawa, Chief Planner, Department of Planning and Permitting

ATTACHMENT B

PHA Certifications of Compliance with PHA Plans and Related R e g u l a t i o n s

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB No. 2577-0226
Expires 08/30/2011

PHA Certifications of Compliance with the PHA Plans and Related Regulations: Board Resolution to Accompany the PHA 5-Year and Annual PHA Plan

Acting on behalf of the Board of Commissioners of the Public Housing Agency (PHA) listed below, as its Chairman or other authorized PHA official if there is no Board of Commissioners, I approve the submission of the ___ 5-Year and/or X Annual PHA Plan for the PHA fiscal year beginning, hereinafter referred to as "the Plan", of which this document is a part and make the following certifications and agreements with the Department of Housing and Urban Development (HUD) in connection with the submission of the Plan and implementation thereof:

1. The Plan is consistent with the applicable comprehensive housing affordability strategy (or any plan incorporating such strategy) for the jurisdiction in which the PHA is located.
2. The Plan contains a certification by the appropriate State or local officials that the Plan is consistent with the applicable Consolidated Plan, which includes a certification that requires the preparation of an Analysis of Impediments to Fair Housing Choice, for the PHA's jurisdiction and a description of the manner in which the PHA Plan is consistent with the applicable Consolidated Plan.
3. The PHA certifies that there has been no change, significant or otherwise, to the Capital Fund Program (and Capital Fund Program/Replacement Housing Factor) Annual Statement(s), since submission of its last approved Annual Plan. The Capital Fund Program Annual Statement/Annual Statement/Performance and Evaluation Report must be submitted annually even if there is no change.
4. The PHA has established a Resident Advisory Board or Boards, the membership of which represents the residents assisted by the PHA, consulted with this Board or Boards in developing the Plan, and considered the recommendations of the Board or Boards (24 CFR 903.13). The PHA has included in the Plan submission a copy of the recommendations made by the Resident Advisory Board or Boards and a description of the manner in which the Plan addresses these recommendations.
5. The PHA made the proposed Plan and all information relevant to the public hearing available for public inspection at least 45 days before the hearing, published a notice that a hearing would be held and conducted a hearing to discuss the Plan and invited public comment.
6. The PHA certifies that it will carry out the Plan in conformity with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of 1973, and title II of the Americans with Disabilities Act of 1990.
7. The PHA will affirmatively further fair housing by examining their programs or proposed programs, identify any impediments to fair housing choice within those programs, address those impediments in a reasonable fashion in view of the resources available and work with local jurisdictions to implement any of the jurisdiction's initiatives to affirmatively further fair housing that require the PHA's involvement and maintain records reflecting these analyses and actions.
8. For PHA Plan that includes a policy for site based waiting lists:
 - The PHA regularly submits required data to HUD's 50058 PIC/IMS Module in an accurate, complete and timely manner (as specified in PIH Notice 2006-24);
 - The system of site-based waiting lists provides for full disclosure to each applicant in the selection of the development in which to reside, including basic information about available sites; and an estimate of the period of time the applicant would likely have to wait to be admitted to units of different sizes and types at each site;
 - Adoption of site-based waiting list would not violate any court order or settlement agreement or be inconsistent with a pending complaint brought by HUD;
 - The PHA shall take reasonable measures to assure that such waiting list is consistent with affirmatively furthering fair housing;
 - The PHA provides for review of its site-based waiting list policy to determine if it is consistent with civil rights laws and certifications, as specified in 24 CFR part 903.7(c)(1).
9. The PHA will comply with the prohibitions against discrimination on the basis of age pursuant to the Age Discrimination Act of 1975.
10. The PHA will comply with the Architectural Barriers Act of 1968 and 24 CFR Part 41, Policies and Procedures for the Enforcement of Standards and Requirements for Accessibility by the Physically Handicapped.
11. The PHA will comply with the requirements of section 3 of the Housing and Urban Development Act of 1968, Employment Opportunities for Low-or Very-Low Income Persons, and with its implementing regulation at 24 CFR Part 135.
12. The PHA will comply with acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and implementing regulations at 49 CFR Part 24 as applicable.

13. The PHA will take appropriate affirmative action to award contracts to minority and women's business enterprises under 24 CFR 5.105(a).
14. The PHA will provide the responsible entity or HUD any documentation that the responsible entity or HUD needs to carry out its review under the National Environmental Policy Act and other related authorities in accordance with 24 CFR Part 58 or Part 50, respectively.
15. With respect to public housing the PHA will comply with Davis-Bacon or HUD determined wage rate requirements under Section 12 of the United States Housing Act of 1937 and the Contract Work Hours and Safety Standards Act.
16. The PHA will keep records in accordance with 24 CFR 85.20 and facilitate an effective audit to determine compliance with program requirements.
17. The PHA will comply with the Lead-Based Paint Poisoning Prevention Act, the Residential Lead-Based Paint Hazard Reduction Act of 1992, and 24 CFR Part 35.
18. The PHA will comply with the policies, guidelines, and requirements of OMB Circular No. A-87 (Cost Principles for State, Local and Indian Tribal Governments), 2 CFR Part 225, and 24 CFR Part 85 (Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments).
19. The PHA will undertake only activities and programs covered by the Plan in a manner consistent with its Plan and will utilize covered grant funds only for activities that are approvable under the regulations and included in its Plan.
20. All attachments to the Plan have been and will continue to be available at all times and all locations that the PHA Plan is available for public inspection. All required supporting documents have been made available for public inspection along with the Plan and additional requirements at the primary business office of the PHA and at all other times and locations identified by the PHA in its PHA Plan and will continue to be made available at least at the primary business office of the PHA.
21. The PHA provides assurance as part of this certification that:
 - (i) The Resident Advisory Board had an opportunity to review and comment on the changes to the policies and programs before implementation by the PHA;
 - (ii) The changes were duly approved by the PHA Board of Directors (or similar governing body); and
 - (iii) The revised policies and programs are available for review and inspection, at the principal office of the PHA during normal business hours.
22. The PHA certifies that it is in compliance with all applicable Federal statutory and regulatory requirements.

City and County of Honolulu
 PHA Name

HI003
 PHA Number/HA Code

5-Year PHA Plan for Fiscal Years 20 - 20

Annual PHA Plan for Fiscal Years 2015- 2016

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. **Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012, 31 U.S.C. 3729, 3802)**

Name of Authorized Official	Title
Gary K. Nakata	Director Designate
Signature	Date
	MAR 24 2015

ATTACHMENT C

Civil Rights Certification	U.S. Department of Housing and Urban Development Office of Public and Indian Housing Expires 08/30/2011
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Civil Rights Certification

Annual Certification and Board Resolution

Acting on behalf of the Board of Commissioners of the Public Housing Agency (PHA) listed below, as its Chairman or other authorized PHA official if there is no Board of Commissioner, I approve the submission of the Plan for the PHA of which this document is a part and make the following certification and agreement with the Department of Housing and Urban Development (HUD) in connection with the submission of the Plan and implementation thereof:

The PHA certifies that it will carry out the public housing program of the agency in conformity with title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of 1973, and title II of the Americans with Disabilities Act of 1990, and will affirmatively further fair housing.

City and County of Honolulu
PHA Name

HI003
PHA Number/HA Code

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)	
Name of Authorized Official <p style="text-align: center;">Gary K. Nakata</p>	Title <p style="text-align: center;">Director Designate</p>
Signature 	Date <p style="text-align: center;">MAR 24 2015</p>

ATTACHMENT D

**Resident Advisory Board
PHA Annual Plan Questions and Comments
January 16, 2015**

Comments:

1. To have increase Family Self Sufficiency participants, the examiners should make referrals and emphasize the program to participants and also to send out flyers with more information.
2. To increase housing opportunities, Section 8 should allow “container” units.

Questions:

1. Should on-line tenant forms be in a “pdf” format?

PHA Response: The on-line tenant forms are in pdf format.

ATTACHMENT E

**Certification by State or Local
Official of PHA Plans Consistency
with the Consolidated Plan**

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB# 2577-0226
Expires 08/30/2011

**Certification by State or Local Official of PHA Plans Consistency with the
Consolidated Plan**

I, Gary K. Nakata the Director Designate, Department of Community Services certify that the Five Year and Annual PHA Plan of the 2015 is consistent with the Consolidated Plan of City and County of Honolulu prepared pursuant to 24 CFR Part 91.



Signed / Dated by Appropriate State or Local Official

CIVIL RIGHTS NARRATIVE AFFIRMATIVELY FURTHERING FAIR HOUSING

A. ASSESSMENT OF THREE TO FIVE YEAR GOALS

Actions undertaken during the report period to address *Strategic Plan* objectives and areas of high priority identified in the *Consolidated Plan* are delineated by source of funds and are included in the *Community Development Block Grant (CDBG)*, *Home Investment Partnerships (HOME)*, *Emergency Shelter Grants (ESG)* and *Housing Opportunities for Persons With Aids (HOPWA)* sections of this narrative.

B. ACTIONS TAKEN TO AFFIRMATIVELY FURTHER FAIR HOUSING

- 1) During the reporting period, the City received and responded to multiple and diverse fair housing inquiries from the public. The City's Fair Housing Office provided information, counseling, and referral to other community resources as appropriate including referrals to the Legal Aid Society of Hawaii, Hawaii Civil Rights Commission, the State of Hawaii landlord tenant hotline, and other agencies.
- 2) The City's Fair Housing Office continued to require nonprofit housing developers to submit the Affirmative Fair Housing Marketing Plan, HUD Form 935.2, to outline their marketing of affordable housing to protected classes such as the disabled, elderly, and non-English proficient persons.
- 3) The Fair Housing Office continued to require nonprofit lessees of City owned Special Needs Housing properties to complete and submit the HUD Form 935.2 with their proposals to lease or renew their leases with the City.
- 4) Administer two Housing Opportunities Persons With Aids (HOPWA) contracts, totaling more than \$450,000 which served approximately 300 persons through the provision of rental assistance, emergency assistance, case management and advocacy services provided by two nonprofit agencies.
- 5) Affirmatively furthered fair housing education by co-sponsoring the event, "Fair Housing 2014: Fair Housing is Your Right. Use it!" in July 2014. The training enhanced the fair housing knowledge of more than 280 landlords, property managers, advocates, tenants, agency staff, and others.
- 6) Reviewed the latest version of the City's "*Analysis of Fair Housing Impediments*" and provided an update for the listed goals, objectives, and outcomes. This update is being provided for inclusion in the City's Consolidated Plan for 2015-2020.
- 7) Collaborated with the Statewide Fair Housing Coordinators group to develop a Request for Proposals for a new 2015 Statewide Analysis of Fair Housing Impediments study.

ATTACHMENT F

- 8) Maintained the "Fair Housing Office" portion of the Department of Community Services (DCS) website, <http://www1.honolulu.gov/dcs/fairhousing.htm>, to include a briefing and recital of fair housing laws, translation of Fair Housing information in Chinese, Ilokano, Korean, Marshallese, Samoan, Spanish and Tagalog, and a listing of Fair Housing information and enforcement resources
- 9) Instituted standard protocols for all DCS Project Officers to submit plans for City-funded construction projects to the State of Hawaii Disabilities Communication Access Board (DCAB) for review/evaluation in compliance with HRS 103-50.
- 10) Expanded its collaborative network of resource persons and agencies through attendance at training activities such as the Federal Language Access Law Compliance Workshop in October 2014 and the EEO Updates and Lesbian, Gay, Bisexual, and Transgender Discrimination Issues, also in October 2014.
- 11) The City's Fair Housing Office contacted seven nonprofit agencies that lease Special Needs Housing properties from the City through the Department of Community Services. The agencies use these properties as emergency shelters and domestic violence shelters. The agencies were reminded of federal laws under Title VII Rights Act of 1964 (as amended) and Title VIII of the Civil Rights Act of 1968 (as amended) that prohibit any discrimination in service provision based on race, color, national origin, gender, or sexual identity. A letter was sent to each agency notifying them that discrimination and/or denial of services to any persons who identify themselves as lesbian, gay, Bisexual, or transgender is prohibited and that monitoring for compliance would take place on a routine basis. The emergency shelters and domestic violence shelters are no longer referred to a "women's shelters" since they are required to serve any person in need, regardless of gender affiliation.
- 12) Analyzed inquiries made to, or referred to, the Fair Housing Office. This indicated most common problems were related to two areas: landlord tenant conflict and disability rights/accessibility issues. Future training and outreach efforts will target these areas.
- 13) The Fair Housing Office's collaborative network has expanded with additional expertise being provided by the University of Hawaii's Office of Disability Rights, the State of Hawaii's Disabilities Communications and Access Board (DCAB), the Hawaii Disabilities Rights Center, Mental Health Hawaii, the State of Hawaii Department of Commerce and Consumer Affairs landlord-tenant program, Hawaii Public Housing Authority, Hawaii Housing Finance and Development Corporation, and others.

- End Jan. 2015 -

ATTACHMENT G

Challenged Elements

FY 2015 – 2016 Draft PHA Annual Plan Public Hearing was held on February 27, 2015 with the written comment period ending March 6, 2015.

The presiding officer was Ms. Jayne Lee, Section 8 Administrator, and the public hearing was called to order at 10:06 a.m.

As there were no oral challenges to the PHA Annual Plan elements, the public hearing was officially adjourned at 10:08 pm.

No written comments were received by the PHA during the comment period.

