

Fiscal Year 2017

PUBLIC HOUSING AUTHORITY ANNUAL PLAN

June 2016



Department of Community Services
Community Assistance Division
51 Merchant Street, 2nd Floor
Honolulu, Hawaii 96813
(808) 768-7076
www.honolulu.govidcsihousino.htm1

Table of Contents

1.0	Introduction	1
2.0	Streamlined Annual PHA Plan	2
	Appendix A: Financial Audit of the City and County of Honolulu, State of Hawaii	
	List of Abbreviations	(i)
	Appendix B: PHA Certifications of Compliance with PHA Plans and Related Regulations	
	Appendix C: Civil Rights Certification	
	Appendix D: Resident Advisory Board (RAB) Comments/Narrative	
	Appendix E: Certification by State or Local Official of PHA Plans Consistency with the Consolidated Plan	
	Appendix F: Civil Rights Narrative Affirmatively Furthering Fair Housing	
	Appendix G: Public Hearing Narrative	
	Appendix H: Progress Report, Goals and Objectives	

1.0 INTRODUCTION

The FY 2017 PHA Annual report was prepared In accordance with the requirements of Section 511 of the Quality Housing and Work Responsibility Act (QHWRA) of 1998. QHWRA was signed by President Clinton on October 21, 1998 and is found in Title V of HUD's FY 1999 appropriations act (P.L. 105-276). This report details the progress, in FY 2016, of the PHA in meeting the goals and objectives. The goals and objectives were outlined in the FYs 2014-2019 PHA 5-Year Plan.

"The PHA Plan is a comprehensive guide to public housing agency (PHA) policies, programs, operations, and strategies for meeting local housing needs and goals. There are two parts to the PHA Plan: the 5-Year Plan, which each PHA submits to HUD once every 5th PHA fiscal year, and the Annual Plan, which is submitted to HUD every year by non-qualified agencies.

The PHA Plan process was established by section 5A of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.). Section 5A(b) of the U.S. Housing Act of 1937 (42 U.S.C. 1437c-1(b)) was amended by the 2008 Housing and Economic Recovery Act (HERA), Sections 2701 and 2702, Small Public Housing Authorities Paperwork Reduction Act. This amendment provided an exemption of certain qualified PHAs from the annual plan requirement."

The FY 2017 PHA Annual Report describes the progress in meeting the goats and objectives of the FYs 2014-2019 PHA 5 year Plan. The Annual report includes PHA policies, rules, and requirements concerning the PHA's operations, programs, and services.

The development process includes meeting with the Resident Advisory Board (RAB) and conducting a Public Hearing. The RAB provides the PHA and the residents with a forum for sharing information about the Agency's Annual Plan. The main role of the RAB is to make recommendations and comment on the Plan. The development process also includes holding a Public Hearing to receive testimony from the public at large. Testimony of an issue is recorded for public record, and a report summarizing the key points is included in the plan.

"Public Housing Agency (PHA) Plans,"

http://portal.hutgov/hudportal/HUD7srcqprogram_ollices/public_indian_housing/pha

2.0

Streamlined Annual PHA Plan

Streamlined Annual PHA Plan (HCV Only PHAs)	U.S. Department of Housing and Urban Development Office of Public and Indian Housing	OMB No. 2577-0226 Expires 02/29/2016
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Purpose. The 5-Year and Annual PHA Plans provide a ready source for interested parties to locate basic PHA policies, rules, and requirements concerning the PHA's operations, programs, and services, and informs HUD, families served by the PHA, and members of the public of the PHA's mission, goals and objectives for serving the needs of low- income, very low- income, and extremely low- income families

Applicability. Form HUD-50075-HCV is to be completed annually by **HCV-Only PHAs**. PHAs that meet the definition of a Standard PHA, Troubled PHA, High Performer PHA, Small PHA, or Qualified PHA do not need to submit this form. Where applicable, separate Annual PHA Plan forms are available for each of these types of PHAs.

Definitions.

- (1) **High-Performer PHA** - A PHA that owns or manages more than 550 combined public housing units and housing choice vouchers, and was designated as a high performer on both of the most recent Public Housing Assessment System (PHAS) and Section Eight Management Assessment Program (SEMAP) assessments if administering both programs, or PHAS if only administering public housing.
- (2) **Small PHA** - A PHA that is not designated as PHAS or SEMAP troubled, or at risk of being designated as troubled, that owns or manages less than 250 public housing units and any number of vouchers where the total combined units exceeds 550.
- (3) **Housing Choice Voucher (HCV) Only PHA** - A PHA that administers more than 550 HCVs, was not designated as troubled in its most recent SEMAP assessment, and does not own or manage public housing.
- (4) **Standard PHA** - A PHA that owns or manages 250 or more public housing units and any number of vouchers where the total combined units exceeds 550, and that was designated as a standard performer in the most recent PHAS and SEMAP assessments.
- (5) **Troubled PHA** - A PHA that achieves an overall PHAS or SEMAP score of less than 60 percent.
- (6) **Qualified PHA** - A PHA with 550 or fewer public housing dwelling units and/or housing choice vouchers combined, and is not PHAS or SEMAP troubled.

A.	PHA Information.				
A.1	PHA Name: <u>City & County of Honolulu</u> PHA Code: <u>HI003</u> PHA Plan for Fiscal Year Beginning: (MM/YYYY): <u>7/2016</u> PHA Inventory (Based on Annual Contributions Contract (ACC) units at time of FY beginning, above) Number of Housing Choice Vouchers (HCVs) <u>4911</u> PHA Plan Submission Type: <input checked="" type="checkbox"/> Annual Submission <input type="checkbox"/> Revised Annual Submission Availability of Information. In addition to the items listed in this form, PHAs must have the elements listed below readily available to the public. A PHA must identify the specific location(s) where the proposed PHA Plan, PHA Plan Elements, and all information relevant to the public hearing and proposed PHA Plan are available for inspection by the public. Additionally, the PHA must provide information on how the public may reasonably obtain additional information of the PHA policies contained in the standard Annual Plan, but excluded from their streamlined submissions. At a minimum, PHAs must post PHA Plans, including updates, at the main office or central office of the PHA. PHAs are strongly encouraged to post complete PHA Plans on their official website. <u>The Plan will be made available for viewing at 51 Merchant Street (CAD Main Office), 842 Bethel Street (Section 8 Main Office), 1000 Uluohia Street (Kapolei Hale Office), 550 S. King Street (Department of Customer Services). It will also be posted on our website, www.dcs.honolulu.gov</u> <input type="checkbox"/> PHA Consortia: (Check box if submitting a joint Plan and complete table below)				
	Participating PHAs	PHA Code	Program(s) in the Consortia	Program(s) not in the Consortia	No. of Units in Each Program
	Lead HA:				

Streamlined Annual PHA Plan (HCV Only PHAs)	U.S. Department of Housing and Urban Development Office of Public and Indian Housing	OMB No. 2577-0226 Expires 02/29/2016
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Purpose. The 5-Year and Annual PHA Plans provide a ready source for interested parties to locate basic PHA policies, rules, and requirements concerning the PHA's operations, programs, and services, and informs HUD, families served by the PHA, and members of the public of the PHA's mission, goals and objectives for serving the needs of low- income, very low- income, and extremely low- income families

Applicability. Form HUD-50075-HCV is to be completed annually by **HCV-Only PHAs**. PHAs that meet the definition of a Standard PHA, Troubled PHA, High Performer PHA, Small PHA, or Qualified PHA do not need to submit this form. Where applicable, separate Annual PHA Plan forms are available for each of these types of PHAs.

Definitions.

- (1) **High-Performer PHA** – A PHA that owns or manages more than 550 combined public housing units and housing choice vouchers, and was designated as a high performer on both of the most recent Public Housing Assessment System (PHAS) and Section Eight Management Assessment Program (SEMAP) assessments if administering both programs, or PHAS if only administering public housing.
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A.	PHA Information.				
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	Participating PHAs	PHA Code	Program(s) in the Consortia	Program(s) not in the Consortia	No. of Units in Each Program
	Lead HA:				

Instructions for Preparation of Form HUD-50075-HCV Annual PHA Plan for HCV Only PHAs

A. PHA Information. All PHAs must complete this section. (24 CFR t 0323148c)

A.1 Include the full PHA Name, PHA Code, PHA Type, PHA Fiscal Year Beginning (MM YYYY), Number of Housing Choice Vouchers (HCVs), PHA Plan Submission Type, and the Availability of Information, specific location(s) of all information relevant to the public hearing and proposed PHA Plan

PHA Consortia Check box if submitting a Joint PHA Plan and complete the table (24 CFR 4943.1 (M))

B. Annual Plan. All PHAs must complete this section. (24 CFR 4903.11(41.1))

8.1 Revision of PHA Plan Elements. PHAs must

Identify specifically which plan elements listed below that have been revised by the PHA. To specify which elements have been revised, mark the "yes" box. If an element has not been revised, mark "no."

Housing Needs and Strategy for Addressing Housing Needs. Provide a statement addressing the housing needs of low-income, very low-income families who reside in the PHA's jurisdiction and other families who are on the Section 8 tenant-based waiting list. The statement must identify the housing needs of (i) families with incomes below 30 percent of area median income (extremely low-income), (ii) elderly families and families with disabilities, and (iii) households of various races and ethnic groups residing in the jurisdiction or on the waiting list based on information provided by the applicable Consolidated Plan, information provided by HUD, and other generally available data. The identification of housing needs must address issues of affordability, supply, quality, accessibility, size of units, and location. (24 CFR 903.7011 and 24 CFR 903.7(ag2)(i)). Provide a 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. (24 CFR 4903.760 2 if ii)

Deconcentration and Other Policies that Govern Eligibility, Selection, and Admissions. A statement of the PHA's policies on resident or tenant eligibility selection and admission including admission preferences for HCV (24 CFR 903.7(h))

Financial Resources. A statement of financial resources, including a listing by general category, of the PHA's anticipated resources, such as PHA HCV funding and other anticipated Federal resources available to the PHA, as well as tenant rents and other income available to support tenant-based assistance. The statement also should include the non-Federal sources of funds supporting each Federal program, and state the planned use for the resources. (24 CFR 4903.7(i))

Rent Determination. A statement of the policies of the PHA governing rental contributions of families receiving tenant-based assistance, discretionary minimum tenant rents, and payment standard policies (24 CFR 903.7(o))

Operation and Management. A statement that includes a description of PHA management organization, and a listing of the programs administered by the PHA. (24 CFR 903.7(e)(3)(F))

Informal Review and Hearing Procedures. A description of the informal hearing and review procedures that the PHA makes available to its applicants. (24 CFR 903.7(j))

Homeownership Programs. A statement describing any homeownership programs (including project number and unit count) administered by the agency under section 8 of the 1937 Act, or for which the PHA has applied or will apply for approval. (24 CFR 4903.7(k))

Self-Sufficiency Programs and Treatment of Income Changes Resulting from Welfare Program Requirements. A description of any PHA programs relating to services and amenities coordinated, promoted, or provided by the PHA for assisted families, including those resulting from the PHA's partnership with other entities, for the enhancement of the economic and social self-sufficiency of assisted families, including programs provided or offered as a result of the PHA's partnerships with other entities, and activities under section 3 of the Housing and Community Development Act of 1968 and under requirements for the Family Self-Sufficiency Program and others. Include the program's size (including required and actual size of the FSS program) and means of allocating assistance to households. (24 CFR 4903.7(l)(1)) Describe how the PHA will comply with the requirements of section 8 and (d) of the 1937 Act that relate to treatment of income changes resulting from welfare program requirements (24 CFR 903.701(11)),

Substantial Deviation. PHA must provide its criteria for determining a "substantial deviation" in its 5-Year Plan. (24 CFR 4903.7(m))

Significant Amendment or Modification. PHA must provide its criteria for determining a "Significant Amendment or Modification" to its 5-Year and Annual Plan. Should the PHA fail to define 'significant amendment/modification', HUD will consider the following to be 'significant amendments or modifications': a) changes to rent or admissions policies or organization of the waiting list, or b) any change with regard to homeownership programs. See guidance on HUD's website at: Notice P111-199-51 (24 CFR 4903.7(n))

If any boxes are marked 'yes', describe the revision(s) to those element(s) in the space provided.

II. New Activity. 1. If the PHA intends to undertake new activity using Housing Choice Vouchers (HCVs) for new Project-Based Vouchers (PBVs) in the current Fiscal Year, mark "yes" for this element, and describe the activities to be undertaken in the space provided. If the PHA does not plan to undertake this activity, mark "no" (24 CFR 4903.7(o)(3)(C) of the United States Housing Act of 1937.

Project-Based Vouchers (PBV). Describe any plans to use HCVs for new project-based vouchers. If using PBVs, provide the projected number of project-based units and general locations, and describe how project-basing would be consistent with the PHA Plan.

11.3 Most Recent Final Year Audit. If the results of the most recent fiscal year audit for the PHA included any findings, mark "yes" and describe these findings in the space provided (24 CFR 101.111 (e)). [24 a R 101 7ip1](#).

B.4 Civil Rights Certification. Form HUD-50077, *PHI Certifications of Compliance with Model Plans and Related Regulation*, must be submitted by the PHA as an electronic attachment to the PHA Plan. This includes all certifications relating to Civil Rights and related regulations. A PHA will be considered in compliance with the AFFH Certification if it can document that it examines its programs and proposed programs to identify any impediments to fair housing choice within those programs, addresses those impediments in a reasonable fashion in view of the resources available, works with the local jurisdiction to implement any of the jurisdiction's initiatives to affirmatively further fair housing, and assents that the annual plan is consistent with any applicable Consolidated Plan for its jurisdiction (24 CFR 101.111(f)).

B.5 Certification of State or Local Officials. Form HUD-50077-SL, *Certification by State or Local Officials of Model Plans Consistent with the Consolidated Plan*, including the manner in which the applicable plan contents are consistent with the Consolidated Plans, must be submitted by the PHA as an electronic attachment to the PHA Plan (24 CFR 101.111(g)).

8.6 Progress Report. For all Annual Plans following submission of the first Annual Plan, a PHA must include a brief statement of the PHA's progress in meeting the mission and goals described in the 5-Year PHA Plan (24 CFR 1419.111 (b)(10) 2- [CIC111903 7ip1N Id](#)).

8.7 Resident Advisory Board (RAB) comments. If the RAB provided comments to the annual plan, mark "yes." Submit the comments as an attachment to the Plan and describe the analysis of the comments and the PHA's decision made on these recommendations. (24 CFR 200.13 (b)(24) 14)

This information collection is authorized by Section 511 of the Quality Housing and Work Responsibility Act, which added a new section 5A to the U.S. Housing Act of 1937, as amended, which introduced the Annual PHA Plan. The Annual PHA Plan provides a ready means for interested parties to locate basic PHA policies, needs, and requirements concerning the PHA's operations, programs and services, and informs HUD, families served by the PHA, and members of the public for serving the needs of income very low, income, and extremely low-income families.

Public reporting burden for this information collection is estimated to average 4.5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any aspect of this information collection, including suggestions for reducing this burden, to Washington, DC 20543-0138. HUD may not collect this information, and respondents are not required to complete this form, unless it displays a currently valid OMB Control Number.

Privacy Act Notice. The United States Department of Housing and Urban Development is authorized to solicit the information requested in this form by virtue of Title 12 U.S. Code, Section 1701 et seq. and regulations promulgated thereunder at Title 12, Code of Federal Regulations. Responses to this collection of information are required to obtain a benefit or to retain a benefit. The information requested does not lend itself to confidentiality.

APPENDIX A

Financial Audit of the City and County of Honolulu, State of Hawaii

ATTACHMENT A



OFFICE OF THE CITY AUDITOR
City and County of Honolulu
State of Hawaii

**Financial Audit of the City and County of
Honolulu, State of Hawaii**

For the Fiscal Year Ended
June 30, 2014

Management Letter



Conducted by KMH LLP

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,

Kin **N Li-P**

KMFI LLP

Honolulu, Hawaii

Table of Contents

	Page
Current Year Comments	
Financial Statements	t
Federal Grant Programs	2
Status of Prior Year Comments 4	5
Corrective Action Plan	S

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 analysts 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 5580,000 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 8791, 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 11AP 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'

I) In accordance with the OMB Circular A133 Compliance Supplement for the Housing Voucher Cluster (CFDA No. 14.871. 14 879), the City is required to submit the HUD-50058, *Family Repair*, 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 I2u 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 525.3 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 56.7 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 51.4 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 46813
PHONE (505) 7884000 • FAX. MOM 788-3171 • INTERNET mwrismoltdu.gcro

KIRK CALDWELL
NATI:3R



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.", written over a light-colored rectangular background.

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

Enclosures

APPROVED:

A handwritten signature in black ink, appearing to read "Roy A. Emiya, Jr.", written over a light-colored rectangular background.
Roy A. Emiya, Jr.
Managing Director

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

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

Comment No. 201401: 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 GASS Statement No. 7.

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

Contact Person(s): Danito 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.

Anticloged 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 t.emaota, 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, 2014414, 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.

Anticipates! Completion Date: June 2015

Contact Personsh Jayne Lee, Section 8 Administrator, Department of Community Services

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

Audit ROCOMMendallQ131 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 loots 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 toots 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 Ishlda, Administrator, Department of Community Services

to



OFFICE OF THE CITY AUDITOR
City and County of Honolulu
State of Hawaii'

**Financial Audit of the City and County of
Honolulu, State of Hawaii**

**For the Fiscal Year Ended
June 30, 2014**

**Single Audit of Federal Financial
Assistance Programs**



Conducted by KMH LLP

Table of Contents

	Page
Introduction	
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	4
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	7
Schedule of Expenditures of Federal Awards	12
Notes to Schedule of Expenditures of Federal Awards	16
Schedule of Findings and Questioned Costs	
Section I Summary of Auditor's Results	19
Section II Financial Statement Findings	21
Section III - Federal Awards Findings and Questioned Costs	29
Summary Schedule of Prior Audit Findings	31
Corrective Action Plan	37

INTRODUCTION



A Hawaii Limited Liability Partnership

February 27, 2015

The Chair and Members oldie 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 maternal 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.**

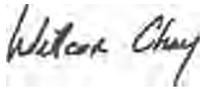
SCOPE OF THE AUDIT

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 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***

**Report on Internal Control Over Financial Reporting and an 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.

IAN Li-P

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 2019-7 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 of 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-I 33, 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.

Kftw Lt-P

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

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

**Financial of Lxrendnuna of kik-ral Awards
Year Ended June 30 2014**

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City and County of Honolulu
State of Hawaii

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

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

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

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**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 01 ganizations*. Therefore, sonic 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 or 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.

	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	3,647,688
		<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	1,4130,518
	<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 on 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	12,196,093
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? 4 Yes ___ None reported**
- **Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported**
- Noncompliance material to financial statements noted ? Ycs No**

Federal Awards

Internal control over major programs:

- **Material weakness(es) identified? Yes No**
- **Significant deficiency(ics) identified that are not considered to be material weakncss(cs)? Yes NI None reported**

Type of auditor's report issued on compliance for major programs. Qualified

Any audit findings disclosed that arc required to be reported in accordance with section 510(a) of Circular A-I 33? Yes

**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:

CFDA Number(s)	Name of Federal Program
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: 53,000,000

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 Wcb Based Real Property System

Revenue Collection Cashier System

Our review resulted in stneral 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 delect whether terminated individuals arc able to log in to the IT systems.

No effective periodic review performed to determine whether access nghis 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 11 — 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 10eiC21 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 Cosis (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 or the Board of Water Supply's (BWS) operations. Because or the high volume of transactions at BWS, the establishment of internal controls over processes incorporating IT is crntial 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 ID, 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 11— 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 516.2 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 **DM**. **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.

Adjustments 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 misstatements 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 are 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 Nn.: **14.267**
Program: **Continuum of Care**
Requirement: **Subrecipient Monitonng**
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."

(*audition, 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 11 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 HATA 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 Nu.: 2013-i 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 other 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-I.

Findings No.: 2013-3 Information Technology for the Board of Water Supply ("MS"), (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 fC%icw 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 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. mom 788-3900 • FAX ;808 788-3171 • INTERNET ItAwrivnoluluacW

KIRK CALDWELL-
mAYOR



NELSON H KOYANAGI, JR.
DIRECTOR

GARY T KUOKAWA
DEPUTT WRECTOR

February 27, 2015

Mr. Edwin Young
Office of the City Auditor
1001 Kamoldia 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. Koyagi, Jr.", written over a light-colored rectangular background.

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

Enclosures

APPROVED:

A handwritten signature in black ink, appearing to read "Roy K. Amemiya, Sr.", written over a light-colored rectangular background.
Roy K. Amemiya, Sr.
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', 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 Orade 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 Nuuhlwa, 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

iksidit 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 Abby, 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

ABBREVIATIONS

AI	Analysis of Impediments	FFATA	Federal Funding Accountability and Transparency Act
AMHD	Hawaii Department of Health Adult Mental Health Division	FSRS	Federal Subaward Reporting System
APR	Annual Progress Report	F55	Family Self-Sufficiency
ARM	American Recovery and Reinvestment Act of 2009 (transportation infrastructure funding)	FY	City and County of Honolulu Fiscal Year July to June
BWS	Board of Water Supply	GASB	Governmental Accounting Standards Board
CAD	Department of Community Services Community Assistance Division	HAP	Housing Assistance Payment
CoC	Continuum of Care	HART	Honolulu Authority for Rapid Transportation
CDBG	Community Development Block Grant	HCV	Housing Choice Voucher
CFDA	Catalog of Federal Domestic Assistance	HOME	Home Investment Partnerships
CFR	Code of Federal Regulations	HOP	Homeownership Option Program
CY	Calendar Year	HUD	U.S. Department of Housing and Urban Development
DCAB	State of Hawaii Disability and Communication Access Board	LLP	Limited Liability Partnership
DCS	City and County of Honolulu Department of Community Services	OMB	United States Office of Management and Budget
DIT	City and County of Honolulu Department of Information Technology	OTS	Oahu Transit Services
DPP	City and County of Honolulu Department of Planning and Permitting	PBV	Project-Based Voucher
ENV	City and County of Honolulu Department of Environmental Services	PCC	Program Coordinating Committee
ERS	Employees' Retirement System	PHA	Public Housing Authority
ESG	Emergency Solutions Grants	PTS	Public Transportation System
		RAB	Resident Advisory Board
		SEMAP	Section Eight Management Assessment Program

TA Technical Assistance

**TANF Temporary Assistance for Needy
Families**

**TIGER Transportation Investment Generating
Economic Recovery**

APPENDIX B

PHA Certifications of Compliance with PHA Plans and Related Regulations

**PHA Certifications of Compliance
with PHA Plans and Related
Regulations**

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
Expires 4/30/2011

**PHA Certifications of Compliance with the PHA Plans and Related Regulations:
Board Resolution to Accompany the PHA 5-Year and Annual PFIA 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 ~~/2016~~ 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 Capita! 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 Hoards 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 NH Notice 2006-24);
 - The system of site-based waiting lists provides for figl 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.
- I I. 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 8510 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. 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 **H1003**

PHA Name PHA Number/HA Code

5-Year PHA Plan for Fiscal Years 20 - 20

Annual PHA Plan for Fiscal Year 2017

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 not take any action against a person who provides false information if the person can prove that the information was true and accurate at the time it was provided. A conviction may result in criminal and/or civil penalties. 18 U.S.C. 1001, 1010, 1012.31 U.S.C. 3729.31102 I



Name of Authorized official Gary K. Nakata	Title Director
Signature	Date

APPENDIX C

Civil Rights Certification

ATTACHMENT C

Civil Rights Certification

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

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 ((Housing and Urban Development (HUD) in connection with the submission of the Plan and implementation (hereof

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

H1003
PHA Number/HA Code

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org.ccutc mice dome; and WIWIads Cnomiton tritiy result in cnallnal Qn4 nr cl%oll ecr4Ittes. 118 U.S.0 !oll 1 010. 10(231 U.S C. 3729, 3F102)

Name or Authorized Official		Title	
Gary K. Nakata		Director	
Date		4 11 2010	

APPENDIX D

Resident Advisory Board (RAB) Comments/Narrative

ATTACHMENT D

**Resident Advisory Board Meeting
FY 2017 PHA Plan
January 19, 2016
10am – 12pm**

**Members Present: Mabel Tukuoatu, Lynn Schutte, Cheryl Soares, Ruth Pinkham, al BillieJo
Naleleha,**

**Staff Present: Jayne Lee, Carole Chung-Yokoyama, Lynne Kong, Lilian! Silva, Vickie
Punua-McGinnis**

Summary of Presentation:

- 1. Introduced the Staff and had the Resident Advisory Board Members introduce themselves.**
- 2. Described the Goals and Objectives for FY 2017.**
- 3. Described accomplishments and progress of the last year.**
- 4. Described the Section 8 Program and how it works.
Explained the S year plan and the annual plan**
- S. Gave a brief history of the Program.**
- 6. Talked about other programs also including FUP, FSS, and VASH.**
- 7. Carole described scanning and filing situation.**

RIM=

- 1. Asked for suggestions on how to streamline the program**
- 2. Asked for any ideas on cost-saving measures**

Comments by Board Membecg

- 1. Section 8 helped one member continue her education as a single Mom of two young children.**
- 2. Members described how the program has helped them and described their journey and status to self-sufficiency.**
- 3. Members agreed that we should be a part of social media and use technology to aid the program.**

PHA Narrative:

The RAB meeting was effective in helping the PHA see things from the tenant's point of view. Through their questions and comments, we were able to see what their concerns were. The consensus of the RAB members was that they were very appreciative of what the program has done for them. They gave feedback and agreed with the current PHA goals and objectives.

APPENDIX E

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

**Certification by State or Local
 Official of PHA Plans Consistency
 with the Consolidated Plan or
 State Consolidated Plan
 (All PHAs)**

U. S Department of Housing and Urban Development
 Office of Public and Indian Housing
 OMB No. 2577-026
 Expires 2/29/2016

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

I, Gary K. Nakata, the **Director**,
Official's Name Official 's Tide

certify that the 5-Year PHA Plan and/or Annual PHA Plan of the

City and County of Honolulu
PHA Name

is consistent with the Consolidated Plan or State Consolidated Plan and the Analysis of

Impediments (AI) to Fair Housing Choice of the

City and County of Honolulu
Local Jurisdiction Name

pursuant to 24 CFR Part 91.

Provide a description of how the PHA Plan is consistent with the Consolidated Plan or State Consolidated Plan and the AL

The FY 2017 PHA Annual Plan is consistent with HUD objectives. The Plan included citizen participation outreach through the Public Hearing and notices on the DCS website. The goals and objectives outlined in the Plan are consistent with the Consolidated Plan. It ensures equal opportunity and furthers fair housing objectives. It also improves the quality of housing and housing choices.

I hereby certify that all the information stated herein, as well as any information provided in the accompanying herewith, is true and accurate. Warning: 111.1D will prosecute false and statements. Cundetkin may result in criminal or civil penalties (19 LI 5 C 1001 1010 1012 31 LI S.0 3729 3802)

Name of Authorized Official Gary K. Nakata	Title Director
	Date

APPENDIX F

Civil Rights Narrative Affirmatively Furthering Fair Housing

ATTACHMENT F

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) The Fair Housing Office planned and coordinated the Mayor's Proclamation of April 2015 as "Fair Housing Education Month" in the City and County of Honolulu. The Proclamation Ceremony was held on April 16, 2015 in the Mayor's Office. During the ceremony, Mayor Kirk Caldwell also announced the winners of the Fair Housing Art Contest and presented prizes. The Fair Housing Art Contest was a joint effort of the Hawaii Legal Aid Society and the Fair Housing Office of the Department of Community Services. Entries were received from multiple high schools across Oahu.
- 6) Affirmatively furthered fair housing education by sponsoring the event, "Fair Housing Training 2015: Fair Housing is Your Right. Use it!" on April 22, 2015 at the Neal Blaisdell Center. The training enhanced the fair housing knowledge of more than 180 landlords, property managers, advocates, tenants, agency staff, and others.

ATTACHMENT F

- 7) To enhance the fair housing knowledge of all Community Based Development Division staff, showed the video 'its Not Only Fair its The Law in November 2015 and provided training on the "Top Ten Fair Housing Mistakes "
- 8) Planned and participated in the joint *"Analysis of Fair Housing impediments Study"* to be conducted by the University of Hawaii's Center on Disabilities Studies. This is a joint undertaking of four state agencies and all four of the counties. The study commenced in December 2015. The results will help focus and guide fair housing activities and initiatives In the future
- 9) Maintained the "Fair Housing Office" portion of the Department of Community Services (DCS) website, <http://www1.honolulu.gov/dos/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
- 10) 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.
- 11) Expanded its collaborative network of resource persons and agencies through attendance at training activities such as the August 14, 2015 Conference of Language Access conducted by the State of Hawaii's Office of Language Access and the November 04, 2015 Fair Housing Training conducted by the Hawaii Civil Rights Commission, the Hawaii Legal Aid Society, and the local HUD Office.
- 12)The City's Fair Housing Office continued to work with 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 are reminded of federal laws under Title VI I 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
- 13) Analyzed inquires 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 wi l target these areas.
- 14) 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_ 2016

APPENDIX G

Public Hearing Narrative

ATTACHMENT G

Public Hearing Challenged Elements

FY 2017 Draft PHA Annual Plan Public Hearing was held on March 31, 2016 with the written comment period ending April 7, 2016.

The presiding officer was Ms. Jayne Lee, Section 8 Administrator, and the public hearing was called to order at 10:00 a.m.

As there were no oral challenges to the PHA Annual Plan elements, the public hearing was officially adjourned at 10:02 pm.

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

Sign In Sheet

**PUBLIC HEARING
2011 PHA ANNUAL PLAN
51 Merchant Street, Conference Room
March 31, 2016 10:00 a.m.**

Name

Address

Contact No.

Providing Testimony?

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APPENDIX H

Progress Report Goals and Objectives

ATTACHMENT H

Goals and Objectives

A. Expand the supply of assisted housing

Objectives:

- 1. Apply for the maximum number of new Housing Choice Vouchers (HCV), when made available by HUD**
Applied for: HUD FY 2015 Family Self-Sufficiency (FSS) Program Coordinator renewal funding for three (3) positions and was awarded funding for (3) positions totaling \$189,008.

- 2. Adopt strategies and options that maintain the maximum program size of the HCV Program**

One of the PHA's main task is to monitor payment standards in relation to rent burden on the families and funding availability. Payments standards are used to calculate the housing assistance payment (HAP) that the PHA pays to the owner on behalf of the assisted family. Since the level at which the payment standard amount is set can affect the amount of the subsidy a family receives, whether they pay more than 30⁰u of their adjusted income to rent, it is important that the PHA continue to monitor payment standards closely.

- 3. Explore ways to expand service delivery to all housing markets on Oahu**

Vacant since August 2015, the Landlord Specialist position was filled in January 2016. This position will help to expand service delivery to all housing markets by forming relationships and educating Landlords in this difficult housing market. As in the past, the Landlord Specialist will continue to offer meeting with existing and marketing to prospective landlords, upon request. These meetings and presentations inform landlords about the Section 8 program and allow for time to answer questions landlords may have.

B. Improve the quality of assisted housing

Objectives:

- 1. Maintain a "High performer," Section Eight Management Assessment Program (SEMAP) score**
Obtained "High Performer" rating for the SEMAP certification for the Fiscal Year ending June 30, 2015 and the PHA continues to strive for the high performance rating.
- 2. Maximize utilization of available vouchers**
The PHA will continue to promote the program benefits to community partners and landlords. Working with community partners enables the PHA to gather information about available funds for security deposits and other leasing barriers.
- 3. Explore new and existing ways to fund, coordinate and link supportive services to housing**

ATTACHMENT H

The PHA continues to keep abreast of community partners providing services. Staff participated in the Oahu Landlord Summit on November 17, 2015, to inform landlords about what the program can and cannot do for them. Staff also attended the Homeless Awareness Summit presented by Partners in Care on November 20, 2015. Staff continues to participate in the City's fair housing workshops held annually in April.

In FY 2017, the PHA will discuss social media options to promote the program that will allow the agency to receive and give feedback on a wider scale.

C. Increase Housing Choices

Objectives:

- 1. Conduct a thorough analysis of payment standards**
The PHA continues to monitor payment standards as it affects the rent burden of the families as well as monitor funding in order to maintain maximum program size for the HCV program.
- 2. Continue the Homeownership Option Program (HOP) throughout Oahu**
The PHA continues to provide HOP services. However, housing on Oahu is expensive and the average purchase prices have increased. The new homeowners have all been either those who purchased through Self-Help housing or through the Department of Hawaiian Home Lands.
- 3. Develop strategies for providing training and outreach to landlords**
Although all staff, especially the inspectors, have been helpful in promoting the program, the Landlord Specialist has by far, been the best marketing tool for the agency.

D. Promote Self Sufficiency

Objectives:

- 1. Increase the number of families enrolled in the Family Self-Sufficiency (FSS) program and continue to set up and administer escrow accounts for families participating in the FSS program.**
Homeownership Option Program (HOP) continues to provide assistance to families interested in homeownership by preparing families with financial readiness. In FY 2015, four (4) families moved toward homeownership and three (3) families became subsidy free. In calendar year (CY) 2016, the PHA will reopen the HOP waiting list as affordable units are being built in areas of Oahu.

Identify and facilitate supportive services

The PHA will continue its quarterly Program Coordinating Committee (FCC) meetings as required. This allows the PHA to network with other community service providers. These meetings provide opportunities for staff and providers to collaborate on new strategies and form new partnerships.

- 3. Seek new partnerships with entities to enhance social and economic services**

ATTACHMENT H

The PHA coordinates and invites other agencies to attend the quarterly PCC meetings. The PHA will continue to search for different and new community providers that may be able to assist our families.

- 4. Explore ways to fund, coordinate, and link supportive services in communities. The FSS program uses a Listserv which provides interested parties with updated information. FSS coordinators are able to link with each other and gather information or best practices on supportive services in the different neighborhoods across the nation.**

**E. Ensure equal opportunity and affirmatively further fair housing
Objectives:**

- I. Continue to improve the distribution of Fair Housing information
Provide informational packets and access to information on the PHA's website.**
- 2. Undertake affirmative measures to ensure access to all persons regardless of race, color, religion, national origin, sex, familial status, and disability. Provide language access services to all. Required notices are posted at every interview station and waiting room areas. Educate landlords and families regarding Fair Housing rules and regulations. Monitor the need and/or requirements for the translation of key documents. In December 2015, the Department of Community Services submitted a draft Language Access Plan for review by the Department of Human Resources.**

F. Improve housing delivery system

- I. Evaluate the current administration of the HCV Program**
- 2. Provide training to staff
Although PHA strives to continue providing training opportunities to staff, administrative funding cuts have limited the amount of training. The City and County of Honolulu's training catalog allows staff to sign up for training in customer service, project planning, and other related type of classes.

Housing Specialist staff attended the HCV training provided by Nan McKay and Associates and were recertified in May 2015. Refresher training is important to achieve continued quality work.**
- 3. Provide utility allowance schedule annually
The CY 2016 Utility Allowance schedule was disseminated on November 24, 2015.**
- 4. Maintain and develop effective reporting systems to improve operation efficiency
The PHA continues to use Happy Software's Housing Pro software program to transfer data and reports to HUD.**

ATTACHMENT H

G. Seek partnerships that will further the goal of affordable housing opportunities

I. Partner with other Local, State and Federal agencies

The PHA has always fostered open communication with the other housing agencies throughout the local HUD office jurisdiction. Discuss and learn best practices from other PHAs with similar challenges.

**Provide leadership, support and enhance partnership with Federal, State and Local agencies to address affordable housing and supportive service issues
Continue to attend Fair Housing Workshops and Homeless Awareness Summits.
Continue to foster a good working relationship with HUD. Stay connected and accessible to our federal, state and local agencies. Provide data when needed and if available.**

3. Explore possibilities and resources to provide and encourage linking supportive services and housing

Staff continues to network while attending the different conferences and workshops. The FSS PCC meetings also provide a venue to nurture current relationships and cultivate new connections.