

**Fiscal Year 2018**

**PUBLIC HOUSING AGENCY ANNUAL PLAN  
VERSION 2  
(Significant Amendment to the FYs 2015-2019 5-Year Plan  
and the FY 2018 PHA Annual Plan)**

August 2017



City and County of Honolulu  
Department of Community Services  
Community Assistance Division  
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[www.honolulu.gov/dcs/housing.html](http://www.honolulu.gov/dcs/housing.html)



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## 1.0 Introduction

The Public Housing Agency (PHA) is amending its Fiscal Years (FYs) 2015-2019 PHA 5-Year and FY 2018 Annual PHA Plan. The PHA will be implementing the Family Unification Program and Family Self-Sufficiency (FUP/FSS) Demonstration. This requires that the PHA make significant changes to the Chapter 10 (Tenant Based Rental Assistance and Moderate Rehabilitation Program) and the Chapter 11 (Family Self-Sufficiency Program) Administrative Plans.

In accordance with 24 CFR 903.7(r)(2), the PHA has determined the proposed changes to the Administrative Plan are considered significant amendments to the FYs 2015-2019 PHA 5-year and FY 2018 PHA Annual Plans. The changes to the Administrative Plan were presented to the Resident Advisory Board (RAB) on January 23, 2017. The Public Hearing was held on Wednesday, July 12, 2017 at 10:00 a.m. The public hearing notice was posted in the Honolulu Star-Advertiser on Sunday, May 28, 2017. The public was invited to attend and to provide written or oral comments on the significant amendments.

Attachment I describes the significant amendments in detail. In addition to describing the program changes and the progress toward goals and objectives, the significant amendments to the FYs 2015-2019 PHA 5-Year and Annual Plan contain the statement of compliance with HUD regulations and the Fiscal Years 2015-2020 Consolidated Plan. The PHA policies, rules, and requirements concerning the PHA's operations, programs, and services are included in the FY 2018 PHA Annual Plan, Version 2 (Significant Amendment to the FYs 2015-2019 5-Year Plan and the FY 2018 PHA Annual Plan).



## 2.0

### Streamlined Annual PHA Plan, Version 2



<b>Streamlined Annual PHA Plan</b> <i>(HCV Only PHAs)</i>	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.

<b>A.</b>	<b>PHA Information.</b>				
A.1	PHA Name: <u>City and County of Honolulu</u> PHA Code: <u>HI003</u> PHA Plan for Fiscal Year Beginning: (MM/YYYY): <u>07/2017</u> PHA Inventory (Based on Annual Contributions Contract (ACC) units at time of FY beginning, above) Number of Housing Choice Vouchers (HCVs) <u>4,968</u> PHA Plan Submission Type: <input type="checkbox"/> Annual Submission <input checked="" type="checkbox"/> Revised Annual Submission				
<p><b>Availability of Information.</b> 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. <b>The Plan will be made available for viewing at 51 Merchant St. (CAD Main Office), 842 Bethel St. (Section 8 Main Office), 1000 Uluohia St., #118 (Kapolei Hale Office), 550 S. King St. (Dep't of Customer Services, 715 S. King St., #311, and at <a href="https://www.honolulu.gov/cms-dcs-menu/site-articles/1795-cad-plans-and-rules.html">https://www.honolulu.gov/cms-dcs-menu/site-articles/1795-cad-plans-and-rules.html</a></b></p>					
<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:				

<b>B.</b>	<b>Annual Plan.</b>
<b>B.1</b>	<p><b>Revision of PHA Plan Elements.</b></p> <p>(a) Have the following PHA Plan elements been revised by the PHA since its last Annual Plan submission?</p> <p>Y N</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Housing Needs and Strategy for Addressing Housing Needs.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Deconcentration and Other Policies that Govern Eligibility, Selection, and Admissions.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Financial Resources.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Rent Determination.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Operation and Management.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Informal Review and Hearing Procedures.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Homeownership Programs.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Self Sufficiency Programs and Treatment of Income Changes Resulting from Welfare Program Requirements.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Substantial Deviation.</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> Significant Amendment/Modification.</p> <p>(b) If the PHA answered yes for any element, describe the revisions for each element(s): <b>(See Attachment I)</b></p>
<b>B.2</b>	<p><b>New Activities</b></p> <p>(a) Does the PHA intend to undertake any new activities related to the following in the PHA's current Fiscal Year?</p> <p>Y N</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> Project Based Vouchers. <b>(See Attachment A.1)</b></p> <p>(b) If this activity is planned for the current Fiscal Year, describe the activities. Provide the projected number of project-based units and general locations, and describe how project-basing would be consistent with the PHA Plan.</p>
<b>B.3</b>	<p><b>Most Recent Fiscal Year Audit.</b></p> <p>(a) Were there any findings in the most recent FY Audit?</p> <p>Y N N/A</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>(b) If yes, please describe: <b>(See Attachment A)</b></p>
<b>B.4</b>	<p><b>Civil Rights Certification</b></p> <p><i>Form HUD-50077, PHA Certifications of Compliance with the PHA Plans and Related Regulations, must be submitted by the PHA as an electronic attachment to the PHA Plan. (See Attachments C and F)</i></p>
<b>B.5</b>	<p><b>Certification by State or Local Officials.</b></p> <p><i>Form HUD-50077-SL, Certification by State or Local Officials of PHA Plans Consistency with the Consolidated Plan, must be submitted by the PHA as an electronic attachment to the PHA Plan. (See Attachments B and E)</i></p>
<b>B.6</b>	<p><b>Progress Report.</b></p> <p>Provide a description of the PHA's progress in meeting its Mission and Goals described in its 5-Year PHA Plan. <b>(See Attachment H)</b></p>
<b>B.7</b>	<p><b>Resident Advisory Board (RAB) Comments.</b></p> <p>(a) Did the RAB(s) provide comments to the PHA Plan?</p> <p>Y N</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/></p> <p>(a) If yes, comments must be submitted by the PHA as an attachment to the PHA Plan. PHAs must also include a narrative describing their analysis of the RAB recommendations and the decisions made on these recommendations. <b>(See Attachment D)</b></p>

## **B2 New Activities**

Does the Public Housing Agency (PHA) intend to undertake any new activities related to the following in the PHA's current Fiscal Year?

### **Project Based Vouchers: Yes**

If funding is available to be used towards project based vouchers, the PHA envisions setting aside 15-20 vouchers. The county of Oahu is building a rail system which will allow families to seek better employment and achieve higher education. Transit Oriented Development (TOD) plans include housing in areas near or at the station locations. A request for proposals (RFP) would be issued to select most suitable project for the project based vouchers. Although the PHA understands the need for additional affordable housing, existing affordable housing will be considered. This follows the Annual PHA Plan to adopt strategies and options to maintain the maximum program size of the HCV Program and well as to maximize utilization of available vouchers.





## **APPENDIX A**

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



## ABBREVIATIONS

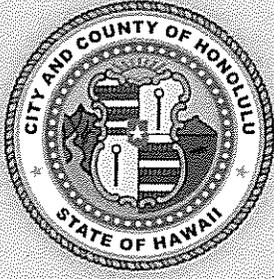
AI	Analysis of Impediments	FFATA	Federal Funding Accountability and Transparency Act
AMHD	Hawaii Department of Health Adult Mental Health Division	FSRS	Federal Subaward Reporting System
APR	Annual Progress Report	FSS	Family Self-Sufficiency
ARRA	American Recovery and Reinvestment Act of 2009 (transportation 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

TIGER Transportation Investment Generating  
Economic Recovery

TANF Temporary Assistance for Needy  
Families



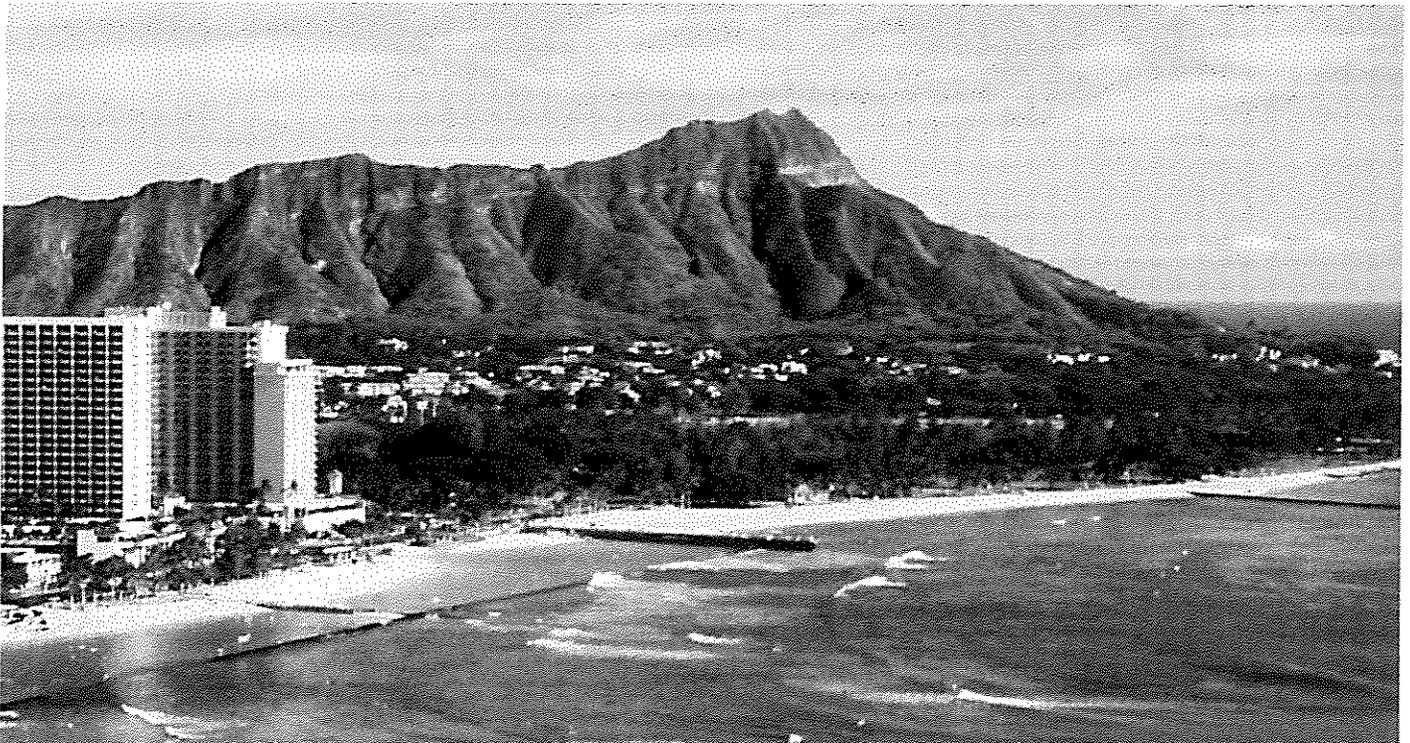
## **OFFICE OF THE CITY AUDITOR**

City and County of Honolulu  
State of Hawai'i

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

For the Fiscal Year Ended  
June 30, 2016

Single Audit of Federal Financial  
Assistance Programs

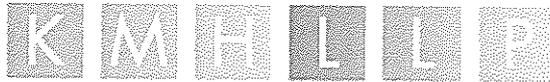


Conducted by KMH LLP

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## INTRODUCTION



A Hawaii Limited Liability Partnership

March 29, 2017

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

Dear Chair and Members of the City Council:

We have completed our financial audit of the basic financial statements of the City and County of Honolulu, State of Hawaii (the City) as of and for the fiscal year ended June 30, 2016. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **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, 2016 in accordance with accounting principles generally accepted in the United States of America.
2. To consider the City's internal control over financial reporting in order to design our auditing procedures for the purpose of expressing our opinions on the financial statements.
3. To perform tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts.
4. To consider the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.
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, 2016, 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 the Uniform Guidance.

Our report on the basic financial statements of the City as of and for the year ended June 30, 2016 is included under a separate cover. A separate management letter containing our observations regarding the City's internal controls dated March 29, 2017 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 cursive script that reads "Wilcox Choy".

Wilcox Choy  
Partner

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



A Hawaii Limited Liability Partnership

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2016, 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 27, 2016. Our report includes a reference to other auditors who have audited the financial statements of the Board of Water Supply and Oahu Transit Services, Inc., 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.

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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We and the other auditors did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Questioned Costs*, items 2016-01 and 2016-02, that we consider 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 and those of other auditors 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 2016-03 through 2016-09.

### **The City's Response to Findings**

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

### **Purpose of this Report**

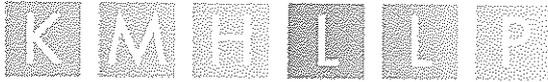
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

**KMH LLP**

KMH LLP

Honolulu, Hawaii  
December 27, 2016

**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 THE UNIFORM GUIDANCE**



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 the Uniform Guidance**

**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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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 Community Development Block Grant Program, HOME Investment Partnerships Program, Continuum of Care, and Federal Transit Cluster**

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

<b>Finding No.</b>	<b>CFDA No.</b>	<b>Program Name</b>	<b>Compliance Requirement</b>
2016-03	14.218	Community Development Block Grant Program	Period of Performance
2016-04	14.218	Community Development Block Grant Program	Reporting
2016-05	14.218	Community Development Block Grant Program	Subrecipient Monitoring
2016-06	14.239	HOME Investment Partnerships Program	Subrecipient Monitoring
2016-07	14.267	Continuum of Care	Reporting
2016-08	14.267	Continuum of Care	Subrecipient Monitoring
2016-09	20.500, 20.507	Federal Transit Cluster	Special Test – Wage Rate

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

**Qualified Opinion on Community Development Block Grant Program, HOME Investment Partnerships Program, Continuum of Care, and Federal Transit Cluster**

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 the Community Development Block Grant Program, HOME Investment Partnerships Program, Continuum of Care, and Federal Transit Cluster for the year ended June 30, 2016.

**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, 2016.

## **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 the 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 as a basis for designing 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 the Uniform Guidance, 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 and significant deficiencies.

*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 2016-03 through 2016-09 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-10 through 2016-12 to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying *Corrective Action Plan*. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on this response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 27, 2016, which contained an unmodified opinion on those financial statements. We did not audit the financial statements of the Board of Water Supply and Oahu Transit Services, Inc., which are discretely presented component units of the City. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

*KMH LLP*

KMH LLP

Honolulu, Hawaii

March 29, 2017, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is December 27, 2016

**City & County of Honolulu  
State of Hawaii**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Agriculture:</b>				
Pass-through from the State Department of Education-- Summer Food Service Program for Children	10.559	12-351523	\$ -	\$ 125,349
Pass-through from the State Department of Human Services-- Supplemental Nutritional Assistance Program	10.561	DHS-11-SNAP-301 SA4 DHS-16-SNAP-3078	-	21,165
Pass-through from the State Department of Land and Natural Resources-- Cooperative Forestry Assistance	10.664	14-DG-11052012-122	-	18,750
<b>Total U.S. Department of Agriculture</b>			<u>-</u>	<u>165,264</u>
<b>U.S. Department of Commerce:</b>				
Pass-through from the University of Hawaii-- Sea Grant Support	11.417	MA130019	-	13,968
Pass-through from the Hawaii Emergency Management Agency-- Meteorologic and Hydrologic Modernization Development	11.467	NA13NWS4670017(NA6)	-	8,450
<b>Total U.S. Department of Commerce</b>			<u>-</u>	<u>22,418</u>
<b>U.S. Department of Defense:</b>				
Community Economic Adjustment Assistance for Reductions in Defense Spending	12.604	-	-	6,844
<b>Total U.S. Department of Defense</b>			<u>-</u>	<u>6,844</u>
<b>U.S. Department of Housing and Urban Development:</b>				
Community Development Block Grants/Entitlement Grants	14.218	-	1,631,344	3,341,656
Emergency Solutions Grant Program	14.231	-	568,979	568,979
Shelter Plus Care	14.238	-	120,002	120,002
HOME Investment Partnerships Program	14.239	-	4,434,698	5,574,633
Housing Opportunities for Persons with AIDS	14.241	-	219,437	359,460
Continuum of Care Program	14.267	-	5,848,662	5,877,315
Resident Opportunity and Supportive Services - Service Coordinators	14.870	PMB 13-04_SC02	-	97,272
Pass-through from the State Hawaii Public Housing Authority: Public and Indian Housing	14.850	PMB 13-04_SA1 & SA2	-	47,869
Family Self-Sufficiency Program	14.896	-	-	161,315
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	-	-	169,478
<i>Housing Voucher Cluster</i>				
Mainstream Vouchers	14.879	-	-	1,449,453
Section 8 Housing Choice Vouchers	14.871	-	-	51,030,148
Pass-through from the State Hawaii Public Housing Authority Section 8 Housing Choice Vouchers: FSS	14.871	PMB 13-04_SA1 & SC02	-	46,335
<i>Total Housing Voucher Cluster</i>			<u>-</u>	<u>52,526,136</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>12,823,122</u>	<u>68,844,305</u>
<b>U.S. Department of Justice:</b>				
Domestic Cannabis Eradication/Suppression Program	16.800	-	-	151,278
Equitable Sharing Program	16.922	-	-	2,080,854
Pass-through from the State Department of Human Services-- Juvenile Accountability Block Grants	16.523	DHS-12-OVS-264_SA5 & SA6	-	61,367
Pass-through from the State Department of Human Services: Crime Victim Assistance	16.575	12-VA-02 13-VA-02	349,950	866,300
Violence Against Women Formula Grants	16.588	13-WF-08; 14-WF-0811-WF-08 13-WF-04 14-WF-04	-	188,591
Public Safety Partnership and Community Policing Grants	16.710	-	-	199,800
Pass-through from the State Department of the Attorney General: DNA Backlog Reduction Program	16.741	-	-	129,371
Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	-	327,985
Pass-through from the State Department of the Attorney General-- Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	11-DJ-0211-DJ-13 12-DJ-04 & 09 13-DJ-01 & 08	-	298,840
<b>Total U.S. Department of Justice</b>			<u>\$ 349,950</u>	<u>\$ 4,304,386</u>

**City & County of Honolulu  
State of Hawaii**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Labor:</b>				
Pass-through from the State Department of Labor & Industrial Relations:				
(WIA) National Emergency Grant	17.277	WIA-12-NEG-DWT-0 WIA-14-NEG-JD-0	\$ -	\$ 220,340
Trade Adj. Asst. Comm. College and Career Training (TAACCCT) Grants	17.282	C3T-Oahu	-	17,129
Homeless Veterans Reintegration Project	17.805	-	-	2,356
<i>Workforce Investment Act (WIA) Cluster</i>				
Workforce Investment Act - Adult Program	17.258	WIA-14-AP-0WIA-14-LAC-0	-	928,609
Workforce Investment Act - Youth Activities	17.259	WIA-14-YP-0WIA-14-LAC-0	-	917,630
WIA Dislocated Worker Formula Grants	17.278	WIA-14-DW-0WIA-14-LAC-0	-	835,864
<i>Total Workforce Investment Act Cluster</i>			-	2,682,103
Reintegration of Ex-Offenders	17.270	-	-	267,309
Youthbuild	17.274	-	-	249,710
<b>Total U.S. Department of Labor</b>			<b>-</b>	<b>3,438,947</b>
<b>U.S. Department of Transportation:</b>				
Pass-through from the State Department of Transportation & Oahu Metropolitan Planning Organization:				
<i>Highway Planning &amp; Construction Cluster</i>				
Highway Planning and Construction	20.205	ARR-095-1; 8915(2); BR-NBIS(53) (56) (60); CMAQ-0001(41); 0300(128); STP-0001(15) (36) (37) (40) (42) (43) (46) (47) (50) (51) (52) (55) (56) (57) (58); STP-0300 (63) (112) (132) (141); STP-6010(1); STP-6012(1); STP-7139(1); STP-7411(1); STP-7542(1); STP-8920(2) (3); WE201.65-07 STP-0001(36)	-	5,963,274
Highway Planning and Construction	20.205	Various (see above row)	-	5,978,763
Highway Planning and Construction	20.205	-	-	93,906
Highway Planning and Construction	20.205	-	-	325,834
Highway Planning and Construction	20.205	FHWA-206-01-12	-	20,908
Highway Planning and Construction	20.205	FLEX 2016-Project 18	-	176,986
Highway Planning and Construction	20.205	FHWA 201.01-12 202.84-11 203.05-14 203.75-09 203.83-11 203.84-13 FLEX2014 Project 4&5 FLEX2015 Project 4&11 FLEX2016 Project 9	-	319,982
<i>Total Highway Planning &amp; Construction Cluster</i>			-	12,879,653
<i>Federal Transit Cluster</i>				
Federal Transit - Capital Investment Grants	20.500	-	-	160,927,196
Federal Transit - Formula Grants	20.507	-	-	28,079,384
<i>Total Federal Transit Cluster</i>			-	189,006,580
<i>Transit Services Programs Cluster</i>				
Job Access and Reverse Commute	20.516	-	-	342,209
New Freedom Program	20.521	-	-	161,923
<i>Total Transit Services Programs Cluster</i>			-	504,132
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523	-	-	4,684,586
<i>Highway Safety Cluster</i>				
Pass-through from the State Department of Transportation:				
State and Community Highway Safety	20.600	OP 15-05(01-O-01), PT16-01(01-O-01), PS16-09(01-O-01)(02-O-01), SC15&16-06(01-O-01), TR15-03(03-O-01), DD16-10(01-O-01) EM15-04 (01-O-01)	-	978,705
National Priority Safety Programs	20.616	AL16-02(01-O-01), OP16-05(01-O-01), TR16-03(03-O-01)	-	657,455
<i>Total Highway Safety Cluster</i>			-	1,636,160
<b>Total U.S. Department of Transportation</b>			<b>\$ -</b>	<b>\$ 208,711,111</b>

**City & County of Honolulu  
State of Hawaii**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Environmental Protection Agency</b>				
Pass-through from the State Department of Health-- Nonpoint Source Implementation Grants <i>Clean Water State Revolving Fund Cluster</i>	66.460	15-066	\$ -	\$ 210,000
Capitalization Grants for Clean Water SRF	66.458	C150048-00	-	1,816,471
Capitalization Grants for Clean Water SRF	66.458	SOH Dept. of Health	-	3,803
Capitalization Grants for Clean Water SRF <i>Total Clean Water State Revolving Fund Cluster</i>	66.458	C150046-70	-	195,979
			-	2,016,253
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	-	-	60,021
<b>Total Environmental Protection Agency</b>			-	<b>2,286,274</b>
<b>U.S. Department of Education:</b>				
Pass-through from the State Department of Services-- Rehabilitation Services: -Vocational Rehabilitation Grants to States	84.126	DHS-12-VR-640 (SA 2, 4-5) DHS-13-VR-758-SA1 DHS-15-VR-2113 (SA1) DHS-16-VR-3071, 3074, 3075 & 3125	-	541,375
Pass-through from the State Department of Education-- 21st Century Community Learning Center	84.287	13023	-	10,231
<b>Total U.S. Department of Education</b>			-	<b>551,606</b>
<b>U.S. Department of Health and Human Services:</b>				
Pass-through from the State Executive Office on Aging-- Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services <i>Aging Cluster</i>	93.043	HON2015N03 HON2016N03	55,244	55,244
Pass-through from the State Executive Office on Aging: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	HON2013N03 HON2015N03 HON2016N03	948,614	1,082,797
Nutrition Services Incentive Program	93.053	HON2014NSIP HONNSMPFY15	-	174,427
Special Programs for the Aging-Title III, Part C- Nutrition Services Supportive Services, (Title III-C-1) Home Delivered Meals (Title III-C-2) <i>Total Aging Cluster</i>	93.045	HON2013N03 HON2015N03 HON2016N03	1,436,911	1,583,048
			2,385,525	2,840,272
Pass-through from the State Executive Office on Aging-- National Family Caregiver Support, Title III, Part E	93.052	HON2013N03 HON2015N03 HON2016N03	493,637	539,566
Pass-through from the State Department of Health-- State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	PO215034 PO219784	-	46,446
Pass-through from the State Department of Human Services-- Social Services Block Grant	93.667	DHS-15-OYS-506	-	14,919
Pass-through State Department of Health-- Block Grants for Community Mental Health Services	93.958	N/A	-	456,281
<b>Total U.S. Department of Health and Human Services</b>			<b>2,934,406</b>	<b>3,952,728</b>
<b>Corporation for National and Community Service</b>				
Retired and Senior Volunteer Program <b>Total Corporation for National and Community Service</b>	94.002	-	-	87,962
			-	<b>87,962</b>
<b>Executive Office of the President</b>				
High Intensity Drug Trafficking Area Program <b>Total Executive Office of the President</b>	95.001	-	-	2,081,225
			-	<b>2,081,225</b>
<b>U.S. Department of Homeland Security:</b>				
Pass-through from the State Civil Defense <i>Homeland Security Grant</i> Homeland Security Grant Program: Citizen Corp Program	97.067	EMW-2013-SS-00003	-	28,604
Metropolitan Medical Response System Program	97.067	ENW-2014-SS-00003	-	24,920
Urban Areas Security Initiative Program	97.067	EMW-2015-SS-00003	-	635,755
State Homeland Security Program <i>Total Homeland Security Grant</i>	97.067	-	-	889,279
			-	1,588,199
Assistance to Firefighters Grant	97.044	-	-	370,482
Pass-through from the State Department of Defense Emergency Management Performance Grants	97.042	2013-EP-00006 2014-EP-00010	-	321,855
<b>Total U.S. Department of Homeland Security</b>			-	<b>2,278,536</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 16,107,478</b>	<b>\$ 296,731,606</b>

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

Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

**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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Schedule does not include the federal grant activity of the Board of Water Supply and Oahu Transit Services, Inc., discretely presented component units of the City.

**2. Loans Outstanding**

The City had the following loan balances outstanding and advances awarded as of and for the year ended June 30, 2016, which are not presented in the Schedule.

Program Title	CFDA Number	Loans/ Advances	Loans Outstanding
<b>Major programs</b>			
Community Development Block Grants – Entitlement Grants	14.218	\$ -	\$ 34,780,376
HOME Investment Partnerships Program	14.239	2,000,000	21,605,468
Section 8 Housing Choice Vouchers	14.871	-	3,647,688
		<u>\$ 2,000,000</u>	<u>\$ 60,033,532</u>

**3. Capitalization Grants for Clean Water State Revolving Funds**

At June 30, 2016, federal awards and state matching fund expenditures under capitalization grants for clean water state revolving funds were as follows:

Federal	\$ 2,016,253
State	<u>237,027</u>
	<u>\$ 2,253,280</u>

**3. Indirect Cost Rate**

The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

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**Section I – Summary of Auditor’s Results**

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*Financial Statements*

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?  Yes  None reported

• Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

• Material weakness(es) identified?  Yes  No

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

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?  Yes  No

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

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016

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

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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant Program
14.239	HOME Investment Partnerships Program
14.267	Continuum of Care Program
16.922	Equitable Sharing Program
20.205	Highway Planning and Construction Cluster
20.500, 20.507	Federal Transit Cluster
20.523	Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions

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

Auditee qualified as low-risk auditee?  Yes  No

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

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016

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**Section II – Financial Statement Findings**

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**Finding No. 2016-01: 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:** During the audit, we noted several IT control deficiencies that, when considered collectively, may impact the City's financial statements.

**Context:** As part of our financial statement audit for the year ended June 30, 2016, we performed an IT general controls review of the following systems operated by the City:

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

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

Logical security

- One terminated employee continued to have access to the City's IT systems.
- No review of existing user accounts to determine the appropriateness of access rights.
- Access to a server administrator account is shared.
- Backup and monitoring alerts do not alert users of success or failure.
- Ineffective vulnerability scanning.

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

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016

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**Section II – Financial Statement Findings (continued)**

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

**Identification of a repeat finding:** This is a repeat finding from the immediate previous audit, 2015-01.

**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.

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

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016

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**Section II – Financial Statement Findings (continued)**

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**Finding No. 2016-02: Improve Internal Controls over Accounting for Significant Nonroutine Transactions**

**Type of Finding:** Significant Deficiency

**Criteria:** Accounting for nonroutine transactions may require the application of accounting principles that an entity's personnel may not be familiar with. Management should proactively identify these types of transactions and determine the proper accounting treatment in accordance with accounting principles generally accepted in the United States of America (GAAP). Management should also be actively involved in the timely review of the nonroutine transactions that are posted to the entity's accounting system to ensure that the transactions are properly recorded.

**Condition:** The 2015 financial statements of the BWS were restated to correct errors in the accounting for the deferred loss on refunding of debt and state revolving fund notes payable. The misstatement of the deferred loss on refunding was the result of amortizing the loss over a period shorter than the period required by GAAP. The misstatement of notes payable was due to the inclusion of the principal portion of the obligation that had been forgiven as of June 30, 2015. The resulting effect on the change in net position for the fiscal year ended June 30, 2015 was an increase of \$6,611,890 from the previously reported amount.

**Cause:** Both errors involved accounting for significant transactions occurring during the fiscal year ended June 30, 2015 that were outside the normal course of business for the BWS: 1) the issuance of the Series 2014A and 2014B water system revenue bonds and certain state revolving loans that were used to advance refund a portion of previously issued bonds and, 2) the receipt of state revolving fund loan proceeds under a loan agreement that contained a principal forgiveness clause.

**Effect:** Because of the infrequent nature of significant, nonroutine transactions, they are inherently more susceptible to material misstatement than routine transactions that an entity's personnel are accustomed to accounting for. As a result, these type of transactions have a significantly higher risk of a material error occurring.

**Recommendation:** Management should proactively identify significant, nonroutine accounting transactions and ensure that a process is established whereby management-level fiscal personnel are actively involved in both the determination of the proper accounting treatment and the timely review of the transactions posted to the BWS's accounting system.

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

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016

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**Section III – Federal Award Findings and Questioned Costs**

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**Finding No. 2016-03:**      **Timeliness**

**Federal Agency:**            United States Department of Housing and Urban Development  
**CFDA No.:**                    14.218  
**Program:**                      Community Development Block Grant Program  
**Requirement:**                Period of Performance  
**Type of Finding:**              Material Weakness and Non-Compliance

**Criteria:** In accordance with 24 CFR 570.902, the U.S. Department of Housing and Urban Development (HUD) will consider a grantee to be “failing to carry out its CDBG activities in a timely manner if sixty days prior to the end of the grantee’s current program year, the amount of entitlement grant funds available to the recipient under grant agreements but undisbursed by the U.S. Treasury is more than 1.5 times the entitlement grant amount for its current program year.”

**Condition:** Program funds were not expended in a timely manner.

**Context:** HUD notified the City via a letter dated May 2, 2016 that the City was not in compliance with the sixty-day timeliness test conducted on May 2, 2016 as the City had a line of credit of 2.17 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 2.47 for the second tier of the CDBG timeliness test.

**Cause:** Most of the CDBG grant funding for capital projects were awarded to nonprofit sub-recipients who had difficulty expending the funding quickly enough to meet the timeliness requirement.

**Effect:** As the City failed the timeliness test under CDBG regulations, the City is now subject to HUD’s sanctions policy and has until May 2, 2017 to reach the timeliness standard. If the City fails to meet the timeliness standard at that time, HUD may reduce the 2017 program year grant by 100 percent of the amount in excess of 1.5 times the annual grant, except where HUD determines that the untimeliness resulted from factors beyond the City’s reasonable control.

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

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016

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

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*Questioned costs:* None

*Recommendation:* We recommend 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 ensures that it complies with the final workout agreement provided by HUD.

*Contact Person:* Holly Kawano, Department of Budget and Fiscal Services, Federal Grants Coordinator

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

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

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

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**Finding No. 2016-04:      Accurate Reporting and Policies and Procedures over Federal Awards**

**Federal Agency:**            United States Department of Housing and Urban Development  
**CFDA No.:**                    14.218  
**Program:**                     Community Development Block Grant Program  
**Requirement:**               Reporting  
**Type of Finding:**            Non-Compliance and Material Weakness

**Criteria:** Grantees are required to submit an annual performance and evaluation report within 90 days after the end of a grantee's program year.

**Condition:** The program expenditures reported in the Consolidated Annual Performance and Evaluation Report (CAPER) was not accurate.

**Context:** The rehabilitation loan program expenditures reported in the CAPER Appendix C of \$834,703 does not match the \$636,799 of loan expenditures reported in the Schedule of Expenditures of Federal Awards. In the current fiscal year, there was a new employee involved with the preparation of the CAPER.

**Cause:** Management indicated that the difference was caused by the inclusion of encumbrances in the amount reported in the CAPER. In addition, we noted that the City does not have a uniform policy or procedures manual for federal awards.

**Effect:** Failure to report accurate information results in noncompliance with the reporting requirement. In addition, without a uniform policy or procedures manual and as personnel involved with the program change, there is an increased risk of non-compliance with program requirements.

**Questioned costs:** None

**Recommendation:** We recommend the City ensure that expenditure amounts reported is accurate and consider creating uniform policies and procedures related to federal awards and provide training to City employees regarding the overall federal and program-specific requirements.

**Contact Person:** Holly Kawano, Department of Budget and Fiscal Services, Federal Grants Coordinator

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

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016

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

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**Finding No. 2016-05: Perform Annual Subrecipient Monitoring Duties**

**Federal Agency:** United States Department of Housing and Urban Development  
**CFDA No.:** 14.218  
**Program:** Community Development Block Grant Program  
**Requirement:** Subrecipient Monitoring  
**Type of Finding:** Non-Compliance and Material Weakness

**Criteria:** 2 CFR section 200.331 states that depending on the pass-through entity’s assessment of risk posed by the subrecipient, one monitoring tool that may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals is an on-site review of the subrecipient’s program operations.

**Condition:** The on-site review for one subrecipient was not performed.

**Context:** During our audit, we selected a non-statistical sample of 5 projects (3 Open and 2 Post-Development Monitoring projects), out of a population of 49 projects, for testing and noted one open project which did not have an on-site review completed.

**Cause:** Management indicated that the on-site review was not performed due to staffing shortages and other competing priorities.

**Effect:** Failure to perform an on-site review annually results in noncompliance with the subrecipient monitoring requirement.

**Questioned costs:** None

**Recommendation:** We recommend the City follow its procedures to monitor subrecipients on a timely basis, in accordance with their policy.

**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, 2016

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

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**Finding No. 2016-06: Perform Annual Subrecipient Monitoring Duties**

**Federal Agency:** United States Department of Housing and Urban Development  
**CFDA No.:** 14.239  
**Program:** HOME Investment Partnerships Program  
**Requirement:** Subrecipient Monitoring  
**Type of Finding:** Non-Compliance and Material Weakness

**Criteria:** 2 CFR section 200.331 states that depending on the pass-through entity's assessment of risk posed by the subrecipient, one monitoring tool that may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals is an on-site review of the subrecipient's program operations.

**Condition:** The on-site review for one subrecipient was not performed.

**Context:** During our audit, we selected a non-statistical sample of 7 subrecipients, out of a population of 19 subrecipients, for testing and noted one subrecipient who did not have an on-site review completed.

**Cause:** Management indicated that the on-site visit was not performed due to staffing shortages and other competing priorities.

**Effect:** Failure to perform an on-site review annually results in noncompliance with the subrecipient monitoring requirement.

**Questioned costs:** None

**Identification of a repeat finding:** This is a repeat finding from the immediate previous audit, 2015-04.

**Recommendation:** We recommend the City follow its procedures to monitor subrecipients on a timely basis, in accordance with their policy.

**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, 2016

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

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**Finding No. 2016-07:      Submit Reports in a Timely Manner**

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

**Criteria:** 24 CFR section 578.109(b), states applicants must submit all reports required by HUD no later than 90 days from the date of the end of the project’s grant term. Under the reporting requirements of Continuum of Care, the annual progress report (APR) must be completed and submitted timely.

**Condition:** Reporting requirements for two APR’s were not met.

**Context:** The City was required to submit two APR’s during FY 2016. During the audit, we noted that both APR’s were not submitted.

**Cause:** Management indicated that the APRs were not submitted due to incorrect data obtained from HMIS (Homeless Management Information System) and competing priorities.

**Effect:** Failure to submit reports results in noncompliance with the reporting requirement.

**Questioned costs:** None

**Identification of repeat finding:** This is a repeat finding from the immediate previous audit, 2015-06

**Recommendation:** We recommend the City be more diligent in following HUD deadlines in order to ensure compliance with Federal requirements.

**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, 2016

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

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**Finding No. 2016-08:      Perform Annual Subrecipient Monitoring Duties**

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

**Criteria:** Title 24 CFR section 578.7(a)(6) states that program management should monitor recipient and subrecipient performance, evaluate outcomes, and take action against poor performance.

**Condition:** Subrecipient monitoring was not performed for all subrecipients.

**Context:** During our audit, management indicated that no subrecipient monitoring was performed in the current year.

**Cause:** Management indicated that the above exception was due to staffing shortages.

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

**Questioned costs:** None

**Identification of a repeat finding:** This is a repeat finding from the immediate previous audit, 2015-05.

**Recommendation:** We recommend the City follow its procedures to monitor subrecipients.

**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, 2016

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

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**Finding No. 2016-09:**      **Wage Rate**

**Federal Agency:**            United States Department of Transportation  
**CFDA No.:**                    20.500, 20.507  
**Program:**                      Federal Transit Cluster  
**Requirement:**                Special Tests and Provisions – Wage Rate  
**Type of Finding:**              Non-Compliance and Material Weakness

**Criteria:** 29 CFR Subtitle A section 5.5(ii)(A) states that the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the United States Department of Transportation (DOT) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the DOT.

**Conditions:** Below are the conditions noted related to the Honolulu Authority for Rapid Transportation (HART) and the Department of Transportation Services (DTS):

1. 32 instances where certified payrolls were not submitted within seven days of pay period ending (HART); and
2. No documented procedures for wage rate requirement (DTS).

**Context:** HART - We selected a non-statistical sample of 60 payroll submissions for testing and noted the following:

- Prior to March 2016, 40 selections were made with 26 instances where certified payrolls were not submitted within 7 days (weekly) of the pay period end date.
- Subsequent to March 2016, 20 selections were made with 6 instances where certified payrolls were not submitted within 7 days (weekly) of the pay period end date.

DTS – We tested all payroll submissions for the only contract with wage rate requirements and noted all that certified payroll were received on a timely basis. We did note that there were no controls or procedures by management to ensure the accuracy of the certified payroll. As a result, we noted 1 of 14 certified payrolls tested had an error.

**Cause:** HART – Although HART has established policies and procedures in place to ensure compliance with statutory, regulatory, and contractual requirements, there was a lack of diligence in following the established policies and procedures.

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

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016

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

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DTS - There are no documented procedures related to controls over certified payrolls. As a result, DTS personnel did not review certified payrolls.

*Effect:* HART – Failure to provide weekly payroll information within the required timeframe resulted in non-compliance with the program requirements.

DTS – A lack of policies and procedures related to certified payrolls demonstrates a material weakness that may lead to material non-compliance with the program requirements.

*Questioned costs:* None

*Identification of repeat finding:* This is a repeat finding from the immediate previous audit, 2015-07

*Recommendation:* HART – We recommend that management diligently and consistently follow its policies and procedures.

DTS - We recommend that management create procedures to recalculate and check certified payrolls to ensure accuracy.

*Contact Person:* Douglas Cullison, Planner VI, Honolulu Authority for Rapid Transportation  
Jon Nouchi, Deputy Director, Department of Transportation Services

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

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016

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

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**Finding No. 2016-10: Perform Excluded Parties Listing Search (EPLS)**

**Federal Agency:** United States Department of Housing and Urban Development  
**CFDA No.:** 14.267  
**Program:** Continuum of Care  
**Requirement:** Procurement  
**Type of Finding:** Significant Deficiency

**Criteria:** In accordance with 2 CFR 215.13, "subawards and contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities." To ensure compliance, the City performs an EPLS check prior to the execution of the subrecipient agreement.

**Condition:** The EPLS check was not performed prior to the execution of a contract with a vendor.

**Context:** For all four contracts tested, a non-statistical sample out of a population of seven new contracts, we noted no documentation that an EPLS check was performed prior to the execution of the subrecipient agreement. In the current fiscal year, we noted that all of the program's subrecipients had agreements with the City in the prior year. We also re-performed the EPLS check for the contracts tested and noted no subrecipients were debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

**Cause:** Management indicated the check was performed; however, documentation was not retained.

**Effect:** Failure to perform EPLS checks could result in noncompliance with the procurement requirement.

**Questioned costs:** None

**Identification of repeat finding:** This is a repeat finding from the immediate previous audit, 2015-08

**Recommendation:** We recommend the City establish procedures to perform and retain EPLS check documentation prior to executing a subrecipient agreement to ensure the parties are not debarred, suspended, or otherwise excluded from or ineligible for Federal assistance programs.

**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, 2016

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

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**Finding No. 2016-11: Perform Excluded Parties Listing Search (EPLS)**

**Federal Agency:** United States Department of Justice  
**CFDA No.:** 16.922  
**Program:** Equitable Sharing Program  
**Requirement:** Procurement  
**Type of Finding:** Significant Deficiency

**Criteria:** In accordance with 2 CFR 200.213, "regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities." To ensure compliance, the City performs an EPLS check prior to the execution of the contract.

**Condition:** The EPLS check was not performed prior to the execution of a contract with a vendor.

**Context:** For 1 out of 2 contracts tested, a non-statistical sample out of a population of six new contracts, there was no documentation that an EPLS check was performed prior to the execution of the contract.

We re-performed the EPLS check for the contracts tested and noted no vendors were debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

**Cause:** Management indicated the EPLS check was overlooked for this contract due to initial uncertainty in whether the contract would be federally or locally funded.

**Effect:** Failure to perform EPLS checks could result in noncompliance with the procurement requirement.

**Questioned costs:** None

**Recommendation:** We recommend the City follow their procedures to perform and retain EPLS check documentation prior to executing a contract to ensure the parties are not debarred, suspended, or otherwise excluded from or ineligible for Federal assistance programs.

**Contact Person:** Mike Hiu, Assistant Central Purchasing and Contracts Administrator

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

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016

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

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**Finding No. 2016-12: Perform Excluded Parties Listing Search (EPLS)**

**Federal Agency:** United States Department of Transportation  
**CFDA No.:** 20.205  
**Program:** Highway Planning and Construction  
**Requirement:** Procurement  
**Type of Finding:** Significant Deficiency

**Criteria:** In accordance with 2 CFR 1201.317, subrecipients of States shall follow such policies and procedures allowed by the State when procuring property and services under a Federal award. Further, in accordance with 2 CFR 200.213, “regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.” To ensure compliance, the City performs an Excluded Party Listing Search (EPLS) check prior to the execution of the contract.

**Condition:** The EPLS check was not performed prior to the execution of a contract with a consultant.

**Context:** For 1 out of 2 contracts tested, a non-statistical sample out of a population of 4 new contracts, there was no documentation that an EPLS check was performed prior to the execution of the contract. We re-performed the EPLS check for the contracts tested and noted no vendors were debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

**Cause:** Management indicated that there are documented procedures to perform the EPLS check prior to execution of the contract, however, no documentation was retained for 1 out of the 2 contracts tested.

**Effect:** Failure to retain copies of executed contracts or perform EPLS checks could result in noncompliance with the procurement requirement.

**Questioned costs:** None

**Recommendation:** We recommend the City follow their procedures to perform and retain EPLS check documentation prior to executing a contract to ensure the parties are not debarred, suspended, or otherwise excluded from or ineligible for Federal assistance programs.

**Contact Person:** Mike Hiu, Assistant Central Purchasing and Contracts Administrator



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

# City and County of Honolulu State of Hawaii

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2016

## Financial Statement Findings

### Finding No.: 2015-1 Deficiencies in Information Technology Controls (Significant Deficiency)

*Condition, cause, and context:* As part of our financial statement audit for the year ended June 30, 2015, we performed an IT general controls review of the following systems operated by the City:

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

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

#### Logical security

- No effective periodic reviews of certain servers/databases were performed to detect whether terminated individuals are able to log in to the IT systems.
- No effective periodic reviews of certain servers/databases performed to recertify if access rights granted to employees were commensurate with their job responsibilities.
- Lack of segregation of duties in certain areas of security administration for a particular system.
- User IDs to directly access the database is shared.
- Excessive user accounts with domain administrative privileges.
- Password configurations for a specific server do not meet standards.
- Developers of a specific application have access to application production.
- Ineffective vulnerability scanning.

#### Change Management Review

- Direct Data Changes – direct data changes are not restricted, monitored or approved as shared IDs are utilized.

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

Summary Schedule of Prior Audit Findings (continued)  
Year Ended June 30, 2016

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.

**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 systems limitations.

**Status:** Partially resolved. See finding 2016-01.

**Finding No.: 2015-2 Real Property Tax Exemptions (Significant Deficiency)**

**Condition, cause, and context:** During the audit, we noted that 2 out of the 73 real property tax exemptions tested did not have documentation to support the exemptions granted. Management indicated that eight years ago, hard copies of the exemptions were scanned by a vendor and subsequently destroyed. Maintenance of this documentation is important because real property taxes is the City's largest source of revenue and these signed forms are the only evidence of a proper tax exemption. During our discussion with management, due to the structure of the exemption database, there is currently no simple way to determine the extent of the missing documentation.

**Recommendation:** We recommend the City investigate to determine if there are any additional documentation missing from its records. Also, we recommend the City improve internal controls to ensure adequate records are kept.

**Status:** The comment is no longer applicable.

**Finding No.: 2015-3 Sewer Fund Capital Asset (Significant Deficiency)**

**Condition, cause, and context:** During the audit, we noted two capital asset projects totaling approximately \$1.1 million that were improperly capitalized resulting in proposed adjustments (unrecorded) to the Sewer Fund financial statements. One project was inactive/abandoned in the current year and should have been expensed in the current year. The other project was completed prior to year-end and should have transferred into the proper asset class upon completion.

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

Summary Schedule of Prior Audit Findings (continued)  
Year Ended June 30, 2016

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 City's review process.

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

**Status:** The comment is no longer applicable.

**HOME Investment Partnerships Program CFDA 14.239**

**Finding No.: 2015-4 Perform Annual Subrecipient Monitoring Duties (Non-Compliance and Material Weakness)**

**Condition, cause and context:** For 1 out of 10 subrecipients tested, we noted that no on-site subrecipient monitoring was performed. The subrecipient was assessed and scheduled for on-site monitoring, however management indicated that due to staffing shortages, the on-site visit was not performed.

**Recommendation:** We recommend the City follow its procedures to monitor subrecipients on a timely basis, in accordance with their policy.

**Status:** The comment is still applicable. See finding 2016-06.

**Continuum of Care CFDA No. 14.267**

**Finding No.: 2015-5 Perform Annual Subrecipient Monitoring Duties (Non-Compliance and Material Weakness)**

**Condition, cause and context:** We tested 4 subrecipients for compliance with statutory, regulatory, and contractual requirements and related internal controls over subrecipient monitoring and noted the following:

- 1) For 1 out of 4 subrecipients tested, no on-site monitoring was performed; and
- 2) For remaining 3 out of 4 subrecipients tested, monitoring letters for on-site monitoring completed over five to six months ago were still in draft form or incomplete;

Management indicated that the above exceptions were due to staffing shortages.

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

Summary Schedule of Prior Audit Findings (continued)  
Year Ended June 30, 2016

**Recommendation:** We recommend the City follow its procedures to monitor subrecipients on a timely basis.

**Status:** The comment is still applicable. See finding 2016-08.

**Continuum of Care CFDA No. 14.267**

**Finding No.: 2015-6 Submit Reports in a Timely Manner (Non-Compliance and Material Weakness)**

**Condition, cause and context:** Under the program requirements of CFDA No. 14.267, the annual progress report (APR) must be completed and submitted timely. The program was required to submit two APRs during FY 2015.

During our audit, we noted that one of the APRs was not submitted on a timely basis (9 days late). Management indicated that APR was submitted late due to late submission by one of the subrecipients.

**Recommendation:** We recommend the City establish controls to gather required reporting information timely from subrecipients to ensure compliance.

**Status:** The comment is still applicable. See finding 2016-07.

**Federal Transit Cluster CFDA 20.500, 20.507**

**Finding No.: 2015-7 Wage Rate (Non-Compliance and Material Weakness)**

**Condition, cause and context:** We tested 60 contracted projects for compliance with statutory, regulatory, and contractual requirements and related internal controls over special tests and noted the following:

- 1) Fifty instances where certified payrolls were not submitted within 7 days of pay period ending, and
- 2) One instance where the Honolulu Authority for Rapid Transportation (HART) was missing a non-performance report.

Although HART has established policies and procedures in place to ensure compliance with statutory, regulatory, and contractual requirements, there was a lack of diligence in following the established policies and procedures.

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

Summary Schedule of Prior Audit Findings (continued)  
Year Ended June 30, 2016

**Recommendation:** We recommend the City be more diligent in consistently following its policies and procedures to ensure compliance.

**Status:** This finding is still applicable. See finding 2016-09.

**Continuum of Care CFDA 14.267**

**Finding No.: 2015-8 Perform Excluded Party Listing Search (EPLS) (Significant Deficiency)**

**Condition, cause and context:** For 4 out of 4 contracts tested, we noted no documentation that an EPLS check was performed prior to the execution of the subrecipient agreement. Management indicated the check was performed; however, documentation was not retained.

In the current fiscal year, we noted that all of the program's subrecipients had agreements with the City in the prior year. We also re-performed the EPLS check for the contracts tested and noted no subrecipients were debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

**Recommendation:** We recommend the City establish procedures to perform and retain EPLS check documentation prior to executing a subrecipient agreement to ensure the parties are not debarred, suspended, or otherwise excluded from or ineligible for Federal assistance programs.

**Status:** The comment is still applicable. See finding 2016-10.

**Federal Transit Cluster CFDA 20.500, 20.507**

**Finding No.: 2015-9 Obtain DUNS Number Prior to Contract Execution (Significant Deficiency)**

**Condition, cause and context:** For 1 out of 2 subrecipient contracts tested, the DUNS number was obtained after the execution of the subrecipient agreement. Management indicated that they were not aware of this requirement.

**Recommendation:** We recommend the City establish procedures to obtain the DUNS number prior to executing a subrecipient agreement to ensure compliance.

**Status:** This comment is no longer applicable.



## **CORRECTIVE ACTION PLAN**



**RESPONSE TO SINGLE AUDIT REPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016**

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**Finding No. 2016-01: 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.

Administration's Comment: DIT has corrected the deficiencies and updated its procedures as applicable. Processes have been, or will be, automated to help ensure that the procedures are consistently followed.

Anticipated Completion Date: June 2017

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. 2016-02: Improve Internal Controls over Accounting for Significant Nonroutine Transactions**

Audit Recommendation: Management should proactively identify significant, nonroutine accounting transactions and ensure that a process is established whereby management-level fiscal personnel are actively involved in both the determination of the proper accounting treatment and the timely review of the transactions posted to the BWS's accounting system.

Administration's Comments: At the regular meetings of the management and senior staff of the BWS Finance Division, the agenda will include recurring topics that focus on non-routine transactions, new accounting pronouncements, financial risk, and other current issues. The Finance Division's management will track, address and document the issues to properly report the transactions in the financial statements.

Anticipated Completion Date: Ongoing

Contact Person(s): Joe Cooper, Waterworks Controller, Board of Water Supply

**Finding No. 2016-03: Timeliness**

Audit Recommendation: We recommend 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 ensures that it complies with the final workout agreement provided by HUD.

Administration's Comment: Procedures will be established to ensure compliance with the CDBG timeliness standard and HUD's final workout agreement.

Anticipated Completion Date: June 2017

Contact Person(s): Holly Kawano, Department of Budget and Fiscal Services, Federal Grants Coordinator

**RESPONSE TO SINGLE AUDIT REPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016**

**Finding No. 2016-04: Accurate Reporting and Policies and Procedures over Federal Awards**

Audit Recommendation: We recommend the City ensure that expenditure amounts reported are accurate and consider creating uniform policies and procedures related to federal awards and provide training to City employees regarding the overall federal and program-specific requirements.

Administration's Comment: The policies and procedures related to federal awards will be updated for uniformity, and Federal Grants Administration staff will begin planning to train City employees regarding the overall federal and program-specific requirements.

Anticipated Completion Date: June 2017

Contact Person(s): Holly Kawano, Department of Budget and Fiscal Services, Federal Grants Coordinator

**Finding No. 2016-05: Perform Annual Subrecipient Monitoring Duties**

Audit Recommendation: We recommend the City follow its procedures to monitor subrecipients on a timely basis, in accordance with their policy.

Administration's Comment: Subrecipients will be monitored on a timely basis in accordance with the Department of Community Services' established policies.

Anticipated Completion Dates: June 2017

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

**Finding No. 2016-06: Perform Annual Subrecipient Monitoring Duties**

Audit Recommendation: We recommend the City follow its procedures to monitor subrecipients on a timely basis, in accordance with their policy.

Administration's Comment: See response to Finding No. 2016-05 above.

Anticipated Completion Date: June 2017

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

**RESPONSE TO SINGLE AUDIT REPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016**

**Finding No. 2016-07: Submit Reports in a Timely Manner**

Audit Recommendation: We recommend the City be more diligent in following HUD deadlines in order to ensure compliance with Federal requirements.

Administration's Comment: DCS will be more diligent in following HUD deadlines in order to ensure compliance with Federal requirements.

Anticipated Completion Date: June 2017

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

**Finding No. 2016-08: Perform Annual Subrecipient Monitoring Duties**

Audit Recommendation: We recommend the City follow its procedures to monitor subrecipients.

Administration's Comment: Continuum of Care subrecipients will be monitored on an annual basis in accordance with the Department of Community Services' established policy.

Anticipated Completion Date: June 2017

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

**Finding No. 2016-09: Wage Rate**

Audit Recommendation: HART – We recommend that management diligently and consistently follow its policies and procedures.

DTS – We recommend that management create procedures to recalculate and check certified payrolls to ensure accuracy.

Administration's Comment: HART – The contractor was directed to comply with the federal seven-day certified payroll submission requirement. For more recently executed contracts, prime contractors and subcontractors submit their payroll electronically through a labor compliance software program, enhancing the certification process.

DTS – Procedures to check certified payroll will be developed.

Anticipated Completion Date: June 2017

Contact Person(s): Douglas Cullison, Planner VI, Honolulu Authority for Rapid Transportation  
Jon Nouchi, Deputy Director, Department of Transportation Services

**RESPONSE TO SINGLE AUDIT REPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016**

**Finding No. 2016-10: Perform Excluded Parties List System (EPLS) Searches**

Audit Recommendation: We recommend the City establish procedures to perform and retain EPLS check documentation prior to executing a subrecipient agreement to ensure the parties are not debarred, suspended, or otherwise excluded from or ineligible for Federal assistance programs.

Administration's Comment: EPLS searches will be completed for all Continuum of Care contracts prior to execution.

Anticipated Completion Date: June 2017

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

**Finding No. 2016-11: Perform Excluded Parties List System (EPLS) Searches**

Audit Recommendation: We recommend the City establish procedures to perform and retain EPLS check documentation prior to executing a contract to ensure the parties are not debarred, suspended, or otherwise excluded from or ineligible for Federal assistance programs.

Administration's Comment: Procedures will be established to perform the EPLS search for all procurements of \$25,000 or more prior to executing a contract, and to retain the documentation of such checks.

Anticipated Completion Date: March 2017

Contact Person(s): Mike Hiu, Assistant Central Purchasing and Contracts Administrator

**Finding No. 2016-12: Procurement**

Audit Recommendation: We recommend the City follow their procedures to perform and retain executed contracts and EPLS check documentation prior to executing a contract to ensure the parties are not debarred, suspended, or otherwise excluded from or ineligible for Federal assistance programs.

Administration's Comment: See response to Finding No. 216-11 above.

Anticipated Completion Date: March 2017

Contact Person(s): Mike Hiu, Assistant Central Purchasing and Contracts Administrator



**APPENDIX B**

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



**Certifications of Compliance with  
PHA Plans and Related Regulations  
(Standard, Troubled, HCV-Only, and  
High Performer PHAs)**

U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing  
OMB No. 2577-0226  
Expires 02/29/2016

**PHA Certifications of Compliance with the PHA Plan and Related Regulations including  
Required Civil Rights Certifications**

*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 7/2017, 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 has established a Resident Advisory Board or Boards, the membership of which represents the residents assisted by the PHA, consulted with this Resident Advisory Board or Boards in developing the Plan, including any changes or revisions to the policies and programs identified in the Plan before they were implemented, and considered the recommendations of the RAB (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.
4. 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.
5. 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.
6. The PHA will affirmatively further fair housing by examining their programs or proposed programs, identifying any impediments to fair housing choice within those programs, addressing 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 by maintaining records reflecting these analyses and actions.
7. For PHA Plans that includes a policy for site based waiting lists:
  - The PHA regularly submits required data to HUD's 50058 PIC/IMS Module in an accurate, complete and timely manner (as specified in PIH Notice 2010-25);
  - The system of site-based waiting lists provides for full disclosure to each applicant in the selection of the development in which to reside, including basic information about available sites; and an estimate of the period of time the applicant would likely have to wait to be admitted to units of different sizes and types at each site;
  - Adoption of a 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 a 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).
8. The PHA will comply with the prohibitions against discrimination on the basis of age pursuant to the Age Discrimination Act of 1975.
9. 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.
10. 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.
11. 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.

12. The PHA will take appropriate affirmative action to award contracts to minority and women's business enterprises under 24 CFR 5.105(a).
13. 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.
14. 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.
15. The PHA will keep records in accordance with 24 CFR 85.20 and facilitate an effective audit to determine compliance with program requirements.
16. 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.
17. 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).
18. 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.
19. 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.
22. The PHA certifies that it is in compliance with applicable Federal statutory and regulatory requirements, including the Declaration of Trust(s).

City and County of Honolulu  
 PHA Name

HI003  
 PHA Number/HA Code

Annual PHA Plan for Fiscal Year 2018, Version 2

5-Year PHA Plan for Fiscal Years 20\_\_ - 20\_\_

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

Name of Authorized Official Gary K. Nakata	Title Director
Signature 	Date 7/25/2017

**APPENDIX C**

**Civil Rights Certification**



**Civil Rights Certification**  
*(Qualified PHAs)*

U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing  
OMB Approval No. 2577-0226  
Expires 02/29/2016

**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, I approve the submission of the 5-Year PHA Plan for the PHA of which this document is a part, and make the following certification and agreements with the Department of Housing and Urban Development (HUD) in connection with the submission of the public housing program of the agency and implementation thereof:*

The PHA certifies that it will carry out the public housing program of the agency in conformity with title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of 1973, and title II of the Americans with Disabilities Act of 1990, and will affirmatively further fair housing by examining their programs or proposed programs, identifying any impediments to fair housing choice within those program, addressing those impediments in a reasonable fashion in view of the resources available and working with local jurisdictions to implement any of the jurisdiction's initiatives to affirmatively further fair housing that require the PHA's involvement and by maintaining records reflecting these analyses and actions.

City and County of Honolulu  
PHA Name

HI003  
PHA Number/HA Code

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

Name of Authorized Official	Title
Gary K. Nakata	Director
Signature 	Date 7/25/2017



**APPENDIX D**

**Resident Advisory Board (RAB) Comments/Narrative**



**Resident Advisory Board Meeting  
Draft FY 2018 PHA Annual Plan  
January 23, 2017  
10:00 am – 11:00 am**

Members Present: Deeana J. Joseph (Mapu), Mabel U. Nagaseu, Billie-Jo Naleieha, Chantrelle A. Waialae

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

Meeting Agenda

- I. Overview on the status of our goals and objectives and if we are meeting those goals
- II. Funding Shortfall Overview and how it affected the program
- III. Recent administrative rule changes and the process for adoption of rules
- IV. FUP-FSS Demonstration
- V. Violence Against Women Act (VAWA)
- VI. Homeownership Program (HOP)

Summary of Presentation

1. Introductions of staff and RAB members
2. Summarized the RAB purpose and the importance of it
3. Described the funding shortfall challenges and the current status of our funding
4. Described the PHA's future endeavors and the need for a significant amendment in the upcoming months
  - a. FSS-FUP Demonstration
  - b. FSS Administrative Rule changes and the Tenant-based Rental Assistance Administrative Rule changes
  - c. Proposed HOP Administrative Rule changes
  - d. PHA's need to update VAWA
5. Question and Answer session

Comments by RAB Members

1. When talking about eliminating interim disbursements for the FSS program, one member thought that we were doing away with escrow accounts. After clearing it up, she said "I wish it (final escrow account disbursements) was more."
2. After discussing the need to disseminate the VAWA information, one member said that she has a similar situation at her work at a college. She said "One issue that we have at the university is teachers not having the training or understanding or when and what to report and what signs to look for and stuff like that. So we have certain people in place who go through the trainings. They are then aware of the legal requirements and the signs." She elaborated that they train specific employees and direct people to them.

A Board member also mentioned "I was just thinking of the notices that my landlord gets, probably at the lease signing. It would be a good time for the landlord to be aware before getting into this contract. These are legal provisions that are in place. Even when they get inspection notice, they get the same notice that we get as residents so they can get something in the mail that can be like an annual reminder."

Other members seconded this idea.

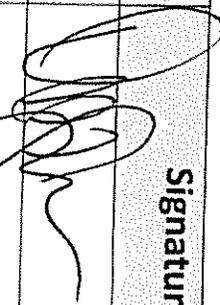
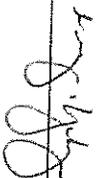
3. To keep families from moving away from Hawaii, a Board member suggested working with certain landlords, or real estate agencies. She said that at her current working place, they are trying to get a list of community partners together to help clients that are trying to build up their financial literacy. She said "It's hard to move when you are trying to find an owner that will accept section 8 and a place where you would qualify financially. Therefore, if you have a running group or certain people that are alert to this homelessness problem and high cost of living and they'd want to help; I don't know, some kind of networking in some sense. I know that's a lot to put together."
4. Regarding finding housing, one Board member said that in her current job, she does searches on Craigslist for potential rentals and gives them to clients. She mentioned though that there has to be a more effective way of helping her clients. She also mentioned that some realty companies don't advertise potential rentals but if you call them, they do offer more listings.

#### PHA Narrative

The RAB meeting was effective in gathering comments and answering questions that the RAB members had regarding certain agenda items such as the changes to the FSS interim reimbursements and escrow accounts, educating landlords and tenants on VAWA, and portability concerns. They offered suggestions on disseminating VAWA information. They gave good feedback and had no objections to the current goals and objectives.

**2017 Resident Advisory Board (RAB) Meeting**  
**Draft FY 2018 PHA Annual Plan**

January 23, 2017  
 10:00 a.m. to 11:00 a.m.

RAB Member	Signature	EMAIL	Phone Number
Deeana J. Joseph (MAPU)		MAPUANA.JOSEPH@YMAIL	693 6654
Mabel U. Nagaseu	Mabel U Nagaseu	mabelnagaseu@yahoo.com	808-723-0398
Billie-jo T. Naleieha	Billie Jo Naleieha	Haren78@gmail.com	766 9980
Lanaytte K. Paia			
Chantrelle A. Waialae		Chantrelle@hawaii.edu	688-4350
			
			



**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. 2577-0226  
 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 Title*

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 AI.

The FY 2018 PHA Annual Plan, Version 2 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 FYs 2015-2020 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 accompaniment herewith, is true and accurate. **Warning:** HUD will  
 prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name of Authorized Official	Title
Gary K. Nakata	Director
Signature	Date
	7/25/2017



**APPENDIX F**

**Civil Rights Narrative Affirmatively Furthering Fair Housing**



## **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 Solutions Grants (ESG)*, *Continuum of Care grants (CoC)*, 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 935.2A, 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 935.2A with their proposals to lease or renew their leases with the City.
- 4) Administered two 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 2016 as "Fair Housing Education Month" in the City and County of Honolulu. The Proclamation Ceremony was held on April 7, 2016 in the Mayor's Office. During the ceremony, Deputy Managing Director Georgette Deemer presented fair housing advocates with a proclamation.
- 6) Affirmatively furthered fair housing education with numerous fair housing advocates by participating in the "Fair Housing Awareness Fair" at the State Capitol on April 13, 2016. The City partnered with Hawaii Civil Rights Commission, Hawaii Public Housing Authority, Legal Aid Society of Hawaii, and other organizations to promote education of fair housing at the State Capitol to raise awareness for fair housing issues.
- 7) Affirmatively furthered fair housing education by sponsoring the event, "Fair

## ATTACHMENT F

Housing Training 2016: Shared Opportunity in Every Community” on April 21, 2016 at the Neal Blaisdell Center. The training enhanced the fair housing knowledge of more than 190 landlords, property managers, advocates, tenants, agency staff, and others. The training this year had a special presentation from the State of Hawaii Office of Language Access that educated attendees on the language access in relation to national origin.

- 8) Participated in the joint “*Analysis of Fair Housing Impediments Study*” that was conducted by the University of Hawaii’s Center on Disabilities Studies. This was a joint undertaking of four state agencies and all four of the counties. The study commenced in December 2015 and was completed in November of 2016. The main focus of the 2016 study was on people with disabilities. The results of the study are currently being worked on to 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/dcs/fairhousing.htm>, to include a briefing and recital of fair housing laws, translation of fair housing information in Chinese, Ilokano, Korean, Marshallese, Samoan, Spanish and Tagalog, and a listing of fair housing information and enforcement resources.
- 10) Instituted standard protocols for all Department of Community Services 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) The City Fair Housing Office expanded its collaborative network of resource persons and agencies through attendance at training activities, including the March 10, 2016, Developing New, Accessible, and Affordable Housing for Persons with Disabilities Today seminar, presented by Accessible Space, Inc.; the May 3, 2016 Disability Access Conference conducted by the State of Hawaii’s Disability and Communication Access Board; the October 11, 2016 Design Conference: Accessible Residential Dwelling Units conducted by the State of Hawaii’s Disability and Communication Access Board; and the November 02, 2016 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. The most common problems were related to two areas: landlord tenant conflict and disability rights/accessibility issues. Future training and outreach efforts will target these areas.

ATTACHMENT F

- 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, City and County of Honolulu Section 8 Rental Assistance, and others.

- End Jan. 2017 -



**APPENDIX G**

**Public Hearing Narrative**



## ATTACHMENT G

**Public Hearing**  
**Draft Fiscal Year (FY) 2018 Public Housing Agency (PHA) Annual Plan,**  
**Version 2 (Significant Amendment to the FYs 2015-2019 5-Year Plan and**  
**the FY 2018 PHA Annual Plan)**  
**Challenged Elements**

The public hearing for the Draft FY 2018 PHA Annual Plan Version 2 was held on Wednesday, July 12, 2017 at 10:00 a.m. The public hearing notice was posted in the Honolulu Star-Advertiser on Sunday, May 28, 2017. An email was also sent to partner agencies on Friday, June 2, 2017. The written comment period ended at 4:30pm on Friday, July 21, 2017. There were no written comments received during the comment period.

The presiding officer was Ms. Jayne Lee, Section 8 Administrator. The public hearing was called to order at 10:01 a.m. As there were no oral challenges to the Draft FY 2018 PHA Annual Plan, Version 2 elements and no oral or written testimony given, the public hearing was officially adjourned at 10:05 a.m.



## ATTACHMENT G

**Public Hearing  
Draft Fiscal Year (FY) 2018 Public Housing Agency (PHA) Annual Plan,  
Version 2 (Significant Amendment to the FYs 2015-2019 5-Year Plan and  
the FY 2018 PHA Annual Plan)  
Challenged Elements**

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The presiding officer was Ms. Jayne Lee, Section 8 Administrator. The Public Hearing was called to order at 10:01 a.m.

As there were no oral challenges to the Draft FY 2018 PHA Annual Plan, Version 2 elements and no oral or written testimony given, the public hearing was officially adjourned at 10:05 a.m.



## **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**

The PHA applied for and was approved for 57 additional VASH Vouchers totaling \$720,936.

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

The PHA monitors the payment standards. The payment standards are measured in relation to rent burden on the families and funding availability. Due to the FY 2016 funding shortfall, effective July 15, 2016, the PHA stopped issuing vouchers, absorbing port-ins, and allowing port-outs unless the Receiving Housing Authority (RHA) agreed to absorb them or if family moves to a lower cost area.

The PHA was able to apply for shortfall funding to avoid termination of current tenants. The PHA monitored and updated the Payment Standards in October 2016. With limited affordable housing availability, the PHA is looking towards project-based vouchers as a means to add to the affordable housing inventory.

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

The Landlord Specialist has been successful in expanding service delivery to all housing markets by educating potential Landlords of the Section 8 program, helping current tenants find rentals in different parts of Oahu and briefing applicants on their role and responsibilities in the Section 8 Program. The Landlord Specialist develops relationships with Section 8 tenants and landlords throughout the Island.

#### **B. Improve the quality of assisted housing**

##### **Objectives:**

- 1. Maintained a "High performer," Section Eight Management Assessment Program (SEMAP) score. The PHA obtained the "High Performer" rating for the SEMAP certified for the fiscal year ending June 30, 2016 and the PHA continues to strive for the high performance rating.**

- 2. Maximize utilization of available vouchers**

The PHA continues to promote the program benefits to community partners and landlords. The Family Unification Program and the Family Self-Sufficiency (FSS-FUP) Demonstration will allow the PHA to work with Hale Kipa to provide housing to youth and provide them life skills to help them become self-sufficient. The PHA was chosen by HUD to participate in the FSS-FUP Demonstration, which will allow FUP-Youth to voluntarily participate in the FSS program and thereby extend their housing assistance for five additional years.

Working with community partners enables the PHA to gather information about available funds for security deposits and other leasing barriers.

## ATTACHMENT H

The lack of affordable housing is the biggest barrier for families. Project-based vouchers will provide the opportunity for more affordable housing units.

Families receiving housing assistance through a program for the homeless administered by the City and County of Honolulu. No more than twenty-five percent of the Vouchers issued in one year shall be allocated to homeless families under this preference.

### 3. Explore new and existing ways to fund, coordinate and link supportive services to housing

The PHA staff attended the following events:

- a. 11/17/2015: Landlord Summit
- b. 2/18/2016: Transit Oriented Development (TOD) Workshop
- c. 3/17/2016: Family Self-Sufficiency Program Coordinating Committee Meeting
- d. 4/21/2016: Fair Housing Training Event
- e. 4/26/2016: Annual Coordinators' Meeting
- f. 4/29/2016: Examiner's In-house Training
- g. 6/16/2016: Family Self-Sufficiency Program Coordinating Committee Meeting
- h. 6/24/2016: Lead and Healthy Homes Training Workshop
- i. 7/26/2016: HUD Training on HCV Tool
- j. 9/15/2016: Family Self-Sufficiency Program Coordinating Committee Meeting
- k. 9/22/2016 and 9/23/2016: Office of Language Access Orientation and Workshop
- l. 11/18/2016: Statewide Homeless Awareness Conference
- m. 12/01/2016: Family Self-Sufficiency Program Coordinating Committee Meeting

These events helped staff to keep abreast of community partners and the services that they provide. 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 checked and updated the payment standards in October 2016. 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 is currently updating the HOP Administration rules. The PHA plans to give preference to those who have received homeownership buyer's training and is pre-qualified for a mortgage loan.

However, housing on Oahu is expensive and the average purchase prices have increased. The most recent homeowners have all been either those who purchased through Self-Help housing or through the Department of Hawaiian Home Lands.

## ATTACHMENT H

### **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.**

Applied for: HUD FY 2016 Family Self-Sufficiency (FSS) Program Coordinator renewal funding for three (3) positions and was awarded funding for (3) positions totaling \$189,008.

Implementing the FUP/FSS Demonstration to assist FUP Youth in acquiring self-sufficiency by providing more time and resources.

Homeownership Option Program (HOP) continues to be the top reason for enrollment as it provides assistance to families interested in homeownership by preparing families with financial readiness. In FY 2016, zero (0) families moved toward homeownership and six (6) families became subsidy free. Enrollment should increase because of the FSS-FUP Demonstration.

### **2. Identify and facilitate supportive services**

An annual FSS Program Coordinating Committee (PCC) will be held to cover all aspects of the Family Self-Sufficiency Program.

At least one main FSS PCC meeting will be held annually with more meetings scheduled as needed. Subcommittees consisting of, but not limited to, education, employment, and social services are being planned to allow more focus on specific areas, with experts in these areas. This allows the PHA to network with other community service providers with similar focuses. These focus-oriented meetings will 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**

The PHA invites other agencies to speak and attend the FSS PCC meetings. The PHA continues to search for different and new community service 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:

### **1. Continue to improve the distribution of Fair Housing information**

## ATTACHMENT H

Applicants are provided with information regarding equal opportunity and affirmatively further fair housing. The applicants are briefed on Section 8 rules and regulations and given informational packets which include equal opportunity and fair housing information. Families are also able to access information on the PHA's website at <https://www.honolulu.gov/dcs/housing.html>.

- 2. Undertake affirmative measures to ensure access to all persons regardless of race, color, religion, national origin, sex, familial status, and disability.**  
On all outgoing notices, the PHA gives the opportunity for customers to request interpreters at no cost. It also gives disabled persons information on how to request help in accessing the PHA buildings. Landlords and Section 8 tenants are also briefed and given information on Fair Housing rules and regulations participants.

Required notices are posted at every interview station and waiting room areas. The PHA monitors the need and/or requirements for the translation of key documents. Section 8 staff continues to receive training and participate in workshops when available.

- 3. Continue to improve the dissemination of Violence Against Women Act (VAWA) information.** Section 8 applicants, participants, and landlords are briefed and given information on the VAWA rules and regulations.

### **F. Improve housing delivery system**

- 1. Evaluate the current administration of the HCV Program**

Administration of the HCV Program monitors HUD regulation changes and updates the Section 8 rules and regulations as needed.

The PHA upgraded the Housing Pro Software from version 8 to version 9.1.

- 2. Provide training to staff**

In FY 2016, HUD provided several trainings including Lead and Healthy Homes Training Workshops and training on the HCV two-year tool. Also, the City and County of Honolulu's training catalog allows staff the opportunity to increase skills and stay current on different topics. The PHA staff can sign up for training in customer service, project planning, software and computer training, and other related classes.

HCV Specialist training was provided to several staff members and who are currently being certified or recertified. Refresher training is important to achieve continued quality work.

- 3. Provide utility allowance schedule annually**

The CY 2017 Utility Allowance schedule was disseminated in October 2016. However, due to a flaw in the HUD Utility Schedule Model (HUSM) tool, the schedule was updated in December 2016.

- 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. The Software helps staff to meet HUD

## ATTACHMENT H

requirements in a timely and accurate manner. The Administrative Plan is being updated to reflect HUD's recommended streamlining measures to cut cost and staff workload.

For streamlining purposes as recommended by HUD, third party verification for fixed income will be done in the first year only. In the second and third year, income may be adjusted by a Cost of Living Adjustment (COLA). Also, third party verification of all assets less than five thousand dollars may be self-certified in the following two years.

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

#### **1. Partner with other Local, State and Federal agencies**

PHA Staff attended the Annual Coordinators' Meeting on April 26, 2016. This helped foster open communication with the other housing agencies in the State. The PHA's were able to discuss and learn best practices from each other having similar challenges. HUD provided an overview on the different components of the Housing Choice Voucher Program such as the two-year forecasting tool.

#### **2. Provide leadership, support and enhance partnership with Federal, State and Local agencies to address affordable housing and supportive service issues**

The PHA continues to attend workshops and trainings throughout the year such as the Fair Housing Workshop and Statewide Homeless Awareness Summit. This helps foster a good working relationship with HUD and stay connected to our federal, state and local agencies. The PHA provides data when requested and if available.

Our local HUD office staff has been very instrumental in providing the PHA with advice, guidance, and support.

#### **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 throughout Fiscal Year 2016. The FSS PCC meetings also provide a venue to nurture current relationships and cultivate new connections.

As a part of the county of Oahu government, the PHA continues to assist as many Oahu families as the budget will allow through collaborative efforts with other departments and divisions within the county and the state.



## **APPENDIX I**

### **Revision of PHA Plan Elements**



## ATTACHMENT I

The Public Housing Authority (PHA) applied for and was chosen to participate in The Family Unification Program and Family Self-Sufficiency (FUP/FSS) Demonstration posted by the U.S. Department of Housing and Urban Development (HUD) in February 2016. This Demonstration required the PHA to make changes to the Chapter 2 (Family Self-Sufficiency Program) and Chapter 10 (Tenant Based Rental Assistance and Moderate Rehabilitation Program) Administrative Plans. Changes were also made to the Administrative Plans for streamlining purposes that were proposed by HUD.

In accordance with 24 CFR 903.7(r)(2), the PHA has identified the basic criteria that will be used to determine a significant amendment or modification to the 5-Year Plan and Annual Plan. The "Significant Amendment/Modification" PHA Plan element has been revised by the PHA since its last Annual Plan submission. The PHA's definition of "Significant Amendment" include the following:

1. Changes to eligibility, selection, and admissions policies;
2. Additions of significant modifications to strategies and policies;
3. Changes to the current Grievance or Informal Hearing Procedures; and/or
4. Changes to the current Community Services Program (Family Self-Sufficiency Program.)

### **Format Changes**

The Section 8 Family Self-Sufficiency (FSS) Program rules are being renumbered, amended, and compiled to follow the numbering convention, style and format mandated in Chapter 91, Hawaii Revised Statutes, as amended ("HRS"). Chapter 2 is being renumbered as Chapter 11.

### **Substantive Changes**

#### **1. Chapter 2 – Family Self-Sufficiency (FSS) Program**

- Section 2-3, Definitions, is amended by (1) adding a definition for the acronym CFR as the Code of Federal Regulations; (2) adding a definition of FUP Youth as a person who, at the time of admission is between 18 and 24 years old and the person left foster care at 16 years or older and will leave foster care within 90 days, is homeless or at risk of becoming homeless and is a participant of the Family Unification Program; (3) and deleting the definition for the acronym HPHA as the Hawaii Public Housing Authority.
- Section 2-4, Administration of the FSS Program, is amended by deleting the descriptions of entities comprising the program coordinating committee and by deleting reference to Hawaii Public Housing Authority in the development of the Action Plan.

- Section 2-5, Notice of Availability/Invitation to Participate, is amended by removing express reference to special-needs accommodations noted elsewhere.
- Section 2-6, Family Selection Procedures, is amended by revising the terms used to describe nondiscriminatory selection to include race, color, gender, religion, familial status, disability, age, marital status, ancestry, national origin or sexual orientation.
- Section 2-7, Selection Preference, is amended by
  - (i) Adding as first priority Family Unification Program Youth (FUP Youth) followed by families who are participating in an FSS Program from another housing authority who move into the Agency's jurisdiction.
  - (ii) Deleting the procedure that (1) the agency will give preference for 50% of slots for families with members enrolled in or on the waiting list of any FSS related self sufficiency program in the Action Plan; (2) families participating in the FSS program from another PHA who move into the agency's jurisdiction will be allowed to participate if available slots exist; (3) during the initial recruitment, if there are more families than available slots, a lottery will be conducted to determine the participant's placement on the FSS waiting list; (4) subsequent FSS applications will be placed on the FSS waiting list by date and time of receipt of the application; and (5) if unavailable services were determined to be integral to the FSS Family's advancement toward Self-Sufficiency and the Agency declared the contract null and void, the family will be allowed re-entry in FSS when resources are available and offered the next FSS slot.
- Section 2-9, Contract of Participation, is amended by deleting the provision requiring the agency to declare the contract of participation null and void if the unavailable services are integral to the family's progress and allowing the family to reenter FSS in the next slot when resources are available, and adding a statement that FUP Youth may be terminated from Section 8 assistance if the contract of participation is terminated.
- Section 2-10, FSS Escrow Account, is amended by deleting the provision which allows for interim disbursements of escrow.

## **2. Chapter 10 – Tenant Based Rental Assistance and Moderate Rehabilitation Program**

- Section 8-10-2, Definitions, is amended by
 

Amending the definition of "assets" to the definition stated elsewhere in the rules; Adding a definition of "earned income disallowance" as a program that allows eligible participant persons with disabilities who have been out of work to accept a job without increasing the "family share";

Adding a definition for "Violence Against Women Act or VAWA" as the Act at 42 U.S.C. 13925 and 42 U.S.C. 14043e et seq., 24 C.F.R. part 5, subpart L; and Deleting the definitions of "net family assets" and "utility reimbursement."

- Section 8-10-6, Family Income, is amended as follows:
  - i. Adding a requirement for third party verification for fixed income in the first year and allowing in the second and third year, income may be adjusted by a Cost of Living Adjustment (COLA) or current interest rate or participant-provided third-party generated documentation.
  - ii. Amending the definition of "assets" to mean generally all property owned that has value and is available to meet debts, commitments or legacies.
  - iii. Adding a limit for the Earned Income Disallowance (EID) to a single consecutive 24-month period with all qualifying earned income within the straight 24-month period excluded.
  - iv. Adding a requirement that at admission, the family is required to provide third-party verification of all assets, or document why third party verification is not available, and adds that for the next two years, assets less than \$5,000 may be self-certified.
- Section 8-10-9, Establishment of a Waiting List, is amended by adding a provision that FUP-eligible applicants shall be placed on the waiting list by date and time of application and adding that each family shall be placed on the Moderate Rehabilitation waiting list by date and time of application.
- Section 8-10-10, Issuance of Voucher, is amended by adding to the existing preferences a broad category for elderly, disabled and displaced families, and families certified as receiving housing assistance through a program for the homeless administered by the City and County of Honolulu. The homeless families sub-preference is limited to no more than 25% of the vouchers issued within a given year. Preferences are being deleted for families assisted under either a HUD program for the homeless or a government-funded program for disabled families, who:
  - a. are deemed to be in a stable situation by the organization administering the program;
  - b. are meeting the program requirements;
  - c. have been receiving supportive services; and
  - d. will continue to receive supportive services.

Section 8-10-10 is also amended by adding a requirement that the Agency provide VAWA information to all applicants approved for admission.
- Section 8-10-12, Subsidy Standards/Occupancy Standards, is amended by adding authorization for the Agency to approve a payment standard of not more than 120% of the Fair Market Rent as a reasonable accommodation for a family that includes one or more persons with a

disability and requiring the Family to submit a written request and supporting documentation from a certified healthcare professional.

- Section 8-10-15, Request for Tenancy Approval, is amended by authorizing the Agency to allow the owner and family to self-certify that all deficiencies have been repaired and provides that if the owner or family falsely self-certifies that deficiencies were corrected, the Agency may disapprove the lease, abate housing assistance payments, and/or terminate the Housing Assistance Payment (HAP) contract.
- Section 8-10-19, Continued Eligibility and Interim Reexamination, is amended by adding to those who may commit or threaten violence, an affiliated individual defined in regulations related to the Violence Against Women Act, and adding that if the family break-up is due to activity under VAWA, the lease may be bifurcated.
- Section 8-10-23, Denial or Termination of Assistance by Agency, is amended by adding a requirement that the Agency provide VAWA information to all applicants denied admission and all participants terminated from the program; and adding to those who must be terminated from the program a participant enrolled in a special Voucher program having a Voucher that has expired.