



HONOLULU AUTHORITY for RAPID TRANSPORTATION

Daniel A. Grabauskas
EXECUTIVE DIRECTOR AND CEO

GOVERNMENT AFFAIRS/AUDIT/LEGAL MATTERS
COMMITTEE MEMBERS

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Michael D. Formby
Donald G. Horner
Ivan Lui-Kwan, Esq.

Government Affairs/Audit/Legal Matters Committee
Alii Place, Suite 150
1099 Alakea Street, Honolulu, Hawaii
(entrance on Richards Street)
Thursday, October 15, 2015 8:30 am

Agenda

- I. Call to Order by Chair
- II. Public Testimony on All Agenda Items
- III. Approval of Minutes of the September 24, 2015 Government Affairs/Audit/Legal Matters Committee Meeting
- IV. Procurement for Independent Financial Audit Services
- V. Executive Session
Pursuant to Hawaii Revised Statutes Section 92-4 and Section 92-5(a)(4), the Board(s) may enter into Executive Session to consult with its attorneys on questions and issues on a matter pertaining to the Board's powers, duties, privileges, immunities and liabilities.
- VI. Adjournment

Note: Persons wishing to testify on items listed on the agenda are requested to register by completing a speaker registration form at the meeting or online on the HART section of the www.honolulustransit.org website. Each speaker is limited to a **two-minute** presentation. Persons who have not registered to speak in advance should raise their hands at the time designated for public testimony and they will be given an opportunity to speak following oral testimonies of the registered speakers.

If you require special assistance, auxiliary aid and/or service to participate in this event (i.e. sign language interpreter; interpreter for language other than English, or wheelchair accessibility), please contact Cindy Matsushita at 768-6258 or email your request to cmatsushita@honolulu.gov at least three business days prior to the event.

**HONOLULU AUTHORITY FOR RAPID
TRANSPORTATION**

**HONOLULU HIGH-CAPACITY TRANSIT
CORRIDOR PROJECT**

**INDEPENDENT FINANCIAL AUDIT
PROFESSIONAL SERVICES CONTRACT**

**EXHIBIT 1
AMENDED SCOPE OF SERVICES**

I. INTRODUCTION

The specifications contained herein are intended to describe the scope and nature of the work required of the Consultant who will be engaged by the Honolulu Authority for Rapid Transportation (hereinafter referred to as HART), to conduct: (1) a financial audit of the transactions, accounts, and books of HART for the fiscal years ended June 30, 2012, 2013, 2014, and 2015; and (2) an examination of the systems and procedures for accounting, reporting, and operational and internal controls of HART.

At the present time, the City and County of Honolulu (hereinafter referred to as CITY) maintains all accounts and records of HART revenues and expenditures. The CONSULTANT shall rely on the CITY's accounting system for all records of transactions.

HART was created as a result of a charter amendment contained in Article XVII of the Revised Charter of the City & County of Honolulu and commenced operations on July 1, 2011.

All provisions of these specifications shall be considered to be a part of the contract entered into by and between HART and the CONSULTANT.

II. FINANCIAL AUDIT AND REVIEW OF INTERNAL CONTROLS

A. Audit Objectives

The objectives of the audit are:

1. To provide a basis for an opinion by the CONSULTANT on the fair presentation of the financial statements of HART.
2. To determine whether HART's internal control structure is adequate in ensuring that there is proper recordation of revenues, expenditures, assets, and liabilities and whether HART complies with applicable laws and regulations regarding internal controls. In the required reports on internal controls, the CONSULTANT shall communicate any reportable conditions found during the course of the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure which could adversely affect HART's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report. Other conditions not required to be reported shall be presented in a separate management letter, which shall be referred to in the reports on internal controls.

3. To evaluate the adequacy, effectiveness, and efficiency of the systems and procedures of accounting, reporting, and operational and internal controls and to recommend improvements to such systems and procedures.

B. Audit Scope

The audit scope shall include:

1. Financial Audit

Conduct a financial audit of the transactions, accounts, and records of HART for the fiscal years ended June 30, 2012, 2013, 2014, and 2015.

The CONSULTANT is not expected to verify every transaction, but may base the audit on tests and samples as determined by its professional judgment. There should be sufficient testing of the financial data to provide the CONSULTANT with a basis to report on the fairness of the financial statements, on the legality and propriety of the expenditures, and on the accounting of all revenues and other receipts.

HART's expenditures are represented by the following fund codes:

Fund 290, Transit Operating Fund

Fund 690, Transit Capital Fund

Fund 695, Capital Improvement Bond Fund

Fund 693, Federal Grants Fund

2. Internal Control Review

Examine existing systems and procedures of accounting, reporting, operational and internal controls of HART and all operations for which HART is responsible. Evaluate the system of internal control and assess the extent to which the system can be relied upon to ensure accurate information and compliance with laws and regulations, to provide for efficient and effective operations, and to ensure integrity in HART's receipting and expenditure of funds.

The CONSULTANT shall also identify findings of any material deficiencies and weaknesses in the systems and procedures and make appropriate recommendations for improvement.

C. Standards for Examinations and Reports

1. The examinations shall be performed and the reports thereon shall be in accordance with the Generally Accepted Auditing Standards as prescribed by the American Institute of Certified Public Accountants and the Generally Accepted Government Auditing Standards issued by the

Comptroller General of the United States.

2. The report on internal control shall include the scope of the review; an evaluation of the adequacy and effectiveness of the organization and systems, including significant findings of any weaknesses and inadequacies.

The report must disclose any significant losses or waste; any fraudulent use of or improper or unauthorized expenditure of funds, or any failure to account for revenues; any significant lack of efficiency in the operations, and include recommendations for improvements in any material weaknesses and inadequacies in the organization and systems.

D. Provide assistance to the CFO in preparing HART's Annual Report by:

1. Making every effort to ensure that such report is in accordance with the reporting requirements of generally accepted accounting principles and the pronouncements of the Governmental Accounting Standards Board (GASB).
2. Assisting in the preparation of the financial statements, schedule of expenditures and related notes.
3. Assistance with the implementation of new GASB pronouncements
4. Assistance in researching issues and the applicability of GASB and GAAP pronouncements which may impact HART's financial statement reporting requirements.

E. Legal Authority

In ascertaining whether or not the financial transactions of HART are in compliance with applicable laws, ordinances, regulations and administrative procedures in accordance with Government Auditing Standards, the CONSULTANT shall become sufficiently knowledgeable with the applicable section of the following as they relate to HART activities:

1. Constitution of the State of Hawaii;
2. Hawaii Revised Statutes,
3. Session Laws of Hawaii;
4. Hawaii Administrative Rules;
5. Revised Ordinances of the City;
6. Revised Charter of the City and County of Honolulu;
7. Applicable rules, regulations, and administrative procedures issued

by the Federal Transit Administration, the State of Hawaii, the City, and HART relating to HART's financial transactions, accounting systems and controls, and operating procedures; and

8 Collective bargaining agreements affecting employees of HART.

F. Working Papers

The working papers are the property of the CONSULTANT and constitute confidential information.

The CONSULTANT shall, at any time, make available to HART for its inspection and review, such of the working papers developed during the examinations as are required to be disclosed under applicable professional standards, which may include the following:

1. Audit program and internal control questionnaire (not to be copied);
2. Trial balances;
3. Schedules, recommendations, computations, analyses, audit notes; confirmation letters and replies; and
4. Documents obtained in the course of the examination.

G. Number of Copies of Audit Reports

The CONSULTANT shall provide fifty (50) bound copies of the audited financial statements, thirty (30) bound copies of the internal control report, and ten (10) copies of the schedule of findings and questioned costs not later than November 30, immediately following the fiscal year under the contract.

III. SPECIFIC AREAS OF CONCERN

During the contract period, HART may request the CONSULTANT to examine specific areas of concern. Such additional services shall be performed by the CONSULTANT after receipt of written authorization by HART. Such authorization shall contain the additional scope of work to be performed and additional compensation to be paid. To the extent practicable, the CONSULTANT will utilize CITY staff and other resources of HART in order to keep the amount of additional compensation to a minimum.