

March 20, 2025

**VIA EMAIL**

The Honorable Ronald D. Kouchi  
Senate President  
415 South Beretania Street  
Hawai'i State Capitol, Room 409  
Honolulu, Hawai'i 96813

**VIA EMAIL**

The Honorable Nadine K. Nakamura  
Speaker, House of Representatives  
415 South Beretania Street  
Hawai'i State Capitol, Room 431  
Honolulu, Hawai'i 96813

**RE: Single Audit of Federal Financial Assistance Programs of the Department of Transportation, Harbors Division**

Dear President Kouchi and Speaker Nakamura:

The single audit report on Federal Financial Assistance Programs of the Department of Transportation, Harbors Division for the fiscal year ended June 30, 2024, was issued on February 18, 2025. The Office of the Auditor retained Accuity LLC to perform the single audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the single audit report.

You may view the single audit report and Auditor's Summary on our website at:

[https://files.hawaii.gov/auditor/Reports/2024\\_Audit/DOT\\_Harbors\\_Single\\_Audit\\_2024.pdf](https://files.hawaii.gov/auditor/Reports/2024_Audit/DOT_Harbors_Single_Audit_2024.pdf); and

[https://files.hawaii.gov/auditor/Reports/2024\\_Audit/DOT\\_Harbors\\_SASummary\\_2024.pdf](https://files.hawaii.gov/auditor/Reports/2024_Audit/DOT_Harbors_SASummary_2024.pdf).

The audit report on the financial statements of the Department of Transportation, Harbors Division for the fiscal year ended June 30, 2024, was issued on December 11, 2024 and was previously distributed by letter dated January 17, 2025.

If you have any questions about the report, please contact me.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Leslie H. Kondo", is written over a light blue horizontal line.

Leslie H. Kondo  
State Auditor

Attachment

ec/attach (Auditor's Summary only): Members of the Senate

Members of the House of Representatives  
Carol Taniguchi, Senate Chief Clerk  
Brian Takeshita, House Chief Clerk

# Auditor's Summary

## Single Audit of Federal Financial Assistance Programs of the Department of Transportation, Harbors Division

Financial Statements, Fiscal Year Ended June 30, 2024



PHOTO: DOT HARBORS DIVISION

***THE PRIMARY PURPOSE** of the Department of Transportation, Harbors Division, Single Audit for the fiscal year ended June 30, 2024, was to comply with the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Title 2, Part 200 (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Accuity LLP.*

### About the Division

The Department of Transportation, Harbors Division (DOT—Harbors) is responsible for Hawai'i's statewide system of commercial harbors consisting of ten harbors on six islands. Major activities include maintenance and operation, the construction of new harbor facilities, and the management of vessel traffic into, within, and out of Hawai'i's harbors. The Division is self-sustaining and receives no financial support from the State General Fund. Pursuant to Hawai'i Revised Statutes, rates and charges imposed and collected pay for the costs of operations, maintenance, and repairs, as well as debt service on revenue bonds and other outstanding obligations. A capital improvements program is funded by the revenue and proceeds from harbors system revenue bonds.

### About the Report

**SINGLE AUDITS** provide assurance to the federal government that state agencies and programs receiving federal funds are expending those funds properly. This report includes the total federal expenditures and findings related to the DOT—Harbors' Federal Financial Assistance Programs for the fiscal year ended June 30, 2024.

### Auditors' Opinion

**DOT-HARBORS RECEIVED AN UNMODIFIED OPINION** on its compliance with major federal programs in accordance with the *Uniform Guidance*.

### Findings

**THERE WERE NO REPORTED DEFICIENCIES** in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*. However, the auditors identified two significant deficiencies in internal controls over compliance that were required to be reported under the *Uniform Guidance*. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. The significant deficiencies are described on pages 11-12 of the single audit report.



**Link to the complete reports:**

**Single Audit**

[https://files.hawaii.gov/auditor/Reports/2024\\_Audit/DOT\\_Harbors\\_Single\\_Audit\\_2024.pdf](https://files.hawaii.gov/auditor/Reports/2024_Audit/DOT_Harbors_Single_Audit_2024.pdf)



**Financial Audit**

[https://files.hawaii.gov/auditor/Reports/2024\\_Audit/DOT\\_Harbors\\_2024.pdf](https://files.hawaii.gov/auditor/Reports/2024_Audit/DOT_Harbors_2024.pdf)



# **Harbors Division Department of Transportation State of Hawaii**

**Single Audit Report**

**Year Ended June 30, 2024**

**Submitted by  
The Auditor  
State of Hawaii**



**Harbors Division**  
**Department of Transportation**  
**State of Hawaii**  
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# **Schedule of Expenditures of Federal Awards and Uniform Guidance Compliance Reports**



**Report of Independent Auditors 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***

The Auditor  
State of Hawaii

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 Harbors Division, Department of Transportation, State of Hawaii (the “Harbors Division”), an enterprise fund of the State of Hawaii, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Harbors Division’s basic financial statements and have issued our report thereon dated December 11, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Harbors Division’s internal control over financial reporting (“internal control”) as a basis for designing 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 Harbors Division’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Harbors Division’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 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 did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Harbors Division'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 Harbors Division'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 Harbors Division's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Accuity* LLP

Honolulu, Hawaii  
December 11, 2024





**Report of Independent Auditors 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**

The Auditor  
State of Hawaii

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Harbors Division, Department of Transportation, State of Hawaii's (the "Harbors Division") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Harbors Division's major federal programs for the year ended June 30, 2024. The Harbors Division's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Harbors Division complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Harbors Division and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Harbors Division's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Harbors Division's federal programs.

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### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Harbors Division's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Harbors Division's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Harbors Division's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Harbors Division's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Harbors Division's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings No. 2024-001 and 2024-002. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditors to perform limited procedures on the Harbors Division's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Harbors Division's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

*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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a 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 Findings No. 2024-001 and 2024-002 to be significant deficiencies.


Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditors to perform limited procedures on the Harbors Division's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Harbors Division's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the 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 Harbors Division as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Harbors Division's basic financial statements. We issued our report thereon dated December 11, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion 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 2 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Accuity* LLP

Honolulu, Hawaii  
February 18, 2025

**Harbors Division**  
**Department of Transportation**  
**State of Hawaii**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

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<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal AL Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>	<b>Provided to Subrecipients</b>
<b>U.S. Department of Transportation</b>				
Port Infrastructure Development Program	20.823	—	\$ 1,618,613	\$ 1,618,613
Total U.S. Department of Transportation			<u>1,618,613</u>	<u>1,618,613</u>
Total expenditures of federal awards			<u>\$ 1,618,613</u>	<u>\$ 1,618,613</u>

See accompanying notes to the schedule of expenditures of federal awards.

**Harbors Division**  
**Department of Transportation**  
**State of Hawaii**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Harbors Division, Department of Transportation, State of Hawaii (the "Harbors Division") for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of the 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. Because the Schedule presents only a selected portion of the operations of the Harbors Division, it is not intended to and does not present the financial position and changes in net position of the Harbors Division.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Indirect Cost Rate**

The Harbors Division has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

See accompanying report of independent auditors.

## **Schedule of Findings and Questioned Costs**

**Harbors Division**  
**Department of Transportation**  
**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

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**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued	Unmodified	
Internal control over financial reporting		
• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Federal Awards**

Internal control over major programs		
• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Type of auditors’ report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs

**AL**

<b>Number</b>	<b>Name of Federal Program or Cluster</b>
20.823	Port Infrastructure Development Program

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No



**Harbors Division**  
**Department of Transportation**  
**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

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**Section II – Financial Statement Findings**

None noted.

**Harbors Division**  
**Department of Transportation**  
**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

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

		Questioned Cost
<b>Finding No. 2024-001:</b>	<b>Reporting (Significant Deficiency)</b>	\$ —
<b>Federal Agency:</b>	U.S. Department of Transportation – Maritime Administration	
<b>AL Number and Title:</b>	20.823 – <i>Port Infrastructure Development Program</i>	
<b>Award Number and Award Year:</b>	693JF72344027                      2022	
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we tested a non-statistical sample of one subaward and found that the reporting required by Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the Federal Funding Accountability and Transparency Act ("FFATA") was not completed timely.

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
1	0	1	0	0
Dollar Amount of Tested Transactions	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$40,040,279	\$0	\$40,040,279	\$0	\$0

**Criteria**

Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the FFATA requires an entity to report subcontracts made under federally-awarded contracts by the end of the month following the month in which the prime recipient awards any subgrant greater than or equal to \$30,000.

**Effect**

Failure to file required reports reduces transparency on the use of the program funds and represents an instance of noncompliance with the requirements of 2 CFR Part 200.

**Cause and View of Responsible Officials**

The failure to timely file the required report was due to oversight and unfamiliarity with federal requirements.

**Recommendation**

We recommend that program personnel are familiar with all federal program requirements and ensure that required FFATA reports are filed in a timely manner.

**Harbors Division**  
**Department of Transportation**  
**State of Hawaii**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

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		Questioned Cost
<b>Finding No. 2024-002:</b>	<b>Subrecipient Monitoring (Significant Deficiency)</b>	\$ <u>          —          </u>
<b>Federal Agency:</b>	U.S. Department of Transportation – Maritime Administration	
<b>AL Number and Title:</b>	20.823 – <i>Port Infrastructure Development Program</i>	
<b>Award Number and Award Year:</b>	693JF72344027                      2022	
<b>Repeat Finding?</b>	No	

**Condition**

During our audit, we examined a non-statistical sample of one subaward and noted that there was no evidence of evaluation of the subrecipient’s risk of noncompliance at the time of the subaward.

**Criteria**

2 CFR Section 200.332(b) requires a pass-through entity to evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

**Effect**

Without evaluating the subrecipient’s risk of noncompliance and determining the appropriate subrecipient monitoring procedures necessary, the Harbors Division may not provide the appropriate level of monitoring over its subrecipient.

**Cause and View of Responsible Officials**

The failure to complete and retain a formal risk assessment was due to oversight and unfamiliarity with federal requirements.

**Recommendation**

We recommend that program personnel ensure that program personnel are familiar with all grant requirements, including compliance with 2 CFR Part 200, which requires the reporting of all necessary federal award information to subrecipients and risk assessments of subrecipients. Management should develop procedures that ensure the Harbors Division’s responsibilities as a pass-through entity are fulfilled, including a formal analysis of each subrecipient’s risk of noncompliance with each of the respective subaward requirements. This evaluation of risk may include consideration of such factors as the following:

- The subrecipient’s prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of federal awarding agency monitoring.

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



**STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'**  
**DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU**  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

EDWIN H. SNIFFEN  
DIRECTOR  
KA LUNA HO'OKELE

Deputy Directors  
Nā Hope Luna Ho'okele  
DREANALEE K. KALILI  
TAMMY L. LEE  
CURT T. OTAGURO  
ROBIN K. SHISHIDO

IN REPLY REFER TO:

**HAR-S.25.0999**

February 18, 2025

Accuity LLP  
First Hawaiian Center  
999 Bishop Street, Suite 2300  
Honolulu, Hawaii 96813

Dear Colleagues:

Subject: Response to the Single Audit of the Hawaii Department of Transportation, Harbors,  
Fiscal Year ended June 30, 2024

Attached are the Harbors corrective action plans of the audit findings for the above-mentioned audit.

We appreciate the opportunity to comment on the report.

Should you have any questions, please contact Mr. Rex Akutagawa, Harbors Administrative Services Officer at (808) 587-1933 or by email at [rex.y.akutagawa@hawaii.gov](mailto:rex.y.akutagawa@hawaii.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Davis K. Yogi".

DAVIS K. YOGI  
Harbors Administrator

Attachment

## **Summary Schedule of Prior Audit Findings**

**Harbors Division**  
**Department of Transportation**  
**State of Hawaii**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2024**

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None noted.

## **Corrective Action Plan**

**Harbors Division**  
**Department of Transportation**  
**State of Hawaii**  
**Corrective Action Plan**  
**June 30, 2024**

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**2024-001: Reporting (Significant Deficiency)**

Concur. In 2022, the Harbors Division served as the lead entity in partnership with Hawaii Stevedores, Inc. in receiving and implementing the Port Infrastructure Development Program grant award for the KCT GREEN project. It was the first federal grant award from the U.S. Department of Transportation to Harbors Division in over a decade and the first award under the Bipartisan Infrastructure Law with the current compliance requirements. In response, to ensure compliance with the requirements of the federal grant, a third-party contractor was retained and issued Work Order 1 to provide Harbors with *"Subject Matter Expert support with respect to oversight and compliance of the 2022 Port Infrastructure Development Program grant and grant sub-recipient, Hawaii Stevedores, Inc."*

The services include periodic on-site compliance verification/checks to ensure adherence to federal regulations. The term of the services is approximately 32 months or to the end of 2025 but can be extended if Subject Matter Expert support is still needed. Harbors affirms its responsibility to comply with the grant requirements and has shared the audit findings with its contractor.

The following corrective actions will be taken:

- Require the contractor to develop a checklist and schedule of compliance requirements related to subawards and Harbors Division's role as the pass-through entity. Checklists will be used during the grant application and awards process to ensure timely submittal of the required Federal Funding Accountability and Transparency Act report.
- As provided in the Work Order, Harbors Division will work with the contractor to develop processes and establish milestones and schedules to complete the work necessary to meet required report submittal deadlines in accordance with the terms of the grant. For example, the checklist and schedule of compliance requirements shall include dates for subrecipient submittals to Harbors Division and granting agency filing deadlines.
- Harbors Division will institute a compliance review committee comprised of management for oversight of the federal grant program and to expand the support to ensure compliance.

**Individuals responsible:** Rex Akutagawa, Administrative Services Officer;  
Celia Shen, Engineering Planner

**Anticipated completion date:** March 14, 2025



**Harbors Division**  
**Department of Transportation**  
**State of Hawaii**  
**Corrective Action Plan**  
**June 30, 2024**

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**2024-002: Subrecipient Monitoring (Significant Deficiency)**

Concur. Harbors Division, in coordination with our contractor, will work together to ensure compliance with federal grant requirements and develop the necessary tools to formally document our assessments and compliance monitoring.

The following corrective actions will be taken:

- Management will coordinate with its contractor to expand the staffing assigned to conduct oversight of the federal grant program to ensure compliance.
- Management will develop and follow a checklist to assess the compliance risks of the subrecipient. Assessments will be conducted at selected milestones beginning at development of the grant application and throughout the life of the grant, and will consider the following factors:
  - Subrecipient's prior experience with grants, either as a direct recipient or subrecipient;
  - Results of the previous compliance audit of the same or similar program that has been audited as a major program;
  - Changes in key personnel;
  - System changes or updates; and
  - In-person, on-site monitoring of the activities of any subrecipient shall take place annually to ensure that the subaward is used for authorized purposes, in accordance with federal statute and regulations.

**Individuals responsible:** Rex Akutagawa, Administrative Services Officer;  
Celia Shen, Engineering Planner

**Anticipated completion date:** March 14, 2025