



Board of Water Supply

City and County of Honolulu

Single Audit of Federal Financial Assistance Programs

Year Ended June 30, 2022



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City and County of Honolulu
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Compliance and Internal Control Over Financial Reporting



**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***

To the Board of Directors
Board of Water Supply
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 Board of Water Supply (“BWS”), a component unit of the City and County of Honolulu, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the BWS’s basic financial statements, and have issued our report thereon dated November 30, 2022.

Report on Internal Control Over Financial Reporting

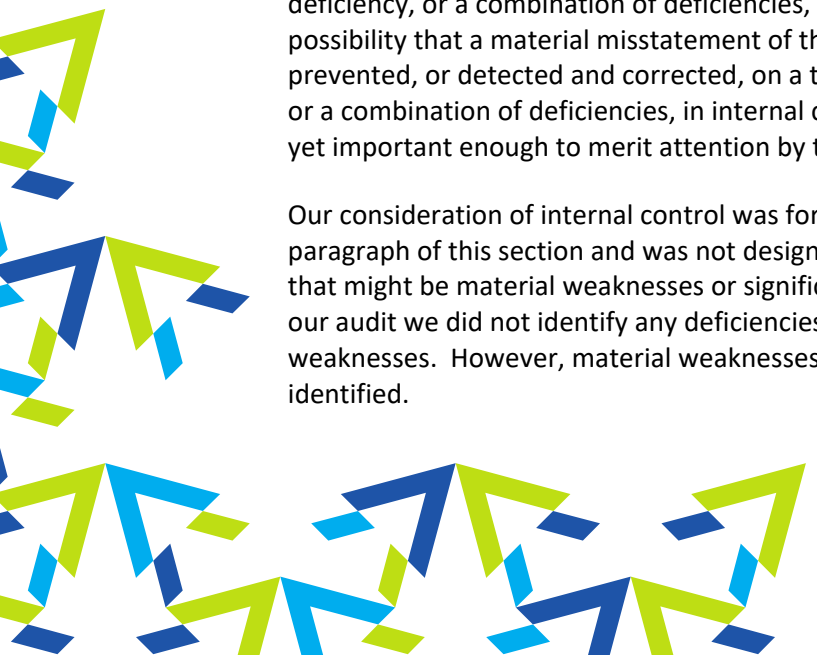
In planning and performing our audit of the financial statements, we considered the BWS’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BWS’s internal control. Accordingly, we do not express an opinion on the effectiveness of the BWS’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. 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.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BWS'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 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.

Accuity LLP

Honolulu, Hawaii
November 30, 2022

Compliance and Internal Control Over Federal Awards



**Report of Independent Auditors on Compliance
for Each Major Program, Internal Control Over
Compliance, and the Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

To the Board of Directors
Board of Water Supply
City and County of Honolulu

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Board of Water Supply's ("BWS") 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 BWS's major federal programs for the year ended June 30, 2022. The BWS's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the BWS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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 ("GAAS"); 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 BWS 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 BWS's compliance with the compliance requirements referred to above.

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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 BWS's federal programs.

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 BWS'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 GAAS, *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 BWS's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 BWS'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 BWS'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 BWS'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.



Report on Internal Control Over Compliance

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.


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.

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.

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 BWS as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the BWS's basic financial statements. We issued our report thereon dated November 30, 2022, which contained an unmodified opinion 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. 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
November 30, 2022

**Board of Water Supply
City and County of Honolulu
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

Federal Program or Pass-through Entity	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of the Interior			
Title XVI Water Reclamation and Reuse	15.504		\$ 949,000
Partners for Fish and Wildlife	15.631		<u>19,073</u>
Total U.S. Department of the Interior			968,073
U.S. Department of the Treasury			
Pass-through from the City and County of Honolulu COVID-19 – Coronavirus Relief Fund	21.019	N/A	<u>189,733</u>
Total U.S. Department of the Treasury			189,733
U.S. Environmental Protection Agency			
Pass-through from the State of Hawaii, Department of Health			
Diesel Emissions Reduction Act (“DERA”) State Grants	66.040	99T63101	49,168
Capitalization Grants for Drinking Water State Revolving Funds	66.468	ASO LOG #22-145	<u>11,500,000</u>
Total U.S. Environmental Protection Agency			<u>11,549,168</u>
Total expenditures of federal awards			<u>\$ 12,706,974</u>

See notes to the schedule of expenditures of federal awards.

**Board of Water Supply
City and County of Honolulu
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Board of Water Supply ("BWS") under programs of the federal government for the year ended June 30, 2022 and is presented 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"). Because the Schedule presents only a selected portion of the operations of BWS, it is not intended to and does not present the financial position, changes in net position, or cash flows of the BWS.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures under the Capitalization Grants for Drinking Water State Revolving Funds program are reported when incurred and when reimbursed by federal loan proceeds received from the pass-through entity during the audit period. 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 BWS has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Board of Water Supply
City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued Unmodified

Internal control over financial reporting

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? 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? yes 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? yes no

Identification of major programs

Assistance Listing

Number	Name of Federal Program or Cluster
15.504	Title XVI Water Reclamation and Reuse
66.468	Drinking Water State Revolving Fund Cluster

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? yes no

**Board of Water Supply
City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section II – Financial Statement Findings

None noted.

**Board of Water Supply
City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section III – Federal Award Findings and Questioned Costs

None noted.

**Board of Water Supply
City and County of Honolulu
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022**

There were no prior year findings or questioned costs.