

Audit of the Statewide Office on Homelessness and Housing Solutions' Administration of the Kauhale Initiative

A Report to the Governor
and the Legislature of
the State of Hawai'i

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OFFICE OF THE AUDITOR
STATE OF HAWAII



OFFICE OF THE AUDITOR STATE OF HAWAII

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Foreword

Our audit of the Statewide Office on Homelessness and Housing Solutions' Administration of the Kauhale Initiative was conducted pursuant to Act 309, Session Laws of Hawai'i 2025, which directed the Auditor to perform a management and performance audit of the initiative.

We express our appreciation to the Coordinator on Homelessness and the staff of the Statewide Office on Homelessness and Housing Solutions for their cooperation and courtesy.

Leslie H. Kondo
State Auditor

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Introduction

Governor Josh Green's kauhale initiative began with an ambitious promise: to treat homelessness as a public health emergency while rapidly expanding deeply affordable housing for people experiencing homelessness or at risk of becoming homeless. Rooted in the principle that "housing is healthcare," the initiative drew inspiration from community-led villages in Wai'anāe and Waimānalo.

The Governor's initiative, however, quickly became something different. The State shifted from community-led villages to State-funded, State-developed projects on State lands, and permanent housing expanded to include temporary shelters on lands intended for other future uses. That shift required the State to assume substantially greater responsibility for planning, contracting, construction oversight, and financial management. Through emergency proclamations, the Governor suspended procurement and other statutory requirements that ordinarily govern State public works projects. The proclamations allowed the administration to proceed quickly, but they

Across the contracts we reviewed, we identified more than \$13.7 million in payments that were unauthorized, unsupported, or questionable.

did not relieve the State of its responsibility to plan projects, safeguard public funds, document decisions, and ensure that contractors delivered the work for which they were paid.

The Statewide Office on Homelessness and Housing Solutions (SOHHS) became responsible for administering the initiative. But SOHHS had been established by the Legislature to coordinate homelessness policy, not to plan and administer public works projects, and it assumed those responsibilities without the qualified staff, technical expertise, written procedures, or internal controls necessary to manage such projects.

SOHHS, however, largely treated the contracts as formalities rather than as controls – requirements that were supposed to govern what work HomeAid could perform, what costs it could incur, and what the State would pay.

SOHHS relied extensively on HomeAid Hawai'i (HomeAid) to perform planning and development work that SOHHS itself was not equipped to perform. Using the procurement authority provided by the Governor's emergency proclamations, SOHHS selected HomeAid to perform statewide pre-development and planning work and subsequently awarded it no-bid contracts to develop the projects we reviewed, as well as a contract to design, build, transport, and deliver 273 tiny homes.

HomeAid, however, had little prior experience as a planner or developer, and SOHHS's records do not demonstrate that it evaluated whether HomeAid had the organizational and professional capacity for the responsibilities the State assigned to it. State contracts would help finance HomeAid's expansion into that role, even as SOHHS relied on HomeAid to provide expertise and resources the office itself lacked.

That dependence made SOHHS's contracts with HomeAid especially important. They defined HomeAid's obligations, established what costs the State agreed to reimburse and under what conditions, and provided the basis for holding HomeAid accountable for its performance. SOHHS, however, largely treated the contracts as formalities rather than as controls – requirements that were supposed to govern what work HomeAid could perform, what costs it could incur, and what the State would pay.

That failure was particularly consequential because SOHHS used cost-reimbursement contracts, which placed substantial financial risk on the State. Under those agreements, SOHHS was responsible for determining what costs the State was obligated to pay. Instead, SOHHS largely treated HomeAid's reimbursement requests as routine accounts payable transactions, approving every payment request we reviewed without adequately determining whether the claimed costs were reimbursable. Through our testing of a sample of payment requests, we identified more than \$13.7 million in payments that SOHHS made without adequately determining whether the costs were allowable under the contracts, including costs that helped build HomeAid's operations.

Chapter 1

Background

“Housing is healthcare” – a statewide emergency is declared

During his 2022 gubernatorial campaign, then-Lieutenant Governor Green described “housing is healthcare” as a guiding principle of his approach to homelessness. He proposed establishing *kauhale* – villages of small homes and shared spaces modeled in part on community-led efforts in Wai‘anae and Waimānalo – and pledged to reduce homelessness by more than 50 percent during his first term and “effectively eliminate” chronic homelessness statewide by 2030.

Soon after taking office, Governor Green appointed his first Coordinator on Homelessness (Coordinator) and, during his January 2023 State of the State Address, issued the first Emergency Proclamation Relating to Homelessness, stating that “as long as we’re in a housing crisis, we’ll treat it like an emergency.”

The proclamation suspended the State Procurement Code and other statutory requirements to expedite housing for people experiencing homelessness or at risk of homelessness. By July 10, 2026, the Governor had issued 24 Emergency Proclamations on Homelessness, extending or amending that authority.

From community-led housing to State developments

SOHHS initially described the initiative as “a partnership between government and community,” with State resources used to empower communities and fill gaps in resources. According to Governor Green’s first Coordinator, community organizations, nonprofits, and other groups would identify sites, assemble partners, and propose projects suited to the needs of their communities. He drafted a “community RFP” to solicit those proposals, but it was never issued. That approach resembled the community-led models found at Pu‘uhonua o Wai‘anae and Hui Mahi‘ai ‘Āina in Waimānalo, where residents and nonprofit partners led development with limited government support.

The initiative soon shifted to a State-developed model. Rather than primarily supporting community organizations developing their own *kauhale*, the State began identifying sites on State land and contracting directly for planning and development. The initiative also expanded from permanent housing to include temporary shelters, including projects on lands intended for future uses.¹

1. The first Coordinator disagreed with the administration’s shift toward temporary shelters and left his position in January 2024. The second Coordinator, who was appointed in December 2023, later publicly expressed concerns about the high cost of off-grid *kauhale* projects and was reassigned to the Department of Transportation in early 2025. The current Coordinator was appointed thereafter. Although the current Coordinator said that he was not involved in *kauhale* initiative-related decisions before his appointment, the prior Coordinators and others identified him as part of a small group of officials who had been making those decisions.

That shift substantially changed SOHHS's role. An office established to develop and coordinate homelessness policy, work with government and community partners, evaluate programs, and identify solutions to homelessness became responsible for developing State-funded kauhale projects.

SOHHS turned to HomeAid to plan and develop the State's projects

To perform much of the planning and development work required by the State-developed model, SOHHS turned to HomeAid. SOHHS contracted with HomeAid for statewide pre-development and planning activities, development of individual kauhale projects, and the design, construction, transportation, and delivery of 273 tiny homes.

The initiative expanded rapidly. The Governor initially set a goal of establishing 12 kauhale projects by the end of his first term in 2026; by late 2023, the administration was seeking to establish 10 new projects by early 2024, and the Governor later described a broader goal of 30 by the end of 2026.

During our audit, SOHHS provided multiple lists of kauhale projects that differed in both the number of projects reported and the projects included, and those lists also differed from SOHHS's website. For example, SOHHS currently counts Kama'okū and Hale 'Imi Ola at Waikiki Vista among the Green Administration's kauhale projects even though both were developed or funded through the legislatively established 'Ohana Zones Pilot Program. At the same time, its current list does not include the Cedar Church project (for further discussion, see "Acting Before Contracting" on page 14), which was described as the "crown jewel" of the kauhale initiative when it opened and for which the State provided 20 tiny homes.

Our audit focused on SOHHS's development contracts

SOHHS provided us with contracts associated with the kauhale initiative totaling more than \$80 million, including more than \$43 million in development and construction-related contracts² and more than \$37 million in contracts with organizations providing services to kauhale residents.

The following table lists all of the development and service-provider contracts that SOHHS associated with the initiative.

2. We include the Pūlama Ola and Cedar Church projects, which did not have contracts for development or construction. The State paid certain costs through Bills of Sale executed after the projects were completed.

Statewide Kauhale Initiative Projects

SOHHS WAS UNABLE to provide us with a consistent list of kauhale initiative projects. Even as of September 2026, the list of projects posted on its website included Hui Mahi'ai 'Āina, which was a project developed by the community that predated the kauhale initiative. The redevelopment of Hui Mahi'ai 'Āina, which is partly funded by the State, is identified as "Under Development" and not included in the list of projects.

Our list includes projects counted by SOHHS that predated the initiative and were developed or funded under the

'Ohana Zones Pilot Program. It also includes Pūlama Ola and Cedar Church, neither of which is on SOHHS's current list. We include the amounts of the contracts that we were able to determine for both development and services. However, we did not find contracts for the 'A'ala Medical Respite or the Lē'ahi Behavioral kauhale. Additionally, we were unable to determine the contract amount for Kama'okū. The total amount of kauhale initiative-related contracts, therefore, is more – very likely millions more – than the total reported below.

Location	Project	Development/ Construction	Service Provider	Total
O'ahu	'A'ala Medical Respite		N/A	
	Lē'ahi Behavioral		N/A	
	Alana Ola Pono	\$5,245,116	\$4,711,350	\$9,956,466
	Fernhurst		\$1,756,800	\$1,756,800
	Hale 'Imi Ola at Waikiki Vista		\$4,391,124	\$4,391,124
	Ho'okahi Leo (Middle Street) Phases I & II	\$7,955,750	\$6,148,217	\$14,103,967
	Hui Mahi'ai 'Āina	\$3,000,000		\$3,000,000
	Iwilei Center		\$1,713,962	\$1,713,962
	Ka Malu Ko'olau Phases I & II	\$2,320,000	\$5,592,721	\$7,912,721
	Kama'okū		N/A	
	Kauhale 'Ōpio		\$1,016,121	\$1,016,121
	Kulia I Ka Nu'u		\$1,259,458	\$1,259,458
	Kumu Ola Hou		\$3,077,279	\$3,077,279
	Pae Pae Hou		\$466,772	\$466,772
Maui	Punawai Medical Respite		\$814,168	\$814,168
	Village of Redemption I & II		\$678,181	\$678,181
	Weinberg Village	\$2,000,000		\$2,000,000
	Kīpūola	\$7,942,912		\$7,942,912
Hawai'i Island	Maui Central Kūpuna PSH		\$687,852	\$687,852
	Maui Vineyard Kūpuna PSH		\$938,909	\$938,909
	Kino'ole Youth		\$200,000	\$200,000
Kaua'i	Our Lady of Lourdes		\$250,000	\$250,000
	Salvation Army Overnight Cots		\$1,000,000	\$1,000,000
	Wiwo'ole Bridge Housing		\$393,046	\$393,046
Statewide	Kauhale Pre-Development & Planning Agreement	\$8,479,670		\$8,479,670
	Tiny Homes	\$5,860,082		\$5,860,082
Other	Pūlama Ola (Bill of Sale)	\$67,266	\$2,090,983	\$2,158,249
	Cedar Church (Bill of Sale)	\$287,000		\$287,000
Total		\$43,157,796	\$37,186,943	\$80,344,739

Source: SOHHS

SOHHS represented that it had provided us with all its kauhale contracts. We did not receive contracts for 'A'ala Medical Respite and Lē'ahi Behavioral.

Part of a larger contract with the City and County of Honolulu to provide services for 'Ohana Zone projects. The contract did not identify a separate allocation for Kama'okū.

A temporary medical respite, Pūlama Ola was closed in December 2023.

There is a discrepancy between the contract amount listed in the initial contract – \$8,497,670 – and the amount in the contract's approved budget – \$8,479,670. We use the contract budget amount for the contract value, as "[c]ompensation shall be paid in accordance with" the budget.

This kauhale of 20 tiny homes was built by the State on Cedar Church property in Kalihi Valley. Considered a liability by the Governor's Office, the State eventually sold the 20 units to the church for \$1. (See "Acting Before Contracting" on page 14.) The State paid two different contractors a total of \$287,000 for their work.

We focused our audit on the development and construction contracts because they presented the greatest risk to the State, given the nature and magnitude of the work, SOHHS's expanded role in developing public works projects, and the suspension of procurement and other statutory safeguards. We did not include the service-provider contracts or associated payment requests in the audit.

We identified 10 development-related contracts.³ Nine were with HomeAid and reflected the State-developed model that became the principal focus of the initiative. The tenth was a \$3 million agreement with aio Foundation to support redevelopment of Hui Mahi'ai 'Āina.⁴

Statewide Kauhale Initiative Contracts Development Contracts

No.	Project	Contractor	Units	Amount
1	Kauhale Pre-Development and Planning Agreement	HomeAid Hawai'i	—	\$8,479,670
2	Tiny Homes	HomeAid Hawai'i	—	\$5,860,082
3	Alana Ola Pono	HomeAid Hawai'i	45	\$5,245,116
4	Ho'okahi Leo (Middle Street) Phase I	HomeAid Hawai'i	20	\$1,200,000
5	Ho'okahi Leo (Middle Street) Phase II	HomeAid Hawai'i	30	\$6,755,750
6	Ka Malu Ko'olau Phase I	HomeAid Hawai'i	33	\$1,600,000
7	Ka Malu Ko'olau Phase II	HomeAid Hawai'i	—	\$720,000
8	Weinberg Village	HomeAid Hawai'i	20	\$2,000,000
9	Kīpūola	HomeAid Hawai'i	64	\$7,942,912
10	Hui Mahi'ai 'Āina	aio Foundation	116	\$3,000,000
Total				\$42,803,530

We excluded the aio agreement from our audit because it represented a materially different development and financing model. The \$6.3 million redevelopment combined the State's \$3 million contribution – characterized as “partial funding of [a] larger project” – with substantial private resources. Unlike the HomeAid agreements, under which the State bears the full development cost with no specified private contribution, the aio agreement supported a community-led project that aio was responsible for developing and coordinating and that is ultimately intended to be transferred to and operated by a nonprofit organization.

3. The ten development-related contracts do not include the Bills of Sale for Pūlama Ola and Cedar Church.

4. The ten contracts include six kauhale development projects, two of which were developed in two phases, and statewide contracts for pre-development efforts and construction of 273 tiny homes.

SOHHS's records were incomplete and inconsistently maintained

AT THE BEGINNING OF THE AUDIT, we requested access to all SOHHS's documents relating to the kauhale initiative. In September 2025, we were told that the files we had been provided were SOHHS's official and complete records. Those files, however, contained the contracts and little else.

Three months later, we learned that additional records were maintained in SOHHS's SharePoint document management system. We subsequently were provided access to those files, which the Facilities and Planning Specialist described as the "best representation" of the relevant files she could "pull together." The SharePoint files were not consistently organized; some documents were stored in folders that did not correspond with their contents, making it difficult to determine whether the records for particular contracts or projects were complete. We were unable to locate numerous documents that we would expect to have been maintained by SOHHS.

We subsequently informed the Coordinator that we understood we had received all of SOHHS's records relating to the initiative through the end of 2025, the end of our audit period, and asked him to notify us if that understanding was incorrect. We received no response.

Audit Objectives

Our audit objectives are to:

1. Describe the process to develop kauhale projects on undeveloped land for people experiencing homelessness or at risk of becoming homeless; and
2. Make recommendations, as appropriate.

Summary of Finding

We found that SOHHS was not prepared to implement the kauhale initiative and did not provide the oversight necessary to protect public funds.

SOHHS treated its contracts and related documentation as after-the-fact paperwork rather than controls to protect the State. It allowed projects to proceed without signed agreements, omitted basic public works protections, and did not ensure that required planning deliverables were completed on time and used to inform project commitments. It also did not consistently enforce requirements governing project changes, subcontractor approval, and contractor licensing. As a result, SOHHS could not demonstrate that work was properly authorized, projects were completed as agreed, or the State received everything for which it paid.

SOHHS also approved HomeAid payment requests without adequately determining whether the claimed costs were authorized, reasonable, supported, properly allocated, or related to the contracts charged. We identified more than \$13.7 million in unauthorized, unsupported, or questionable payments, including costs that appear to have supported HomeAid's organizational expansion, operations, marketing, travel, and work associated with other projects.

SOHHS assumed responsibility for the kauhale initiative without the institutional capacity, technical expertise, or controls needed to administer public works projects. It relied extensively on HomeAid, which helped plan, price, and develop the projects it was awarded, while State contracts helped finance the organization's rapid expansion. However, SOHHS did not adequately define, guide, and oversee its contractor's work.

Interim Communication Memo: We Alerted DHS to Control Weaknesses During the Audit

DURING OUR AUDIT, we determined SOHHS did not have adequate controls to provide reasonable assurance that it would identify unallowable costs in HomeAid's payment requests. By that time, we had identified \$1.7 million in costs reimbursed by SOHHS under the Statewide Kauhale Pre-Development and Planning Agreement and other HomeAid contracts that appeared questionable.

Because many of the contracts were ongoing, we communicated our concerns to the Department of Human Services (DHS) Director and Legislators by memorandum on April 20, 2026.^{1,2} We concluded that control deficiencies warranted immediate attention because SOHHS remained at risk of continuing to reimburse costs without adequately determining whether they were allowable under its contracts.

The Director subsequently told us that neither DHS nor SOHHS had taken action in response to the memorandum to assess the control deficiencies we had identified. The Director told us that any corrective action would wait until after our report was issued. When we spoke with the Deputy Director who, according to the Director, was directly involved in the initiative, we understood from our meeting with him that he believed it was not his role at that time to have oversight over SOHHS for the concerns raised in the memorandum.

As our audit continued, the amount of questionable costs we identified increased substantially. Based on our sampling of HomeAid payment requests and supporting documentation, we ultimately identified more than \$13.7 million in costs that SOHHS reimbursed without adequately determining whether the costs were allowable under the applicable contracts.

1. During the audit, the DHS Director resigned and the Deputy Director was appointed as the acting director. For purposes of this report, we refer to the former director as the Director and the acting director as the Deputy Director.

2. SOHHS is attached to DHS for administrative purposes. The Coordinator reports to the DHS Director.

Chapter 2

SOHHS Was Not Prepared to Implement the Kauhale Initiative and Did Not Provide the Oversight Necessary to Protect Public Funds

Officials involved in implementing the kauhale initiative agreed that the Governor's emergency proclamations did not eliminate accountability for public funds or the need for appropriate internal controls. Our audit found, however, that SOHHS assumed responsibility for the planning and development of State-funded public works projects without the institutional capacity, technical expertise, or controls needed to manage that work.

SOHHS relied extensively on HomeAid to perform the planning and development work the office was not equipped to perform. But HomeAid was also expanding into the organizational and professional role the State assigned it, and State contracts helped finance that expansion. That made independent State oversight of HomeAid's work, prices, performance, and costs especially important.

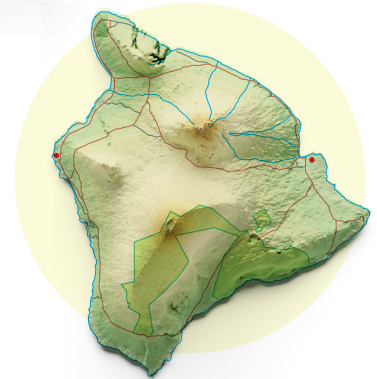
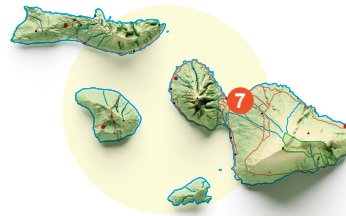
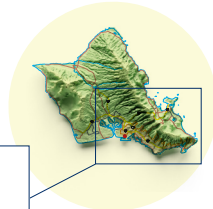
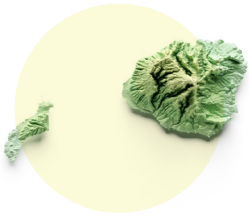
SOHHS did not provide that independent oversight. Its records do not demonstrate that it adequately evaluated HomeAid's capacity for the work entrusted to it, independently defined projects, established the basis for contract prices, or documented some of the initiative's most consequential decisions. We could not determine who made key decisions, including the decision to select HomeAid in the first place.

SOHHS's reliance on HomeAid made the contracts between them especially important. Those agreements defined HomeAid's obligations, what costs the State agreed to reimburse, and the conditions governing payment. But SOHHS largely treated those contracts as formalities rather than as controls for defining the work, controlling costs, and holding HomeAid accountable. It allowed work, changes, and expenditures to occur before the agreements, amendments, and approvals intended to govern them were in place, and it did not consistently enforce the requirements the contracts established.

The consequences of that approach became especially significant when SOHHS reviewed HomeAid's reimbursement requests: SOHHS treated those requests largely as routine accounts payable transactions and approved every payment request we reviewed without adequately determining whether the claimed costs were authorized, supported, properly allocated, or otherwise reimbursable. We identified **more than \$13.7 million** in payments that SOHHS made without adequately determining whether the costs were reimbursable under the agreements.

We could not determine who made key decisions, including the decision to select HomeAid in the first place.

Statewide Kauhale Initiative Projects Developed From Undeveloped Land



1 Pūlama Ola

Number of Tiny Homes: 12

Pūlama Ola was a temporary 12-unit medical respite kauhale in the Department of Health parking lot for homeless patients discharged from urban Honolulu hospitals. Opened in May 2023, the pilot project was closed in December 2023, and its tiny homes were redistributed to other kauhale.

2 Alana Ola Pono

Number of Tiny Homes: 45

Alana Ola Pono is located in Iwilei, O'ahu, across from 'A'ala Park. The site features 45 tiny home units; two community centers; and two kitchen, three shower, and three toilet modules. The contract called for up to 75 units but only 45 were installed.

3 Ho'okahi Leo (Middle Street) Phases I & II

Number of Tiny Homes: 50

Ho'okahi Leo (Middle Street), located near the Kalihi Transit Center, was developed in two phases. The first phase provided 20 tiny homes, 2 restroom trailers, and a washer/dryer trailer. The second phase added 30 more units.

4 Ka Malu Ko'olau Phases I & II

Number of Tiny Homes: 33

Ka Malu Ko'olau is located on a Department of Transportation base yard adjacent to Windward Community College. The first phase included 33 tiny homes along with some modular hygiene trailers, including two restroom trailers and a washer/dryer trailer. The second phase added facility and infrastructure upgrades.

5 Weinberg Village

Number of Tiny Homes: 20

Weinberg Village is located on a portion of the Waimānalo Emergency Shelter's parking lot. The kauhale includes communal laundry, kitchen, restroom, and shower facilities.

6 Hui Mahi'ai 'Āina

*Number of Tiny Homes: 116
(under development)*

Hui Mahi'ai 'Āina will relocate the existing Hui Mahi'ai 'Āina encampment originally established on State land in Waimānalo in 2020. When completed, it will feature 116 tiny homes for individuals and families and a communal kitchen and other facilities.

7 Kīpūola

Number of Tiny Homes: 64

Kīpūola is located in Kahului, adjacent to the former site of Pu'u'honua o Nēnē, which offered emergency shelter for individuals experiencing homelessness as a result of the Maui wildfires. Kīpūola's modular housing units were prefabricated in South Korea and shipped to Maui. The project was originally planned to have 128 units, but was reduced to 64.

Part 1

SOHHS treated contracts as after-the-fact paperwork, not safeguards governing work and spending

The contracts were the principal documents establishing the State's agreements with HomeAid. Ordinarily, project plans and specifications would help define what the State intended to build, and a contractor's proposal would document what the contractor offered to provide and at what price. SOHHS had neither. The contracts therefore became the primary – often only – means of defining HomeAid's obligations, what the State agreed to pay, and the protections governing performance and payment.

But SOHHS did not consistently use the contracting process to establish or protect the State's interests. SOHHS proceeded with two projects – Pūlama Ola and Cedar Church – without contracts or other documentation establishing the parties' responsibilities, the costs or expenses the State had agreed to pay or reimburse, or other material terms. For other projects, SOHHS allowed work to begin before contracts were signed and, once in place, did not consistently enforce their requirements. In practice, SOHHS allowed decisions, work, changes, and expenditures to occur before the agreements, amendments, and approvals intended to govern them were in place. Rather than establishing beforehand what could occur and on what terms, the contractual documents often followed decisions already made, work already performed, and expenditures already incurred.

While the emergency proclamations suspended the Hawai'i Public Procurement Code, among other laws, the statute encourages governmental bodies making procurements that are exempt from the Hawai'i Public Procurement Code to “adopt and use provisions of the Hawai'i Public Procurement Code and its implementing rules as appropriate,” and requires all public employees conducting and participating in public procurement to act “as a fiduciary and trustee of public moneys.” This fiduciary duty applies to all phases of contract administration.

When SOHHS did execute contracts, it omitted protections ordinarily associated with public works contracts, including performance and payment bonds, while agreeing to terms – such as cost reimbursement and advance payments – that increased the State's financial exposure. Its files do not document why SOHHS made those choices, whether it evaluated the additional risks they created, or what alternative controls, if any, it established to protect the State.

Rather than establishing beforehand what could occur and on what terms, the contractual documents often followed decisions already made, work already performed, and expenditures already incurred.

The consequences of that approach became most significant when HomeAid requested payment. Because SOHHS used cost-reimbursement contracts, the State bore substantial financial risk, and SOHHS was responsible for determining whether HomeAid's claimed costs were authorized, adequately supported, properly allocated, reasonable, and otherwise reimbursable. SOHHS did not make those determinations before approving payment.

SOHHS contracted first, planned later – and left higher spending ceilings in place

The Statewide Kauhale Pre-Development and Planning Agreement (Pre-Development Agreement) was intended to provide the planning foundation for projects the State might later develop. HomeAid was to assess sites, coordinate technical studies, prepare budgets and schedules, develop plans, and, for projects proceeding to construction, prepare construction plans and biddable documents. The agreement contemplated that HomeAid might then separately be retained to manage construction.

That sequence did not occur.

Before HomeAid completed the pre-development work intended to define projects for construction, SOHHS began awarding HomeAid no-bid, project-specific agreements to develop and construct the individual kauhale projects we reviewed. SOHHS therefore committed the State before receiving the planning work intended to establish project scope, anticipated cost, schedule, and construction requirements.

SOHHS's files included Level II Assessment Pre-Development Close-Out Reports prepared by Construction Management & Development (CM&D), HomeAid's pre-development and planning contractor, for three projects – Ho'okahi Leo (Middle Street) Phase II, Alana Ola Pono, and Kīpūola. The reports contained project scopes, budgets, schedules, and other planning information. But each report was completed after SOHHS had already entered into the corresponding development contract.

SOHHS therefore entered into the development contracts without the completed project-specific planning and cost information intended to inform their scopes and amounts. The current Coordinator told us that he assessed proposed amounts by comparing them with prior HomeAid contracts. But those contracts involved different scopes, sites, and conditions and did not provide a project-specific basis for determining whether the contract amount was reasonable. He identified no independent cost estimates, contractor proposals, engineer's estimates, or other pricing analyses.

At least two of the three pre-development close-out reports projected costs below the amounts SOHHS had already authorized. For Ho'okahi Leo (Middle Street) Phase II, the contract signed by the State contained what CM&D characterized

as a high-level \$6.7 million budget, while CM&D's subsequently completed close-out report included a detailed project budget identifying anticipated costs for sitework, infrastructure, communal structures, and other project components. CM&D estimated total project costs at approximately \$5.4 million – about \$1.3 million less than the amount SOHHS had already authorized. Even after receiving that lower project-specific estimate, we found no evidence that SOHHS reassessed or reduced the contract amount. The report also stated that schematic civil-engineering and utility plans remained “to be completed,” even as the project transitioned from pre-development to construction.

By leaving the higher contract ceiling in place after receiving a lower project-specific estimate, SOHHS left additional State funds potentially available for reimbursement without documenting a corresponding project need or why the additional spending authority remained necessary. SOHHS's administration of other HomeAid contracts demonstrated the significance of that risk. On two completed development contracts – Ka Malu Ko'olau Phase I and Ho'okahi Leo (Middle Street) Phase I – SOHHS reimbursed more than \$1 million in charges HomeAid added to its payment requests that were not included in the approved budgets, exhausting the balance of the contract budgets. In addition, under the Tiny Homes contract, SOHHS paid the full \$5.86 million contract amount even though HomeAid's closeout report identified more than \$726,000 less in contract costs.

The sequence effectively defeated the purpose of pre-development. SOHHS committed the State to development contracts before receiving the planning work intended to inform those commitments, and its records do not demonstrate that it subsequently used that work to control the State's financial exposure. The reports documented projects after key decisions had been made rather than informing and controlling those decisions.

SOHHS repeatedly allowed work to proceed without contracts or before contracts were signed

The Pūlama Ola and Cedar Church projects did not have development agreements defining the parties' respective responsibilities, the costs or expenses the State agreed to pay or reimburse, ownership interests, or other material terms.

Pūlama Ola, the initiative's first demonstration medical respite kauhale, was publicly described as having been developed at no cost to the State. HomeAid's CEO stated at the kauhale's opening that HomeAid and its partners were “honored to gift this kauhale to the State of Hawai'i.” Less than two months later, however, the State executed a Bill of Sale agreeing to pay HomeAid more than \$67,000 for the housing units and furnishings. The Bill of Sale documented the State's payment only after the work had been completed; it did not establish beforehand what costs, if any, the State had agreed to pay or the terms governing that payment.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STATE OF HAWAII
KA MOKU'ĀINA O HAWAII
DEPARTMENT OF HUMAN SERVICES
KA 'OIHANA MĀLAMA LAWELawe KANAKA
Office of the Director
P. O. Box 339
Honolulu, Hawaii 96809-0339

RYAN I. YAMANE
DIRECTOR
KA LUNA HO'OKELE

JOSEPH CAMPOS II
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

TRISTA SPEER
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

SOHHS 25.33

September 18, 2025

Ernest Y. Martin, Esq.
Lee & Martin
737 Bishop Street, Suite 1450
Honolulu, Hawaii 96813

RE: Receipt of Fee Consideration in the Amount of ONE AND NO/100 DOLLAR (\$1.00) for the Transfer of Twenty (20) State-Owned Tiny Home Units at 1545 Kamehameha IV Road, Honolulu, Hawaii 96819

Dear Mr. Martin,

This letter serves as receipt by the State of Hawaii ("State") of the amount of ONE AND NO/100 DOLLAR (\$1.00) for the transfer of twenty (20) State-owned tiny home units at 1545 Kamehameha IV Road, Honolulu, Hawaii 96819.

Please do not hesitate to contact me at (808) 859-0829 or via email at jun.d.yang@hawaii.gov with any questions.

Sincerely,

Jun Yang
Coordinator on Homelessness

Source: SOHHS

Acting Before Contracting

The 20 tiny homes built on Cedar Church's property in Kalihi Valley were called the "crown jewel" of the kauhale initiative. However, the project illustrates the consequences of proceeding without a contract.

BY THE END OF AUGUST 2024, the State had placed 20 tiny homes on church property without a written contract establishing Cedar Church's responsibilities for the project, including operating requirements, costs, ownership rights, and liability.¹ A SOHHS memo later described permitting problems, lender concerns, an incomplete electrical-service request, and payment for solar installation before the related lease was finalized. The Governor's Chief of Staff called the project "a mistake," citing improperly connected units, "massive liability," and a risk of electrocution.

1. The State also did not have a written contract with Prometheus Construction, which provided donated labor, materials, and equipment to build the project. The State executed two Bills of Sale to pay Prometheus Construction for the cost of certain improvements to the church.

In May 2025, nearly nine months after its opening, SOHHS demanded Cedar Church return the units or purchase them for \$400,000. Although the units were occupied by previously unhoused kūpuna and families, the current Coordinator said the church was not authorized to use the units and must immediately stop. In September 2025, the State sold all 20 units to the church for \$1.

The State ultimately spent approximately \$716,000 on the project – \$429,000 on the tiny home units, \$150,000 on improvements to the Cedar Church property, and \$137,000 for a photovoltaic system and meter upgrade. The improvements included a "hydroponics mushroom growing shed," artistic mural, and a lawnmower. SOHHS no longer considers Cedar Church part of the kauhale initiative or a State responsibility.

The Cedar Church project, located at a Kalihi church, similarly moved forward without a development agreement. By the end of 2024, the State had placed 20 tiny homes on church property without a signed agreement defining obligations, operating requirements, costs, ownership rights, or liability. The second Coordinator acknowledged that SOHHS moved forward before finalizing an agreement: “[W]e just decided to get the homes to the church, let the homeless go into the homes, and then finalize the contract.” No development agreement was ultimately executed. Today, Cedar Church is not included in the list of projects developed under the *kauhale* initiative.

The same practice continued with SOHHS’s subsequent agreements with HomeAid. HomeAid’s CEO told us that HomeAid and its contractors began performing work and incurring costs they expected the State to reimburse on August 1, 2023. But SOHHS’s files contain no contract or other contemporaneous document establishing what work HomeAid was authorized to perform, what costs the State had agreed to reimburse, or the terms governing that work and spending. Nearly five months later, on December 29, 2023, SOHHS and HomeAid signed the Pre-Development Agreement and made it retroactively effective to August 1. The agreement itself references the Governor’s Seventh Emergency Proclamation, issued November 9, 2023, confirming that the agreement ultimately signed in December could not have existed in its final form on its stated August 1 effective date. Thus, rather than establishing the terms governing HomeAid’s work and costs before they were incurred, the agreement documented those terms after HomeAid had already been performing work and incurring costs for nearly five months.

“[W]e just decided to get the homes to the church, let the homeless go into the homes, and then finalize the contract.”

– Second Coordinator

The same pattern occurred in the project-specific agreements. The contract for Ka Malu Ko‘olau Phase I was effective November 1, 2023, but was not fully signed until January 25, 2024 – six days before its three-month period of performance ended. The Ho‘okahi Leo (Middle Street) Phase I contract also was effective November 1, 2023, but was not signed until February 8, 2024 – eight days *after* its stated period of performance had expired. Of the nine HomeAid contracts we reviewed, six were signed after their stated effective dates.

The problem was not limited to SOHHS’s initial execution of contracts. SOHHS also allowed contractual periods to lapse before executing supplemental agreements required to extend them. For example, Supplemental Contract No. 1 for Alana Ola Pono was signed approximately 15 months *after* the period it purported to authorize had ended. Supplemental Contract No. 2 for Ho‘okahi Leo (Middle Street) Phase II was intended to extend the agreement beginning September 1, 2025, but was not signed until November 21, 2025, leaving approximately 11 weeks without a signed extension.

Retroactive Contracting

The Pre-Development Agreement was intended to provide the planning foundation for projects the State might later undertake. HomeAid was to assess potential sites, coordinate technical studies, prepare budgets and schedules, develop project plans, and produce construction plans and biddable documents for projects moving forward.

Contract No. DHS-24-GOV-0052

STATEWIDE KAHALE PRE-DEVELOPMENT AND PLANNING AGREEMENT

This STATEWIDE KAHALE PRE-DEVELOPMENT AND PLANNING AGREEMENT (Agreement or Contract) is effective as of August 1, 2023 (Effective Date) between the Department of Human Services (DHS or State) and Housing Providers of Hawaii, Inc., dba, HomeAid Hawaii (Contractor), (each a Party or collectively, the Parties). This Contract is exempt from procurement pursuant to the Governor's Seventh Proclamation relating to Homelessness, dated November 9, 2023.

The agreement identified August 1, 2023, as its effective date – the date that, according to HomeAid's CEO, HomeAid and its contractors began incurring reimbursable costs.

But that date was more than three months before Governor Green's Seventh Emergency Proclamation.

I. Background and Purpose.

This Agreement is entered in recognition of the crisis resulting from the lack of housing options for people experiencing homelessness, as set out in the Governor's Proclamation Relating to Homelessness issued on January 23, 2023, that continued with the Seventh Proclamation Relating to Homelessness issued on November 9, 2023. This Agreement is a vehicle for the identification and eventual construction of kauhale sites for homeless people that will provide housing and supportive services to the intended users. The purpose of this Agreement is to allow the State and Contractor the ability to select suitable sites for further assessment, master planning, and pre-development work to ascertain the suitability of sites for development into kauhale and to begin the process of accurately planning timelines, deliverables, budgets, contractors, support teams, and to value engineer cost reductions to achieve development goals within a given budget. The Contractor may eventually work with key stakeholders to design site and vertical construction plans that support program operations and occupants' well-being.

II. Definitions.

A. "At risk of homelessness" means:

1. An individual who is exiting an institutional facility where he or she resided and who resided in an Emergency Shelter or place not meant for human habitation immediately before entering that institution, provided that no subsequent residence has been identified; and the individual or family lacks the resources or support networks, e.g., family, friends, faith-based, or other social networks, needed to obtain other Permanent Housing.
2. An individual or family who will imminently lose their primary nighttime residence, provided that:
 - a. The primary nighttime residence will be lost within 14 days of the date of application for Homeless assistance;
 - b. No subsequent residence has been identified; and

The State and HomeAid did not sign the agreement until December 29, 2023 – nearly five months after HomeAid and its contractors reportedly began performing work and incurring costs.

VII. Signatures.

HOUSING PROVIDERS OF HAWAII, INC., DBA, HOME AID HAWAII, a Hawai'i nonprofit corporation

Harry A. Saunders III Dec 29, 2023
By: Harry A. Saunders III Date
Its: President

Karen Seddon Dec 29, 2023
By: Karen Seddon Date
Its: Vice-President

CONTRACTOR

**STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES**

Joseph Campos II Dec 29, 2023
By: Joseph Campos II Date
Its: Deputy Director

APPROVED AS TO FORM
Deputy Attorney General
Deputy Attorney General

Retroactive Contracting

Ho'okahi Leo (Middle Street) Phase I's contract was signed more than three months *after* the effective date of the contract, and more than a week *after* the end of the Time of Performance.

*The Ho'okahi Leo (Middle Street)
Phase I contract was effective as of
November 1, 2023.*

DHS-24-GOV-0056



STATE OF HAWAII
CONTRACT FOR GOODS AND SERVICES
(IN THE FOLLOWING CATEGORIES: EXEMPT; SMALL PURCHASE;
SOLE SOURCE; OR EMERGENCY)

This Contract, executed on the respective dates indicated below, is effective as of
November 1, 2023, between Department of Human Services
(Insert name of state department, agency, board or commission)

State of Hawaii ("STATE"), by its **Director, Cathy Betts**
(Insert title of person signing for State)
 (hereafter also referred to as the HEAD OF THE PURCHASING AGENCY or designee ("HOPA")),
 whose address is **1390 Miller Street, Honolulu, Hawaii 96813**
 and Housing Providers of Hawaii, Inc., dba HomeAid
 ("CONTRACTOR"), a Nonprofit Corporation
(Insert corporation, partnership, joint venture, sole proprietorship, or other legal form of the Contractor)
 under the laws of the State of Hawaii, whose business address and federal
 and state taxpayer identification numbers are as follows: **690 Hialeah Road, Suite 570, Honolulu, HI 96817**
PO Box 11811, Honolulu, HI 96828 Fed ID# 47-4880676, State ID# GE-048-672-3584-01

RECITALS

A. The STATE is in need of the goods and services, or both, described in this Contract and its attachments. The CONTRACTOR is agreeable to providing the goods and services, or both, as the case may be.

B. This Contract is for (check one box):
☒ (1) A procurement expenditure of public funds for goods or services, or both, that is otherwise exempt from public bidding as set forth in section 103D-102, Hawaii Revised Statutes ("HRS"), and chapter 3-120, Hawaii Administrative Rules ("HAR"); or
☐ 7th Proclamation Relating to Homelessness on 11/9/2023
☐ (2) A small purchase procurement of goods or services, or both, as set forth in section 103D-305, HRS, and subchapter 8, chapter 3-122, HAR; or
☐ (3) A sole source procurement of goods or services, or both, as set forth in section 103D-306, HRS, and subchapter 9, chapter 3-122, HAR; or
☐ (4) An emergency procurement of goods or services, or both, as set forth in section 103D-307, HRS, and subchapter 10, chapter 3-122, HAR.

C. Money is available to fund this Contract pursuant to:
 (1) (Identify state account)
 or (2) **Coronavirus State Fiscal Recovery Fund (CSFRF)**
(Identify federal account)
 or both, in the following amounts: State \$ _____
 Federal \$ **1,200,000.00**
 D. Pursuant to Section 346-14 and 346-362, HRS, the STATE
(Legal authority to enter into this Contract)
 is authorized to enter into this Contract.
 E. The agency's Chief Procurement Officer is **Cathy Betts**
 who ☐ has approved this procurement or ☒ is not required to approve this procurement.
 NOW, THEREFORE, in consideration of the promises contained in this Contract, the STATE and the CONTRACTOR agree as follows:
 I. **Scope of Services.** The CONTRACTOR shall, in a proper and satisfactory manner as determined by the STATE, provide all the goods or services, or both, set forth in Attachment1, which is made a part of this Contract.

AG-402 Rev 07/24/2006 1

2. **Compensation.** The CONTRACTOR shall be compensated for goods supplied or services performed, or both, under this Contract in a total amount not to exceed **One Million, Two Hundred Thousand** DOLLARS (\$1,200,000.00), including approved costs incurred and taxes, according to the Compensation and Payment Schedule set forth in Attachment2, which is made a part of this Contract.

3. **Time of Performance.** The services or goods required of the CONTRACTOR under this Contract shall be performed and completed in accordance with the Time of Performance set forth in Attachment3, which is made a part of this Contract.

4. **Bonds.** The CONTRACTOR ☐ is required to provide or ☒ is not required to provide: ☐ a performance bond, ☐ a payment bond, ☐ a performance and payment bond in the amount of n/a DOLLARS (\$ n/a).

5. **Standards of Conduct Declaration.** The Standards of Conduct Declaration of the CONTRACTOR is attached to and made a part of this Contract.

6. **Other Terms and Conditions.** The General Conditions and any Special Conditions are attached to and made a part of this Contract. In the event of a conflict between the General Conditions and the Special Conditions, the Special Conditions shall control.

7. **Liquidated Damages.** Liquidated damages shall be assessed in the amount of n/a DOLLARS (\$ n/a) per day, in accordance with the terms of paragraph 9 of the General Conditions.

8. **Notifies.** Any written notice required to be given by any party to this Contract shall be (a) delivered personally, or (b) sent by United States first class mail, postage prepaid. Notice to the STATE shall be sent to the HOPA's address indicated in the Contract. Notice to the CONTRACTOR shall be sent to the CONTRACTOR'S address indicated in the Contract. A notice shall be deemed to have been received three (3) days after mailing or at the time of actual receipt, whichever is earlier. The CONTRACTOR is responsible for notifying the STATE in writing of any change of address.

IN VIEW OF THE ABOVE, the parties execute this Contract by their signatures, on the dates below, to be effective as of the date first above written.

STATE  (Signature) Cathy Betts (Print Name) Director of Human Services Feb 8, 2024 (Date)	CONTRACTOR HomeAid Hawaii (Name of Contractor) Harry A Saunders III (Signature) Harry A Saunders III (Print Name) President Dec 29, 2023 (Date)	CONTRACTOR HomeAid Hawaii (Name of Contractor) Karen Seddon (Signature) Karen Seddon (Print Name) Vice President Dec 29, 2023 (Date)
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APPROVED AS TO FORM:

 Deputy Attorney General
 Evidence of authority of the CONTRACTOR'S representative to sign this Contract for the CONTRACTOR must be attached.

Source: SOHHS

Attachment 3



STATE OF HAWAII
TIME OF PERFORMANCE

The CONTRACTOR shall provide the required services under this Contract from **November 1, 2023 through and including January 31, 2024**, subject to availability of funds or unless this Contract is sooner terminated in accordance with the provisions under this Contract.

*Contract signed on **February 8, 2024**,
more than a week after the end of
Time of Performance.*

SOHHS entered development contracts without basic public works protections

Even when SOHHS executed development contracts, it did not use those agreements to obtain protections ordinarily available to the State. The agreements did not require performance or payment bonds, protections ordinarily required under Hawai'i's procurement rules for public works contracts and routinely required by the Department of Accounting and General Services' (DAGS) Public Works Division. Performance bonds help protect the State if a contractor fails to complete the work; payment bonds protect against claims arising when subcontractors and suppliers are not paid. SOHHS's files do not document why it omitted those protections or what alternative controls, if any, it established to address the resulting risk. Despite the importance of these protections, the current Coordinator did not have an understanding of best practices for bonds on public works contracts; he had previously heard of performance bonds but was not familiar with their definition and was likewise not familiar with payment bonds.

SOHHS used cost-reimbursement contracts for all nine HomeAid agreements included in our audit. Unlike a fixed-price arrangement, cost reimbursement placed much of the risk of the projects' ultimate costs on the State. SOHHS's files do not explain why it selected that contract structure or whether it considered its own ability – or HomeAid's accounting and cost-allocation systems – to administer multiple multimillion-dollar cost-reimbursement agreements.

That choice is notable because DAGS' Public Works Division, which is staffed with engineers, architects, construction inspectors, construction managers, and other specialized public works personnel, generally avoids cost-reimbursement contracts. Its Public Works Administrator told us that DAGS rarely uses them because of the intensive oversight they require and that, even with the division's resources, it lacks the manpower and expertise to administer them routinely. SOHHS nevertheless administered multiple multimillion-dollar cost-reimbursement construction agreements without comparable institutional expertise or controls.

SOHHS further increased the State's exposure by agreeing in two development contracts to provide HomeAid advances of \$1 million each. Those provisions placed State funds in HomeAid's possession before it incurred and documented reimbursable costs. SOHHS's files do not document why the advances were necessary, how the amounts were determined, or what controls SOHHS established to ensure the funds were used only for authorized contract purposes. SOHHS assumed even greater risk at Alana Ola Pono, where it advanced HomeAid \$2.5 million even though the executed contract did not authorize an advance. As with cost-reimbursement contracts, the Public Works Administrator told us that DAGS Public Works does not use advance payments as standard practice, citing a lone exception of glass imported from Germany for a State Capitol pools project.

SOHHS did not document the basis for HomeAid's indirect-cost allowances

HomeAid's development agreements included "10% Indirect Costs" in addition to amounts separately budgeted for contractors and consultants performing project design, engineering, construction, and construction-management work. For example, the Ho'okahi Leo (Middle Street) Phase II contract included more than \$614,000 in indirect costs, and the Kīpūola contract included more than \$717,000. Across HomeAid's nine development agreements that we reviewed, the State authorized more than \$3.3 million for HomeAid's indirect costs.

SOHHS's records do not document how the 10 percent rate was established, what HomeAid costs the allowance was intended to recover, or why the cost base to which the rate was applied was appropriate. Without that information, SOHHS could not demonstrate the basis for the amounts it agreed to reimburse as indirect costs.

The Pre-Development Agreement illustrates the significance of that issue. That agreement provided \$770,879 for "10% Indirect Costs" while separately authorizing direct reimbursement of HomeAid personnel and numerous organizational and administrative expenses, including office rent, equipment, insurance, supplies, telecommunications, audit services, and administrative contractual services. Those directly reimbursable costs were included in the base used to calculate the additional 10 percent indirect-cost allowance. SOHHS's records do not document why the allowance was applied to costs the State had already agreed to reimburse directly or what additional HomeAid costs the resulting \$770,879 was intended to recover.

Direct costs are expenses that can be identified with and attributed to a specific project or activity, such as project labor, materials, equipment, and subcontractor costs. Indirect costs, by contrast, are costs incurred for common or shared purposes that are not readily attributable to a single project. They commonly include general organizational and administrative expenses, such as office rent and utilities, administrative salaries, office equipment and software, professional fees, training, and insurance.

Indirect costs can be appropriate under a cost-reimbursement contract, but SOHHS still needed a reasonable basis for determining what costs the allowances were intended to cover and how the amounts were calculated. That was especially important under the Pre-Development Agreement, where many organizational and administrative costs were reimbursed directly and also included in the base used to calculate the indirect-cost allowance.

Taken together, SOHHS omitted protections that ordinarily reduce a public owner's risk while accepting contract terms that increased the State's financial exposure. Its files do not demonstrate that SOHHS used the contracting process to evaluate those risks or establish controls appropriate to the risks it assumed. And even where the contracts did establish controls, SOHHS did not enforce them.

Who Was Doing the Work?

SOHHS did not ensure that contractors performing regulated work were properly licensed.

SOHHS'S FAILURE TO ENFORCE REQUIREMENTS governing HomeAid's subcontractors was particularly significant for work requiring a professional or vocational license. The Governor's emergency proclamations suspended numerous laws to expedite kauhale development, but they did not suspend Hawai'i's contractor licensing requirements. According to HomeAid's CEO, HomeAid understood the proclamations to also suspend requirements for building permits, inspections, and certificates of occupancy. Without those customary permitting and inspection safeguards, ensuring that regulated work was performed by properly licensed contractors was especially important.

SOHHS's contracts required HomeAid to obtain prior written consent from the State before subcontracting any of its duties and verify that any required specialty licenses were current and valid.

However, SOHHS did not enforce these requirements. In SOHHS's records, we located invoices from Uncommon Home Improvements LLC/GP Handyman Services LLC for plumbing work related to Ka Malu Ko'olau Phase II. Although Hawai'i law allows certain handyman work without a contractor's license, that exception does not apply to plumbing work. Uncommon Home Improvements LLC/GP Handyman Services LLC did not hold a contractor or specialty plumbing contractor license at that time.

We also found that HomeAid paid \$324,600 to High Voltage LLC for substantial electrical work on four kauhale projects, even though neither High Voltage nor the individual identified on its invoices held a contractor's or specialty electrical contractor's license. High Voltage's work included replacing non-code-compliant electrical panels in modular units. Minutes from weekly meetings stated that construction of the units had followed Korean standards because of timeline pressures and that HomeAid remained committed to building to American code "where possible." Despite those acknowledged code issues, SOHHS did not verify that a properly licensed electrical contractor performed the corrective work.

Additionally, we located expenses in SOHHS's records from Da Hairdressing Handyman for electrical work, although the handyman was not licensed as a contractor, specialty electrical contractor, or an electrician. We were unable to determine whether the work was performed for the benefit of a kauhale initiative project or a Maui wildfire project.

SOHHS therefore cannot demonstrate that regulated work on the kauhale projects was consistently performed by properly licensed contractors. Because the projects proceeded without customary permitting and inspections, SOHHS's failure to enforce licensing requirements left the State with even less assurance that the facilities were constructed safely and in accordance with applicable codes.

SOHHS did not consistently enforce the contractual controls it had established

SOHHS's failure to use its contracts as controls continued after the agreements were signed. It allowed projects to proceed and significant changes to occur without consistently enforcing requirements for deliverables, approvals, documentation, and amendments.

The Pre-Development Agreement, for example, required HomeAid to provide engineering reports, preliminary budgets, construction-planning documents, and, for projects proceeding to construction, complete construction plans and biddable documents. We found no evidence that HomeAid provided the required construction plans and biddable documents before the projects proceeded. More than two years later, SOHHS amended the Pre-Development Agreement to eliminate those requirements and substitute less demanding schematic-level plans.⁵ Although HomeAid's contractual responsibilities were reduced, the contract amount remained unchanged.

SOHHS also did not enforce contractual requirements governing significant project changes. Alana Ola Pono was constructed with 45 sleeping units rather than the 75 identified in the agreement. Similarly, HomeAid's contract to develop Kīpūola included 128 units, but the project was completed with only half that number. Yet SOHHS did not amend either contract's not-to-exceed amount after the reductions. At Alana Ola Pono, HomeAid also replaced communal facilities budgeted at \$552,713 with prefabricated modular units imported from South Korea that ultimately cost approximately \$1.23 million. SOHHS's records do not show that alternatives were evaluated or that HomeAid obtained the State approval required for the increase.

The agreements also required HomeAid to identify subcontractors and consultants for State approval before they performed work. That requirement gave SOHHS a means to know and evaluate the parties HomeAid intended to use for State-funded work, particularly because the agreements themselves identified only broad categories of subcontracted services and did not include the firms that would perform them.

5. The December 2025 amendment also expanded the Agreement's scope to include community relations, marketing and communications, and research and evaluation services. State procurement rules generally limit contract modifications to changes within the general scope of the original contract. In addition, the Governor's emergency proclamations suspended the Hawai'i Public Procurement Code only "[t]o the extent necessary to expedite the acquisition, construction, repair, renovation, and occupancy of housing" for persons experiencing or at risk of homelessness and the provision of services to those persons. It is unclear whether the newly added services were within the scope of the original Pre-Development Agreement or were necessary to expedite those activities and, therefore, whether their procurement outside of the Procurement Code was authorized.

SOHHS did not enforce that requirement. Its files did not contain the required subcontractor and consultant lists submitted prior to the execution of contracts or documentation demonstrating State approval. HomeAid's CEO told us that he considered the State informed because its subcontractors and consultants participated in weekly owner-architect-contractor meetings. But participation in those meetings did not constitute the identification and State approval required by the contracts. SOHHS therefore did not consistently exercise its contractual authority to know and approve who performed State-funded work before HomeAid engaged those parties and charged their costs to the State.

Cost-reimbursement contracts required SOHHS to determine what the State actually owed

The failure to enforce contractual controls became most consequential when HomeAid requested payment. All nine HomeAid agreements included in our payment review were cost-reimbursement contracts.

In a fixed-price contract, the contractor agrees to deliver a specific product or service at a predetermined price, regardless of the actual costs incurred by the contractor. Under a cost-reimbursement contract, the contractor is reimbursed for allowable costs incurred during the project. The contractor assumes virtually no risk under a cost-reimbursement contract; if it incurs costs but does not complete the project, the State must then provide additional funding or accept partial performance.

Hawai'i's procurement rules recognize the heightened financial and administrative risks associated with cost-reimbursement contracting. The rules restrict use of those contracts and contemplate detailed contractor cost information, an accounting system capable of producing timely cost information and appropriate cost allocations, and active agency monitoring. Federal guidance similarly recognizes that cost-reimbursement contracts require adequate government resources to provide appropriate oversight.

Whether or not those provisions governed these agreements because of the emergency proclamations, they illustrate the oversight required by the contract structure SOHHS chose. Because the State, rather than HomeAid, bore much of the risk of what the work ultimately cost, SOHHS needed to determine before payment whether each claimed expense was authorized, adequately supported, properly allocated, reasonable, and otherwise reimbursable.

The DHS Deputy Director told us that the appropriate level of review of payment requests under cost-reimbursement contracts is no different from the review required for fixed-price contracts: "To me, it would be the same review ... well I mean, both are expending funds." That understanding is incorrect. Cost-reimbursement contracts require the State to evaluate the actual costs claimed for reimbursement, creating review responsibilities that do not arise in the same way under a fixed-price contract.

Fewer Homes and Numbers That Do Not Add Up

Alana Ola Pono's development was marked by rising costs, environmental concerns, questionable reimbursements, and conflicting financial records.

Environmental concerns were raised about the site

HomeAid's pre-development consultant cited a March 2020 U.S. Environmental Protection Agency report that identified "toxic levels of contaminated soil" and signs of asbestos-containing material and lead-based paint at the Iwilei site, as well as metals, gas, and chemicals in soil vapor samples. Both a HomeAid volunteer who later became SOHHS's Homelessness Assistant and the first Coordinator advised against developing the site because of environmental concerns. The Coordinator said the project was "taken off the table" after he raised the environmental concerns with the Governor, Governor's Chief of Staff, and Governor's General Counsel, but approximately two weeks later was "back on the table."

Imported communal units more than doubled costs

The original development plan called for communal kitchen, laundry, and hygiene buildings to be constructed on site. Instead, HomeAid replaced them with prefabricated modular units imported from South Korea, increasing costs from \$552,713 to \$1,227,277 – an increase of more than 122 percent.

The project records do not show that HomeAid or SOHHS evaluated alternatives or that HomeAid obtained State approval required for the increase. The records nevertheless attribute approval of the imported units to the current Coordinator, even though he did not assume that position until approximately five months later and represented to us that he was not involved in substantive decisions before he became the Coordinator.

In addition, Alana Ola Pono was intended to provide up to 75 tiny homes on State land in Iwilei. Only 45 were installed. Despite the 40 percent reduction in the project's primary deliverable, SOHHS did not

revise the contract's scope or reduce its \$5.2 million not-to-exceed amount, allowing HomeAid to expend close to the entire contract amount.

SOHHS reimbursed more than IHS reported spending

HomeAid requested reimbursement of \$218,906 for furniture, fixtures, and equipment attributed to the Institute for Human Services (IHS).¹ SOHHS paid the full amount. However, IHS's records included with HomeAid's payment request identified \$49,360.85 as an "In Kind Match," reducing IHS's expenditures to \$169,545.15. HomeAid's payment request does not explain why it included the value of IHS's reported in-kind match. There is no documentation that HomeAid paid IHS the higher amount or returned funds or credited the State.

IHS's supporting invoices also included binders, folders, sheet protectors, binder clips, clipboards, markers, and a laminator. Records do not explain why these items were treated as furniture, fixtures, and equipment. IHS also bought a modified golf cart, which HomeAid included in its payment request – and SOHHS reimbursed. SOHHS's files contain no documentation explaining the purpose of a golf cart as part of the project's furniture, fixtures, and equipment.

Three records, three different project costs

HomeAid's records provide no single, consistent total for the project. Its construction manager's closeout report listed a total cost of \$5,075,921.00; HomeAid's financial accounting reported \$5,245,144.62 despite the contract's not-to-exceed amount of \$5,245,116; and its payment requests to SOHHS totaled \$5,210,481.65. The three totals differ by as much as \$169,000.

1. The State separately contracted with IHS to operate Alana Ola Pono.

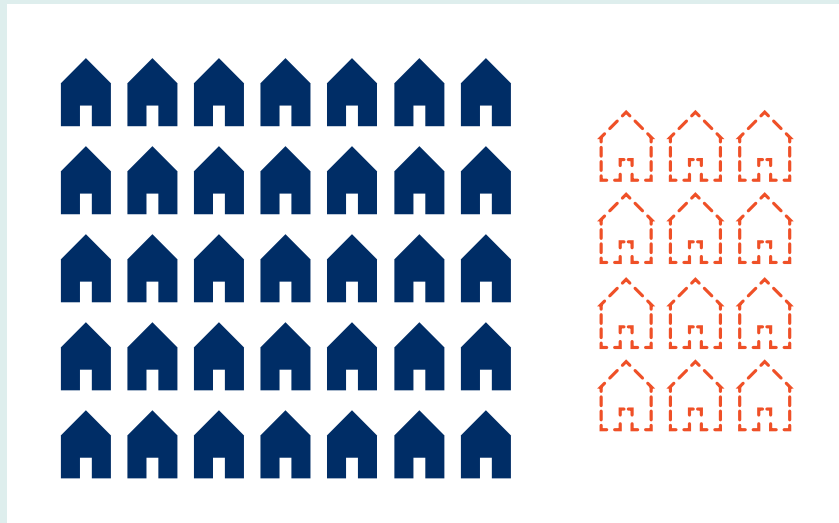
Under these agreements, the question was not simply whether HomeAid incurred a cost. SOHHS had to determine whether the cost was one the State had agreed to reimburse under the particular contract. That determination required more than an invoice or receipt. The contracts tied reimbursement to approved budgets and scopes of services, required approval for certain budget revisions, incorporated applicable State cost principles, and imposed limits on particular expenditures. SOHHS therefore had to consider those provisions together in determining whether a claimed expense was one the State had agreed to reimburse.

Nor did the inclusion of a broad category in an approved budget make every expenditure falling generally within that category reimbursable. SOHHS still needed to determine whether a particular expense related to performance of the contract and, when an expense benefited multiple projects, contracts, or HomeAid activities, whether only the appropriate share had been charged to the agreement.

This distinction was particularly important under the Pre-Development Agreement, whose budget included broad categories for personnel, rent, information technology, insurance, professional services, software, and other organizational expenses. Those categories authorized types of expenditures that SOHHS agreed could be reimbursed; they did not establish that every HomeAid expense falling within them related to the agreement or that the entire cost was properly chargeable to it. SOHHS therefore needed documentation showing not merely what HomeAid bought, but why the State was obligated to pay for it under the particular contract and how the amount charged to that contract was determined. SOHHS's files did not contain that information.

SOHHS treated HomeAid's reimbursement requests as accounts payable transactions

The current Coordinator told us that when he joined SOHHS in early 2025, the office had been approving reimbursement requests without requiring contractors to submit contract deliverables, receipts, or other supporting documentation. Beginning in summer 2025, he started requiring contractors to provide receipts. That change increased the documentation available to SOHHS, but it did not address the more fundamental control the office was responsible for performing. A receipt established that HomeAid spent money – not that the State was obligated to reimburse the expense. SOHHS still needed to determine whether the claimed cost was authorized by the applicable agreement, adequately supported, properly allocated, reasonable, and otherwise reimbursable.



273 Tiny Homes Paid for; Delivery Unclear

IN JUNE 2024, the State contracted with HomeAid to design, build, transport, and deliver 273 tiny homes for kauhale projects. The contract required delivery of the units to locations specified by the State. The \$5.9 million contract was signed on June 25, 2024, and its time of performance was through September 30, 2024. On October 1, 2024, the contract's time of performance was extended for an additional six months, through March 31, 2025. However, the State paid the contract in full on October 11, 2024 – ten days after the six-month extension was signed.

When we interviewed the current Coordinator in October 2025, he was unclear as to whether the State had received all 273 units that it had paid for. Initially, he said, “[w]e have all of those units,” but later corrected himself by saying, “we have most of those units.” According to the Coordinator, some of the units were stored at a base yard on O’ahu and others were in Korea, which he considered to have met the contract requirement that the units be transported and delivered to State-designated sites. SOHHS’s files do not include documentation of the Coordinator’s decision that HomeAid had fulfilled the contract requirements with units stored at an O’ahu base yard and in Korea. The contract was not amended to reduce the not-to-exceed amount to account for the savings in transportation and delivery costs that the State apparently agreed to assume, including the cost to ship the units from Korea, import fees and tariffs, and charges to transport the units from the harbor.

HomeAid’s closeout report raises an additional question. HomeAid reported approximately \$5.13 million in contract costs – more than \$726,000 under the full contract amount of \$5.86 million the State reimbursed HomeAid in October 2024. SOHHS’s records contain no evidence of any repayment or credit of that amount from HomeAid.

SOHHS also relied on HomeAid itself to review and control the costs HomeAid submitted for reimbursement. The current Coordinator told us that, because of the “emergency situation” relating to homelessness, SOHHS was “looking at our contractor [HomeAid] to help us to make sure that costs are going to be” safeguarded. He described SOHHS’s review as including “conversation[s]” with HomeAid about matters such as the reasonableness of labor costs and discounts HomeAid was passing on to the State.

But HomeAid was the contractor submitting those costs for reimbursement. HomeAid’s own safeguarding practices and representations could inform SOHHS’s review, but they could not substitute for the State’s independent determination that the claimed costs were reimbursable under the agreements.

SOHHS paid more than \$13.7 million without adequately determining that costs were reimbursable under the agreements. All of the State’s contracts relating to development of kauhale, including the Pre-Development Agreement, required the contractor to certify with each payment request that the claimed expenses were for goods or services performed in accordance with the applicable contract. Yet some HomeAid payment requests did not include that required certification.

SOHHS’s files also do not show that the office performed the substantive review necessary to determine whether documented expenses were authorized by the applicable contract, adequately supported, properly allocated, reasonable, and otherwise reimbursable. We found no evidence that SOHHS rejected – or even questioned – any HomeAid expense submitted for reimbursement.

We compared HomeAid’s claimed costs with the applicable contracts, approved budgets and amendments, scopes of services, spending restrictions, and available supporting documentation. We did not review every invoice or receipt and did not review HomeAid’s contractors’ payment requests or contracts. We identified **more than \$13.7 million** that SOHHS paid without adequately determining that the costs were reimbursable under the agreements. Some payments were not authorized by the contracts; others lacked documentation necessary to establish that the costs were related to the contracted work or were properly allocated to the agreement charged.

We found no evidence that SOHHS rejected – or even questioned – any HomeAid expense submitted for reimbursement.

Our review identified three recurring categories of costs:

- **Unauthorized**

More than \$7.7 million was not authorized by approved budgets, payment provisions, or subsequent contract amendments;

- **Unsupported**

Nearly \$1 million in HomeAid personnel costs for which available records did not provide sufficient information to determine whether the costs were properly chargeable to the agreement; and

- **Questionable**

Nearly \$5 million for which SOHHS's records did not establish a sufficient relationship to the applicable contract's scope of work or otherwise demonstrate that the costs were properly chargeable to that contract.

Unauthorized:

SOHHS reimbursed more than \$7.7 million in unauthorized expenditures

SOHHS advanced \$2.5 million without contractual authority

The Alana Ola Pono contract did not authorize an advance payment. HomeAid nevertheless requested a \$2.5 million advance before the contract was signed or became effective. Neither the subsequently executed agreement nor SOHHS's files contain a provision, amendment, or other documentation authorizing that advance. SOHHS's files also do not contain accounting records establishing how HomeAid ultimately applied the advanced funds to reimbursable contract costs.

SOHHS paid more than \$1 million charged to budget categories the State had never approved

The Ka Malu Ko'olau Phase I and Ho'okahi Leo (Middle Street) Phase I budgets identified the categories of work the State agreed to reimburse. On the final payment requests, however, HomeAid added "Project Management and Development" and "Indirect Costs" – categories that did not appear in the approved budgets. HomeAid charged more than \$1 million to those categories, representing approximately 40 percent of the Ka Malu Ko'olau Phase I agreement and 33 percent of the Ho'okahi Leo (Middle Street) Phase I agreement. Supporting invoices described the work only as "Government Services" and did not identify who performed the work, hours or rates, dates of service, or services provided. SOHHS nevertheless reimbursed the charges.

Invoice And Expenditure Report

Recipient Organization:
Housing Providers of Hawaii, Inc., dba, HomeAid Hawaii

Funding Source:
State of Hawaii, Department of Human Services

Address:
680 Iwilei Road, Suite 570
Honolulu, HI 96817

Contract Number:
DHS-24-GOV-0058

Contract Amount:
\$1,600,000.00

Contract Period:
November 1, 2023 - January 31, 2023

Invoice #:
6

Invoice Amount: \$507,740.55

Categories:	Contract Budget Year 1	Expenditures: Current Period	Expenditures: Year to Date	Balance Year 1 Budget
Vertical Construction				
General Contractor	\$439,963.00	\$0.00	\$418,414.61	\$ 21,548.39
Hygiene Units	\$387,375.00	\$0.00	\$14,659.98	\$ 372,715.02
Windows	\$18,020.00	\$0.00	\$17,490.00	\$ 530.00
Doors	\$11,900.00	\$0.00	\$11,550.00	\$ 350.00
Roofing	\$35,013.00	\$0.00	\$33,982.74	\$ 1,030.26
Electrical	\$45,900.00	\$0.00	\$61,000.00	\$ (15,100.00)
Flooring	\$15,810.00	\$0.00	\$15,345.00	\$ 465.00
Painting	\$38,964.00	\$0.00	\$42,725.00	\$ (3,761.00)
Vertical FF&E	\$114,150.00	\$0.00	\$103,182.30	\$ 10,967.70
Vertical FF&E	\$7,616.00	\$0.00	\$7,616.00	\$ -
Site Development				
Grading	\$20,379.00	\$0.00	\$57,524.00	\$ (37,145.00)
Electrical Infrastructure	\$66,310.00	\$0.00	\$80,343.81	\$ (14,033.81)
Civil Infrastructure (Plumbing, water)	\$100,000.00	\$0.00	\$0.00	\$ 100,000.00
Fencing & Security	\$51,000.00	\$0.00	\$52,072.00	\$ (1,072.00)
Site FF&E	\$37,000.00	\$0.00	\$37,918.19	\$ (918.19)
Design	\$2,000.00	\$0.00		
Land & Property Management			\$0.00	\$ -
Land Maintenance & Repairs	\$37,400.00	\$0.00	\$1,477.00	\$ 35,923.00
Planning	\$3,600.00	\$0.00	\$11,762.50	\$ (8,162.50)
Security	\$17,600.00	\$0.00	\$25,900.00	\$ (8,300.00)
Project Management and Development	\$0.00	\$461,582.32	\$461,582.32	\$ (461,582.32)
Project Management (10% Indirect Costs)	\$150,000.00	\$46,158.23	\$145,454.55	\$ 4,545.45
TOTAL	\$1,600,000.00	\$507,740.55	\$1,600,000.00	\$ -

The only expenditures charged in HomeAid's final invoice and expenditure report for the Ka Malu Ko'olau Phase I agreement are for "Project Management and Development" and "Project Management (10% Indirect Costs)."

The invoice includes a charge of **\$461,582.32** for "Project Management and Development," an item not listed in the original budget.

The invoice includes another charge, **\$46,158.23** for "Project Management (10% Indirect Costs)." The approved budget did not include "(10% Indirect Costs)."

Ka Malu Ko'olau Phase I's approved budget totaled \$1.6 million. This final invoice requested payment of the contract's entire remaining not-to-exceed balance of \$507,740.55 to HomeAid and took the balance to zero.

Source: SOHHS

This is the supporting invoice for the \$461,582.32 "Project Management and Development" charge shown above. The invoice has no detail on who performed the work, hours or rates, dates of service, or services provided. SOHHS nevertheless reimbursed this charge.

Housing Providers of Hawaii DBA HomeAid Hawaii
680 Iwilei Rd
Ste 570 Ste 570 Ste 570 Ste 570
Honolulu, HI 96817-5388 USA
homeaidhawaii.org

Invoice

BILL TO
State of Hawaii

INVOICE #	DATE	TOTAL DUE	DUE DATE	TERMS	ENCLOSED
6 (Windward Ph1)	06/30/2024	\$461,582.32	07/30/2024	Net 30	

DATE	SERVICE	DESCRIPTION	QTY	RATE	AMOUNT
	Government Services		1	461,582.32	461,582.32

SUBTOTAL 461,582.32
TAX 0.00
TOTAL 461,582.32
BALANCE DUE **\$461,582.32**

Source: SOHHS

SOHHS reimbursed more than \$110,000 in costs in zero-funded budget categories

The Pre-Development Agreement contained an approved budget that expressly provided \$0 for several expense categories, including “Lease/Rental of Motor Vehicle,” “Staff Training,” “Substance [sic]/Per Diem,” “Utilities,” and “Equipment Purchases.” As such, the parties expressly agreed that HomeAid would not be reimbursed for items in zero-funded categories.⁶ SOHHS nevertheless reimbursed HomeAid for **more than \$110,000** in expenses falling within those budget categories.⁷ Among these expenses, SOHHS reimbursed HomeAid for:

- **Conference, annual membership, sponsorship, and related travel costs**, despite the budget explicitly allocating \$0 for “Staff Training.” Charges included organizational memberships; conference registrations with the National Alliance to End Homelessness, Urban Land Institute, and Partners in Care; a \$17,500 sponsorship fee for the 2025 Hawai‘i on the Hill conference; airfare; hotel costs; and rideshares. SOHHS also reimbursed meals, alcohol, and minibar expenses from a Las Vegas hotel stay at an Urban Land Institute conference despite the budget allocating \$0 for “Substance [sic]/Per Diem” (see “Meals, Alcohol, and Minibar Expenses” on page 32);
- **Expenses related to HomeAid’s three-day corporate retreat on Hawai‘i Island**, including airfare, hotel, parking, rental car costs, and gasoline, despite the budget explicitly allocating \$0 for “Staff Training,” “Lease/Rental of Motor Vehicle,” and “Substance [sic]/Per Diem.” Expenses included airfare and hotel costs to bring two individuals from Pittsburgh, Pennsylvania, to Hawai‘i for the retreat. The State also reimbursed HomeAid \$5,811.52 for Yay Media LLC to film and edit the corporate retreat videos;
- **Equipment purchases** including laptops, monitors, docking stations, cameras, webcams, printers, external hard drives, keyboards, cables, surge protectors, chargers, office furniture, and an \$890 Toyota Tacoma truck bed cover “for Ryan,” despite the budget explicitly allocating \$0 for “Equipment Purchases.” Many technology and hardware purchases were made through MOB TechNet Solutions, a Vancouver, Washington, business owned by the brother of HomeAid’s CEO’s husband (see “Family Connections and Unexplained IT Work” on page 22); and
- **Car rental costs**, despite the budget explicitly allocating \$0 for “Lease/Rental of Motor Vehicle.” These included \$3,184.45 for the HomeAid CEO’s two-month rental from Dollar Car Rental for “general work purposes,” with an unexplained \$1,121 “upgrade.”

6. Certain overhead expenses could be reimbursed under “indirect costs.”

7. Some charges to the Pre-Development Agreement bundled expenses that could have fallen within different budget categories, including categories with no approved funding. We did not disaggregate those costs and instead classified the full amount based on what the invoice was primarily for.

SOHHS therefore reimbursed expenditures that it and HomeAid specifically agreed would not be reimbursable as direct costs under the approved budget. We did not find budget revisions authorizing direct reimbursement of these expenditures.

B. **Method of Payment.** Payments shall be paid in accordance with and subject to the following:

1. **Budget.** Compensation shall be paid in accordance with the Budget attached as Exhibit A. This Contract constitutes approval for the expenditure of funds for specific items in the attached Budget. Any budget revision to the approved Budget requested by Contractor shall be in writing and shall be subject to the State's approval. If an amount of reported expenditure is subsequently determined by the State to be inappropriate, unallowable, or not made in accordance with the approved revised Budget, the State may require that an equivalent amount of monies be refunded by Contractor to the State.

The Pre-Development Agreement specifically limits payment to items listed within the budget.

EXHIBIT A

BUDGET

(Period August 1, 2023 to June 30, 2026)

Applicant/Provider:

HomeAid Hawaii

RFP No.:

Contract No. (As Applicable):

The Pre-Development Agreement's budget did not allocate any amounts for certain budget categories like Utilities, Staff Training, Substance [sic]/Per Diem, and Equipment Purchases, yet SOHHS reimbursed over \$110,000 for items in these categories.

BUDGET CATEGORIES	Budget Request (a)	Year 1 (08/1/23-07/31/24) (b)	Year 2 08/1/24-07/31/25 (c)	Year 3 08/1/25-06/30/26 (d)	Year 4 (d)
A. PERSONNEL COST					
1. Salaries	1,391,446	396,167	497,419	497,860	
2. Payroll Taxes & Assessments	155,695	45,291	55,097	55,307	
3. Fringe Benefits	54,375	15,666	19,300	19,410	
TOTAL PERSONNEL COST	1,601,516	457,123	571,816	572,577	
B. OTHER CURRENT EXPENSES					
1. Airfare, Inter-Island	53,782	17,400	17,922	18,460	
2. Airfare, Out-of-State	68,419	27,300	28,119	13,000	
3. Audit Services	90,000	30,000	30,000	30,000	
4. Contractual Services - Administrative	322,500	107,500	107,500	107,500	
5. Contractual Services - Subcontracts	4,503,000	1,501,000	1,501,000	1,501,000	
6. Insurance	330,000	110,000	110,000	110,000	
7. Lease/Rental of Equipment	25,500	8,500	8,500	8,500	
8. Lease/Rental of Motor Vehicle	0	0	0	0	
9. Lease/Rental of Space	450,234	150,078	150,078	150,078	
10. Mileage	16,500	5,500	5,500	5,500	
11. Postage, Freight & Delivery	0	0	0	0	
12. Publication & Printing	16,500	5,500	5,500	5,500	
13. Repair & Maintenance	0	0	0	0	
14. Staff Training	0	0	0	0	
15. Substance/Per Diem	0	0	0	0	
16. Supplies	30,000	10,000	10,000	10,000	
17. Telecommunication	188,960	68,000	60,480	60,480	
18. Transportation	11,880	3,960	3,960	3,960	
19. Utilities	0	0	0	0	
20. Contingency	0	0	0	0	
21. 10% Indirect Costs	770,879	250,186	261,038	259,655	
22.					
23.					
TOTAL OTHER CURRENT EXPENSES	6,878,154	2,294,924	2,299,597	2,283,633	0
C. EQUIPMENT PURCHASES	0				
D. MOTOR VEHICLE PURCHASES	0				
TOTAL (A+B+C+D)	8,479,670	2,752,047	2,871,413	2,856,210	

Budget Prepared By:

Source: SOHHS

Meals, Alcohol, and Minibar Expenses

SOHHS reimbursed \$5,202.97 relating to the HomeAid CEO's attendance at an October 2024 Urban Land Institute conference at Las Vegas Resorts World. The Pre-Development Agreement specifically budgeted \$0 for "Staff Training" and "Substance [sic]/Per Diem," reflecting SOHHS and HomeAid's agreement that the types of expenses associated with attending this conference would not be reimbursable.

Urban Land Institute meeting expenses

In addition to the contract budgeting \$0 for these items, the front-cabin bid-up (first-class seat upgrade) is expressly prohibited under the Pre-Development Agreement's coach-class airfare limitation.

Conference registration	\$1,395.00
Hawaiian Airlines round-trip airfare	\$762.40
Front-cabin bid-up for return flight to Honolulu	\$1,300.00
Three-night stay at Las Vegas Hilton at Resorts World (included meals, alcohol, and intimacy kits)	\$1,665.78
Conference-related Uber costs	\$79.79
Total	\$5,202.97



HONOLULU, HI 96822

Company Name _____

Group Name URBAN LAND INSTITUTE - ATTENDEE

Room No. 33356

Arrival 10-27-24

Departure 10-30-24

CRS Confirmation 3145208680-146742975

Folio No. _____

Confirmation No. 80606203

Page No. 1 of 1

Date	Description	Charges	Credits
10-27-24	Minibar Beverage-HHE Room# 33356 : CHECK# 51371 Fiji Water	15.17	
10-27-24	Minibar Retail-HHE Room# 33356 : CHECK# 51397 Intimacy Kit	54.19	
10-27-24	SportsBook/Dawg House Food Dinner Room# 33356 : CHECK# 64347	50.27	
10-27-24	Room Charge	229.00	
10-27-24	Room Tax 13.38%	30.64	
10-27-24	Resort Fee ND	45.00	
10-27-24	Resort Fee Tax ND 13.38%	6.02	
10-28-24	Room Charge	229.00	
10-28-24	Room Tax 13.38%	30.64	
10-28-24	Resort Fee ND	45.00	
10-28-24	Resort Fee Tax ND 13.38%	6.02	
10-29-24	Minibar Beverage-HHE Room# 33356 : CHECK# 53441 Row 11 Pinot Noir	43.35	
10-29-24	Viva! Food Dinner Room# 33356 : CHECK# 440904256	140.72	
10-29-24	Wallys Food Dinner Room# 33356 : CHECK# 440906254	360.74	
10-29-24	Minibar Retail-HHE Room# 33356 : CHECK# 53534 Intimacy Kit	54.19	
10-29-24	Minibar Beverage-HHE Room# 33356 : CHECK# 53634 Fiji Water	15.17	
10-29-24	Room Charge	229.00	
10-29-24	Room Tax 13.38%	30.64	
10-29-24	Resort Fee ND	45.00	
10-29-24	Resort Fee Tax ND 13.38%	6.02	
10-30-24	Visa Card		1,665.78
Total Charges		1,665.78	
Total Credits			1,665.78

Las Vegas Resorts World confirmed that these intimacy kits included condoms, lubricant, vibrators, restraints, an eye mask, and a feather tickler.

State cost principles, which provide guidance to state purchasing agencies procuring health and human services, specifically identify entertainment costs, including social meals and alcoholic beverages, as unallowable.

SOHHS paid more than \$4.1 million without required budget revisions

Four of the agreements were completed during our audit period. Each contained budget categories with agreed-upon amounts. HomeAid nevertheless submitted, and SOHHS reimbursed, expenditures that exceeded several of those approved amounts without documented State-approved budget revisions. We identified more than \$2.5 million in expenditures above approved budget-category amounts.

Three of the four completed agreements also included nearly \$1.6 million in contingency: \$992,805 for Tiny Homes, \$476,569 for Alana Ola Pono, and \$123,449 for Ho‘okahi Leo (Middle Street) Phase I. The agreements did not specify how contingency funds could be used or who controlled their use. However, contingency was itself a separate category in each contract’s approved budget, and the agreements required compensation to be paid in accordance with those budgets and changes to the budgets to be approved by the State in writing.

SOHHS ultimately paid the full contract amounts for the Tiny Homes and Ho‘okahi Leo (Middle Street) Phase I contracts and all but approximately \$35,000 of the \$5.2 million Alana Ola Pono contract, according to the State’s accounting records. Yet neither HomeAid nor SOHHS revised the approved budgets to document which costs the contingency funds were authorized to pay. Because contingency was a separate budget category, using those funds for costs exceeding another category or costs not included in the approved budget required a corresponding budget revision.

The availability of funds within the overall contract amounts did not make the expenditures authorized under the approved budgets. When actual costs differed from the amounts and categories the State had approved, SOHHS did not require HomeAid to obtain the written budget revisions required by the agreements. SOHHS effectively allowed the approved budgets to become disconnected from what the State actually paid, treating the total contract amount as the spending limit rather than the amounts the State had approved for specific costs.

Unsupported:

SOHHS reimbursed nearly \$1 million in personnel costs without documentation showing what work employees performed

The Pre-Development Agreement required payment requests to include an “itemization or timesheet of claimed amounts” and certification that the expenses related to services performed under the agreement. Its approved budget included approximately \$1.6 million for HomeAid salaries, payroll taxes, and fringe benefits.

By December 2025, SOHHS had reimbursed nearly \$1 million of those personnel costs. Some payment requests included payroll summaries while others contained no supporting documentation whatsoever. None identified the specific contract work performed. One example of a payroll summary is included below.

An Incomplete Timesheet

The Pre-Development Agreement required payment requests for personnel costs to include detailed, certified support for HomeAid staff's pre-development work. However, HomeAid submitted only basic wage information, without identifying the agreement-related tasks performed or the time each employee spent on them. Employee names have been redacted.

2. Invoicing. Payment shall be made upon submission of an original invoice and one (1) copy. The invoice shall include Contractor's official name and company letterhead; date of letter; contract number(s); total amount claimed; itemization or timesheet of claimed amounts; receipts if any; and a statement certifying that the expenses were for services performed by Contractor in accordance with this Contract. Invoices for payments shall be the all-inclusive cost, including the application of general excise tax. Invoices shall be sent to:

ATTN: Office of the Director
Department of Human Services
1390 Miller St. Room 209
Honolulu, Hawai'i 96813

	Total Personnel Costs	Gross Wages	FTE applicable	Invoiced Wages	Gross Taxes	Invoiced Taxes	Gross Fringe	Invoiced Fringe
1 Executive Director, [REDACTED]								
Payroll 6/15/2024, 6/30/24, 7/15/2024, 7/31/2024		27500.00	0.40	11000.00	2523.60	1009.44	3689.32	1475.73
			Total	11000.00		1009.44		1475.73
2 Project Administrator, [REDACTED]								
Payroll 6/15/2024, 6/30/24, 7/15/2024, 7/31/2024		10384.21	1.00	10384.21	1114.60	1114.60	234.77	234.77
			Total	10384.21		1114.60		234.77
3 Office Manager, [REDACTED]								
Payroll 6/15/2024, 6/30/24, 7/15/2024, 7/31/2024		10333.32	1.00	10333.32	1094.00	1094.00	1505.86	1505.86
			Total	10333.32		1094.00		1505.86
4 Senior Project Manager, [REDACTED]								
Payroll 6/15/2024, 6/30/24, 7/15/2024, 7/31/2024		22634.68	1.00	22634.68	2304.92	2304.92	6202.98	6202.98
			Total	22634.68		2304.92		6202.98
5 Executive Assistant, [REDACTED]								
		9017.56	1.00	9017.56	974.84	974.84	918.98	918.98
			Total	9017.56		974.84		918.98

Source: SOHHS

SOHHS's records therefore established that HomeAid incurred personnel costs, but not that those costs were properly chargeable to the Pre-Development Agreement. Although personnel was an approved budget category, SOHHS still needed evidence identifying the specific services employees performed and the time attributable to those services. Without that information, SOHHS could not assess, among other things, whether work was necessary or the time to perform the work was reasonable.

Questionable:

SOHHS paid nearly \$5 million without adequately establishing that the costs belonged to the contracts charged

SOHHS's records did not adequately establish that nearly \$5 million in reimbursed costs were attributable to the contracts charged. The deficiencies took several forms: SOHHS reimbursed services before they were contracted for, paid expenses that appeared to belong to other State contracts, and reimbursed expenses within broad budget categories without documentation establishing their relationship to the contracted work or, when they benefited multiple activities, the basis for allocating the amount charged to that agreement. While some of these expenses arguably fell within broadly stated budget categories, we deemed them questionable because SOHHS's records did not establish that the particular expense was directly related to the project or project's scope of work. Some invoices combined expenses from different budget categories, including categories with no approved funding. We did not separate those costs and instead classified the full amount based on the primary category covered by the invoice.

Approximately \$2.3 million of the questionable costs were charged to the Pre-Development Agreement. That agreement required HomeAid to evaluate prospective kauhale sites and perform planning and pre-development activities, including site assessments, master planning, preliminary budgets, design work, and other project-development services. SOHHS's records did not establish how many of the expenditures charged to the agreement related to that work or, where they also benefited other projects, contracts, or HomeAid activities, why the full amount was charged to the Pre-Development Agreement.

For example, SOHHS reimbursed approximately \$78,726 for an ocean-view condominium rental in Wailuku, Maui, including rent, electricity, internet service, a deposit, and a replacement gate fob. Although the agreement included a lease/rent budget category, SOHHS's records do not establish what pre-development work required the condominium, who used it, what projects or contracts the work supported, or why the entire expense was charged to the Pre-Development Agreement when HomeAid was also developing two Maui projects under separate State contracts.

HomeAid's later corrections demonstrated why SOHHS needed to review costs before payment

ACCORDING TO HOMEAID, it subsequently adjusted, through credits, refunds, or reassignment, more than \$860,000 in expenses it had previously billed to the State. The adjustments included costs that had been double billed, overcharged, assigned to the wrong project, or retroactively divided among multiple contracts. In one payment request under the Pre-Development Agreement alone, HomeAid adjusted \$592,164.21 in previously reimbursed costs, some dating back more than a year and a half.

Those corrections demonstrate why substantive State review was necessary before payment. Yet even after HomeAid identified the need for the adjustments, we found no indication that SOHHS stopped the payment process, investigated the corrections, or determined whether additional adjustments were necessary. In our review of payment requests, SOHHS continued reimbursing HomeAid in full.

SOHHS similarly reimbursed IT services, cybersecurity, and software as HomeAid expanded its operations. Although those costs may generally fit within approved technology-related categories, many appear to be related to building organizational capacity. SOHHS's files did not consistently establish how they supported pre-development work or whether the costs should have been shared with HomeAid's separate kauhale development contracts, Maui wildfire housing contracts, or other organizational activities. Without that information, SOHHS could not demonstrate that the amount charged represented the Pre-Development Agreement's appropriate share.

Our concern is not that rent, software, insurance, accounting, or professional services can never be legitimate pre-development costs. The issue is whether SOHHS had sufficient information to determine why the particular expenditure benefited the Pre-Development Agreement and whether the amount charged represented the portion properly attributable to that work.

The allocation problem was even clearer where costs appeared to relate to entirely different State agreements. SOHHS reimbursed costs associated with Ka La'i Ola and Pu'u honua o Nēnē, Maui wildfire housing projects developed through separate State contracts with HomeAid, as well as a transportation charge that appeared to relate to the separate statewide Tiny Homes agreement. SOHHS's files do not explain why those costs were charged to the Pre-Development Agreement rather than to the projects or contracts they appeared to support.

The approximately \$5 million in questionable costs fell into the categories on the following pages.

Building HomeAid's Organizational Capacity

Total Expenses: \$351,815.87

AS HOMEAID EXPANDED from its traditional role as a nonprofit facilitator into a housing developer, the State reimbursed costs associated with staffing, equipping, and supporting the organization's internal operations. These costs included technology and IT support, temporary staffing, executive recruitment, and organizational consulting.



How to Be a Nonprofit

SDC Strategies is a Honolulu-based company that partners with nonprofits and social impact organizations "to turn passion into impact through strategy, hands-on support, and capacity building." It supports nonprofits with planning, day-to-day operations, and leadership development needs. It provided HomeAid with bookkeeping transition, recruiting, job postings, interviews, reporting, invoicing, travel and "ongoing thought partnership."

- One **\$5,995.50** invoice included charges for 3 hours of work to "assist with organizing Shelby's desk," 10 hours spent "onboarding Thomas," and 2 hours to "pick up Karey Kapoi Gift, email responses, admin."



Staffing Up

OD Solutions is a Hawai'i company that connects "premiere [sic] candidates to companies spanning an array of high demand disciplines, and a broad range of industries." State funds were used to build HomeAid's staffing capacity after the contract was awarded.

- **\$10,000** charged to HomeAid in March 2024 as a retainer fee for "Project Manager search."
- **\$5,000** charged to HomeAid in April 2024 as a retainer fee for "Construction Admin (O'ahu)."
- **\$7,500** charged to HomeAid in May 2024 as a retainer fee for "Executive Assistant (O'ahu)."



Booting Up

High Tech Hui and Tech Partners Hawai'i are IT services firms that provided HomeAid with various IT and telecom/IT services.

- In March 2025, High Tech Hui billed HomeAid **\$3,926.70** for work, which included "Investigated security posture, assessing multiple unrelated attack vectors, potential internal sabotage, and access control challenges due to prior IT staff."
- In March 2025, Tech Partners Hawai'i invoiced HomeAid for **\$3,818.43** for various IT services.



Temp Work

Express Employment (**\$3,374.95**) and Robert Half (**\$1,763.27**) provided temporary hires to HomeAid.

Business Operating Costs

Total Expenses: \$946,753.06

THE STATE REIMBURSED HOMEAID for nearly \$1 million in costs associated with operating its organization, including office leases and supplies, a Maui condominium, insurance, banking costs, and business software. Many of these expenses supported HomeAid's organization generally, rather than pre-development activities or deliverables.



Office Space

The State paid for HomeAid's office space costs at the Dole Office Building in Honolulu and the Kahului Office Building on Maui:

- Invoices from Castle & Cooke for the Dole Office Building totaled **\$110,706.73** for charges that include common area maintenance fees, real property taxes, security deposits, access cards, elevator cards, 11 parking stalls, parking validation stamps, management fees, and transportation.
- Invoices from Alexander & Baldwin for the Kahului Office Building totaled **\$20,432.94** for charges that include building deposits, common area maintenance, real property taxes, and insurance.



Mystery Loan

SOHHS approved numerous banking fees, including tens of thousands of dollars in unexplained automatic loan payments:

- **\$5,395.89** for "incoming wire service charge" and "DB memo closing fee."
- Four fees from June 2024 to November 2024 totaling **\$61,288.74** for automatic loan payments for unknown "Lease/Rental of Space" expenses.



Insured and Paid For (by the State)

Under the Pre-Development Agreement, HomeAid was responsible for obtaining employee-related insurance required by law and paying all premiums and costs to secure coverage. Yet the State reimbursed HomeAid for more than **\$461,000** in insurance costs, including general liability, builder's risk, professional liability, cyber liability, directors and officers coverage, surplus lines, and broker fees. Many of the policies exceed the contract's insurance requirements and appear to primarily protect HomeAid's broader organizational risks.

Examples of reimbursements for policy fees include:

General Liability

- **\$254,563.90** in fees from USI Insurance Northwest
- **\$67,150.62** in fees from USI Insurance Northwest

Professional Liability

- **\$4,625.13** in fees from Capitol Special Risks
- **\$20,962.29** in fees from USI Insurance Northwest

Management Liability

- **\$11,879** in fees from USI Insurance Northwest

Builder's Risk

- **\$34,733.60** in fees from USI Insurance Northwest
- **\$39,984.70** in fees from USI Insurance Northwest
- **\$4,782.58** in fees from Finance Insurance

Directors and Officers Insurance

- **\$852.88** in fees from HomeAid America to HomeAid Hawaii – it is unclear whether this cost is to insure HomeAid's directors and officers nationally, or locally

Cyber Liability

- **\$12,769.91** in fees from USI Insurance Northwest



Stocking Up

Office supplies associated with supporting general office activity included printer paper, envelopes, business cards, a mop, a dish rack, a shredder, a label maker, super glue, disinfectant wipes, office keys, Ricoh printer rentals, and Menehune water.



HomeAid's Home Away from Home

The State reimbursed HomeAid's rental of a Wailuku condominium from July 2024 through October 2025, including rent, a deposit, and the replacement of a gate fob. The two-bedroom, two-and-a-half-bathroom ocean-view unit rented for **\$4,300 per month**. These costs are for housing or lodging expenses, not pre-development planning costs.



Building and Doing Business Electronically

The State reimbursed HomeAid for more than \$210,000 in phone bills, filing fees, and business software subscriptions that do not appear relevant to pre-development and planning activities under the Pre-Development Agreement. Expenses reimbursed include:

- **\$130,045.68** for Smartsheet, a cloud-based work management and collaboration platform.
- **\$25,057.57** for Bill.com, a financial software platform designed to automate back-office financial operations for small and midsize businesses.
- **\$6,644.85** for iWave/Kindsight, a fundraising software platform for nonprofits.



Miscellaneous Expenses

These disparate expenditures appear to be employee recognition and business support costs, not expenses directly tied to performing site assessments or pre-development planning. Expenses reimbursed include:

- **\$52.79** for lei for new hires;
 - **\$99.38** from Nordstrom Rack for a "uniform";
 - **\$83.77** for *Pacific Business News* print and digital subscriptions;
 - **\$156.82** for items from Costco, including beer, seltzer, juice, coffee, creamer, and plastic utensils.
-

Professional Services

Total Expenses: \$206,436.15

THESE COSTS REFLECT internal accounting, audit, finance, management, and administrative support needs – overhead costs with questionable relevance to the Pre-Development Agreement.



Unaccountable Accounting

BDO Alliance USA is an accounting and professional services alliance that conducted a 2024 financial audit for \$99,275:

- It is unclear why the Pre-Development Agreement was used to pay for HomeAid's two organizational audit costs of **\$49,637.50** each. These expenses appear to benefit HomeAid's general financial administration rather than a specific pre-development deliverable.

In May 2025, HomeAid engaged the services of a California-based CPA to review financial transactions recorded in QuickBooks related to "the Iwilei and Middle Street projects." SOHHS reimbursed HomeAid **\$21,907.52** for the CPA's fees and expenses.

- In a letter addressed to HomeAid's Chief Executive Officer, the CPA used the certified public accountant/CPA designation but did not have a current license or permit to practice in the State of Hawai'i. Both a Hawai'i license and a permit to practice are required to practice public accountancy and to use the "certified public accountant" or "CPA" designation within the State of Hawai'i.
- SOHHS also reimbursed HomeAid for the CPA's round-trip airfare on Hawaiian Airlines from Oakland to Honolulu. SOHHS's records reflect that HomeAid did not provide a receipt for the **\$358.62** flight, but SOHHS reimbursed HomeAid anyway.

Oceanview Accounting and Bookkeeping is a Pennsylvania-based accounting and bookkeeping service that provided "Blended Services – Accounting" for HomeAid.

- SOHHS reimbursed a total of **\$9,936.48** for Oceanview Accounting's "blended services," although its invoices lacked details such as hours worked, tasks performed, deliverables, or a clear scope of work.
- The owner of Oceanview Accounting appears to have subsequently become an employee of HomeAid.



Employee/Contractor

HomeAid's Chief Impact Officer submitted "contractor" invoices for monthly fees from February 2025 to August 2025 while she simultaneously served as a HomeAid employee. According to available SOHHS records, SOHHS reimbursed HomeAid **\$17,129.07** for her charges.

- The invoices that HomeAid's Chief Impact Officer submitted neither specify what work she performed nor explain why a HomeAid employee should be paid as an independent contractor.

Community Relations, Marketing, Communications, Research, and Evaluation

Total Expenses: \$647,098.89

UNDER THE PRE-DEVELOPMENT AGREEMENT, HomeAid was to evaluate potential kauhale sites and prepare planning documents, including site assessments, preliminary site plans, preliminary budgets, and construction-ready design documents. The scope of services was amended on December 29, 2025, to include

community relations, marketing and communications, and research and evaluation. However, we note that the State reimbursed all of these expenses months, or years, before the Pre-Development Agreement was amended. Some of those costs were incurred more than two years before SOHHS executed the amended agreement.



Outreach That is Out of Bounds?

The State reimbursed nearly \$400,000 in invoices from Karey Kapoi LLC, a Kahului communications firm that provided communications, outreach, fundraising, donor support, government relations, and meeting facilitation for HomeAid. We could not locate a majority of supporting invoices in SOHHS's files. The invoices we did find charged for coordinating meetings and providing public relations support rather than pre-development deliverables.

For example, in one monthly invoice alone, Karey Kapoi LLC billed \$26,417 for the following items:

- Strategy development, project planning, PR services support, communications, outreach and statewide logistics and support
- Set up and coordinate Maui visits (Dec/Jan)
- Set up and coordinate Kaua'i visit (Dec)
- Set up and coordinate Hawai'i Island visit (Jan)



Employee? Contractor? Both?

The State reimbursed HomeAid over \$150,000 in "Contractor" fees for HANO Marketing. HANO Marketing was founded by HomeAid's Chief External Affairs Officer, who charged for his work as a "contractor" from April 2024 to May 2025 while simultaneously working as a HomeAid employee.

HANO Marketing's invoices charged from \$9,528.79 to \$13,089 monthly, describing the charges as "blended services." The invoices did not include information on hours worked, tasks performed, deliverables, or a clear scope of work.

Under the Pre-Development Agreement, HomeAid represented that neither it nor its employees had or would acquire any interest that might conflict with HomeAid's contractual performance. We question whether HomeAid complied with this provision by using its own employee as a contractor, ultimately charging the State for over \$150,000 in unspecified "blended services."



HomeAid: The Documentary

The State reimbursed HomeAid for invoices from Yay Media LLC for video filming, editing, photography, drone filming, producer fees, and unexplained reimbursements for a "Ka Malu resident" and a "Papakōlea resident." These charges appear unrelated to the Pre-Development Agreement.



HomeAid: The Advertising Campaign

The State reimbursed HomeAid **\$49,084.15** for various advertising, printing, and communications expenses, including:

- **\$1,400** for 16 weeks of advertising with the Hawai'i Chamber of Commerce.
- **\$14,978** for two spreads in *Pacific Business News* and *Hawai'i Business* magazine advertising HomeAid's brand, soliciting building partners, and profiling kauhale residents, which appear to be brand-building expenses rather than direct project costs for pre-development and planning activities.
- **\$4,712.04** for unexplained "professional service fees" from Pang Communications.



HomeAid: The Brand

SOHHS reimbursed HomeAid **\$3,926.42** for custom-printed shirts, embroidered hats, branded stickers, and related expedited service costs. None of the invoices for these branding items explained their relevance to the pre-development of kauhale.

Airfare, Hotel, Parking, and Rideshare Costs

Total Expenses: \$27,185.94

THE STATE PAID FOR HomeAid's airfare, hotel, parking, and rideshare costs with unclear ties to HomeAid's performance of the Pre-Development Agreement.



Hotel Costs

Deposit for a three-day event titled "Karey Kapoi LLC Meeting" at the Westin Maui Resort & Spa to cover food, beverage, rental charges, service charges, and taxes, including \$9,375 for food and beverage costs for a 25-person meeting.

Airfare and Travel Insurance	\$9,600.84
Hotel Costs	\$15,215.96
Parking Fees	\$491.04
Rideshare	\$1,878.10
Total	\$27,185.94



Parking Fees

Parking fees were incurred for picking up "team lunch," office parking lots, and airport visits, as well as a payment for a parking meter citation at District Court.



Rideshare

Lyft and Uber costs for meetings with the Governor and the Governor's Chief of Staff; Uber taken when the HomeAid CEO's car broke down; rideshare costs for dinner meetings; various rideshares with no documentation as to contract relevance.

Expenses Outside the Scope of the Agreements

Total Expenses: \$94,998.30

THESE COSTS APPEAR to relate to separate initiatives or contracts, not pre-development and planning work for the Pre-Development Agreement. They raise questions about whether the State was charged – and paid – for work that should have been billed to other projects or funded separately.

Ka La'i Ola	Contractor, airfare, parking, consulting, QuickBooks, and video-related costs tied to Ka La'i Ola	\$87,147.36
Pu'u'honua o Nēnē	Contractor, airfare, and video-related costs tied to Pu'u'honua o Nēnē	\$4,750.94
Sun Express International, Inc.	Busan shipment-related charge; potentially tied to Tiny Homes contract DHS-24-GOV-0109	\$3,100.00
Total		\$94,998.30

Ka La'i Ola, Maui

The State paid \$87,147.36 in costs that appear to relate to Ka La'i Ola, including consulting, video production, airfare, and other support. It is unclear why these costs were not billed to the separate Ka La'i Ola contract, DHS-24-GOV-0105.

Pu'u'honua o Nēnē, Maui

The State paid \$4,750.94 for costs associated with Pu'u'honua o Nēnē, including airfare, subcontractor costs, and video production. We question why these costs were not billed to the separate Pu'u'honua o Nēnē contract, DHS-25-GOV-0043.

Sun Express / Tiny Homes

The State paid \$3,100.00 for costs relating to Sun Express International's transportation of tiny homes from Busan to Honolulu. SOHHS's records did not include a receipt for this charge. A separate contract with HomeAid for 273 tiny home units included transportation and delivery of those units. It is unclear why this charge to ship the prefabricated units from Korea to Honolulu was not billed under the Tiny Homes contract, DHS-24-GOV-0109.

Questionable Project-Specific Costs

Total Expenses: \$2,714,563.01

OUTSIDE OF THE PRE-DEVELOPMENT AGREEMENT, we found an additional \$2.7 million in questionable expenses, particularly in payment requests from four of the seven kauhale project contracts. As with the Pre-Development Agreement, we used each contract's scope of services and other terms as a guidepost to determine whether expenses should have been reimbursed.

We found expenses that we deemed questionable because SOHHS's records could not establish that the claimed expenditures related to work that was reimbursable under its contracts. Below, we elaborate on select examples that comprise the \$2.7 million in questionable expenses that we found.

Project Name	Contract Amount	Questionable Expenses
Alana Ola Pono	\$5.2 million	\$959,596.21
Ho'okahi Leo (Middle Street) Phase I	\$1.2 million	\$41,207.61
Ho'okahi Leo (Middle Street) Phase II	\$6.8 million	\$835,230.00
Kīpūola	\$7.9 million	\$878,529.19
Total		\$2,714,563.01

Alana Ola Pono

The State reimbursed HomeAid for \$350,723.14 in costs related to "Sleeping Pod" units under the Alana Ola Pono contract. Yet the contract did not allocate funds toward procuring residential units, as the project manager confirmed. All units placed at Alana Ola Pono were funded through a separate statewide contract with HomeAid to design, build, transport, and deliver the tiny home units.

Moreover, the invoice is addressed to "KALAIOLA VILLAGE LLC" and specifies the designated project as "Kauhale DOT," an alternate name for

Kīpūola. No explanation was provided to justify billing the invoice to the Alana Ola Pono contract. Ka La'i Ola is not a kauhale initiative project, and Kīpūola, although part of the kauhale initiative, is on Maui.

Additionally, the State reimbursed HomeAid under the Alana Ola Pono contract for \$39,450 in security services and more than \$5,000 for a golf cart, even though none of those items or services were part of their respective contracts' scopes of service or fell within an approved budget category.

Kīpūola

The State reimbursed HomeAid under the Kīpūola contract for over \$2,000 in accounting services and more than \$1,500 for hats with custom designs.

Part 2

SOHHS relied on HomeAid to provide expertise the office lacked without adequately evaluating HomeAid's capacity for the work

The kauhale initiative placed responsibilities on SOHHS that were fundamentally different from those for which the office had been created. The Legislature established SOHHS to develop and coordinate homelessness policy, work with government and community partners, evaluate programs, collect and analyze data, and identify solutions to prevent and end homelessness. As the initiative shifted from supporting community-led projects to developing State-funded projects on State land, however, SOHHS became responsible for planning public works projects, procuring and administering development contracts, overseeing construction-related work, controlling project changes, and reviewing project expenditures.

SOHHS ultimately administered 10 development-related contracts totaling more than \$42 million.⁸

SOHHS did not have the institutional capacity or technical expertise ordinarily associated with those responsibilities. The Governor's Chief of Staff acknowledged that neither DHS nor SOHHS had built anything before they were asked to develop the kauhale projects.⁹ She said SOHHS was assigned that responsibility because other departments did not want to take on the work. The current Coordinator similarly told us that "[t]he work on the infrastructure assessments, the land, all of that stuff, is not something our office was well situated to do. So, we contracted, previous to my time, with a contractor, HomeAid." In October 2025, he said SOHHS remained "not equipped to do all of the pre-development assessments."

Although SOHHS would add administrative and program positions, it did not employ the engineers, architects, construction managers, cost analysts, or other personnel with the specialized public works expertise needed to independently oversee much of the work it was responsible for administering. The issue was not that SOHHS used contractors to obtain technical expertise; agencies need not employ every professional discipline a project may require. Rather, SOHHS relied on HomeAid to supply or coordinate much of the expertise the office lacked without establishing sufficient independent capacity to oversee HomeAid's work and evaluate its performance.

"The work on the infrastructure assessments, the land, all of that stuff, is not something our office was well situated to do."

—Current Coordinator

8. Pūlama Ola and Cedar Church were developed without contracts. The Bills of Sale that the State executed after the projects were completed are not included.

9. Separately from SOHHS, DHS developed the Maui wildfire-related housing projects Ka La'i Ola and Pu'uhoonua o Nēnē. See "HomeAid and its Affiliated Entities Received Approximately \$127 Million in Additional State Contracts, with Projected Costs Approaching \$154 Million" on page 49.

The need for complementary construction expertise was not new to the State. The ‘Ohana Zones Pilot Program, established in 2018 to temporarily house homeless individuals and families transitioning into permanent housing, directed the Governor to designate executive branch agencies to develop and implement the program and expressly contemplated involvement of “an agency with specific expertise in construction development and an agency with specific expertise in administering homeless services.” Five years later, the kauhale initiative was implemented separately from the ‘Ohana Zones Pilot Program and assigned to SOHHS. Unlike the earlier statutory model, the kauhale initiative did not establish a structure that paired SOHHS’s homelessness-policy expertise with an agency possessing comparable construction-development or public works expertise, and SOHHS did not otherwise establish comparable independent public works expertise.

Responsibility for the decision to rely on HomeAid is unclear

SOHHS’s records also do not establish who made one of the initiative’s most consequential decisions: selecting HomeAid for this expanded role. The former Coordinators and other State officials provided conflicting accounts of who made or participated in that decision. The former Coordinators told us they were not involved in that decision. Both identified other State officials as having made or participated in it, including the DHS Deputy Director; the Governor’s General Counsel; the current Coordinator, who at the time was employed by the Department of Transportation; and HomeAid’s Chief Executive Officer. The Governor’s Chief of Staff, in turn, told us that the former Coordinators were responsible.

The conflicting accounts and absence of contemporaneous documentation left us unable to determine who selected or approved HomeAid as the State’s kauhale planner and principal contractor – or why.

SOHHS awarded HomeAid no-bid contracts to plan and develop housing projects without adequately evaluating its capacity for those jobs

SOHHS relied on HomeAid for two substantially different roles. Under the approximately \$8.48 million¹⁰ Pre-Development Agreement, HomeAid was responsible for identifying and assessing potential sites, coordinating engineering and other technical studies, developing conceptual and site plans, preparing preliminary construction budgets and schedules, and, for projects selected for

10. The Compensation and Payment section of the Pre-Development Agreement reflects a total not-to-exceed amount of **\$8,497,670** and expressly ties payment to the budget attached to the agreement. The total not-to-exceed amount in the budget, however, is **\$8,479,670**, a difference of \$18,000. The State and HomeAid signed Supplemental Contract No. 1 in December 2025 which amended the budget, but did not change the total not-to-exceed amount. The discrepancy appears to be a transposition error. We have used the budgets’ not-to-exceed amount as the value of the contract.

development, preparing construction plans and biddable documents. The agreement anticipated that HomeAid would obtain architectural, civil, mechanical, electrical, and other specialized professional services through third-party subcontractors. It also contemplated that HomeAid might later be retained under separate agreements to manage construction of the projects it helped plan.

SOHHS then separately awarded HomeAid no-bid agreements to develop and construct all of the individual kauhale projects we included in our audit. It also contracted with HomeAid to design, construct, transport, and deliver 273 tiny homes for use at future kauhale projects.

The breadth of those responsibilities made HomeAid's organizational and professional capacity particularly important. Yet SOHHS's records do not demonstrate that it evaluated whether HomeAid possessed that capacity before selecting it. The current Coordinator explained the decision not to competitively procure the work, saying there was "no other non-profit organization in Hawai'i that develops and builds projects specifically catered to sheltering homeless individuals." That explanation may address SOHHS's decision to use HomeAid to develop individual kauhale projects, but it does not address the State's selection of HomeAid for the separate statewide pre-development and planning role, which involved site assessment, engineering coordination, budgeting, scheduling, feasibility analysis, and construction documentation.

HomeAid was expanding into the role the State assigned it

HomeAid had experience working with Hawai'i's building industry and homeless-service providers, but its prior operating model was substantially different from the planning and development role SOHHS assigned it. According to HomeAid's former Executive Director, the organization principally served as a facilitator, connecting nonprofit homeless-service providers with building-industry partners willing to donate or deeply discount labor, materials, expertise, and other resources.

Kama'okū, a master-planned housing community in West O'ahu designed to support veterans experiencing homelessness, was HomeAid's first – and only – ground-up housing development before the kauhale initiative. Before undertaking the project, HomeAid already had commitments for 18 donated homes, and the State funded an additional 18. Its former Executive Director described HomeAid's model as "very much leveraging" the building industry's expertise, labor, and materials to reduce costs for nonprofit homeless-service providers.

HomeAid's organization was similarly modest. In 2022, it reported one employee – its Executive Director – and \$235,338 in revenue. The Executive Director generally worked from home and, for a period, used "just the desk, not a whole office" at developer Castle & Cooke's offices, rent-free; she used the office or home Wi-Fi and did not have a company cellphone.

That organization changed rapidly as its State-funded work expanded. HomeAid's CEO¹¹ told us that over the ensuing three years, HomeAid scaled from a heavy reliance on outside consultants to developing an in-house team to perform contracted work. By 2024, HomeAid reported 13 employees and nearly \$143 million in revenue, almost all from State contracts, including the \$113 million contract to develop Ka La'i Ola, housing for Maui wildfire survivors (see "HomeAid and its Affiliated Entities Received Approximately \$127 Million in Additional State Contracts, with Projected Costs Approaching \$154 Million" on page 49). Yet when we asked HomeAid's CEO to identify the development and construction qualifications of its current staff, he did not identify any licensed architects, engineers, or construction professionals and told us that he needed to review HomeAid's records.

The State financed HomeAid's expansion into its new role

The Pre-Development Agreement did more than purchase pre-development and planning services from HomeAid. It also financed the personnel, systems, and organizational infrastructure HomeAid was building as it expanded into its new role. The agreement's approximately \$8.48 million budget included more than \$1.6 million for HomeAid personnel and substantial amounts for administrative contractual services, audit services, insurance, leased office space and equipment, supplies, telecommunications, and a "10% Indirect Costs" allowance of \$770,879.¹² Together, personnel and organizational-cost categories totaled over \$3.85 million – over 45 percent of the agreement's entire budget.

Personnel, office space, equipment, insurance, accounting, and other organizational expenses may be appropriately charged to a cost-reimbursement contract, and SOHHS expressly approved budget categories contemplating many of those expenditures. The more significant issue is that SOHHS selected an organization that needed to expand its personnel, systems, and infrastructure necessary for its new responsibilities and agreed to finance substantial portions of that expansion without documenting how it evaluated HomeAid's existing capacity or determined the organizational costs the State should bear.

That question was particularly significant because the agreement separately budgeted approximately \$4.5 million for contractual services, including third-party professionals performing the specialized pre-development work. The State agreed to finance substantial portions of HomeAid's personnel and organizational infrastructure while also paying for the outside professionals who provided the specialized pre-development expertise.

The Pre-Development Agreement did more than purchase pre-development and planning services from HomeAid. It also financed the personnel, systems, and organizational infrastructure HomeAid was building as it expanded into its new role.

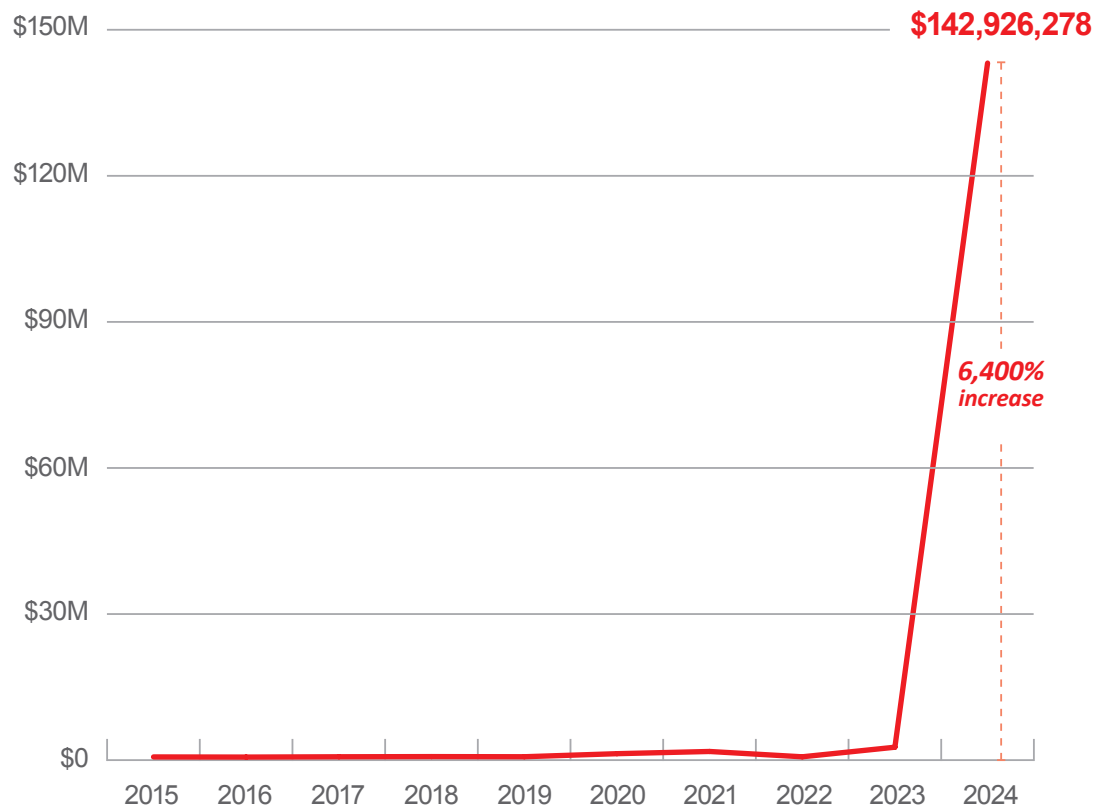
11. The position title was changed to Chief Executive Officer (CEO) at the current CEO's request.

12. The agreement expressly budgeted many administrative and organizational costs as direct reimbursable expenses, including office space, equipment, supplies, telecommunications, insurance, audit, and other administrative services. The 10 percent indirect-cost allowance was calculated on a base that included those expenses. As a result, the budget allowed HomeAid to be reimbursed directly for those expenses while also applying the 10 percent indirect-cost allowance to those same amounts.

6,400% Growth: HomeAid expanded rapidly as its State-funded work grew

In 2022, HomeAid reported \$235,338 in revenue and had one employee, its Executive Director. The following year, HomeAid reported three employees and \$2.2 million in revenue. In 2024, HomeAid reported 13 employees and nearly \$143 million in revenue – an increase of approximately 6,400 percent from 2023. Almost all of that revenue came from State contracts, including a \$113 million contract to develop Ka La'i Ola.

Revenue for HomeAid Hawai'i



Source: Office of the Auditor

HomeAid's CEO said that the State and HomeAid were "partners" in the sense that they were "aligned" in their "vision" to house people experiencing homelessness, but he made clear that HomeAid was not sharing the State's financial risk. Consistent with that distinction, the contracts did not require HomeAid to contribute its own funds toward project costs. HomeAid's CEO also estimated that HomeAid derived at least 90 percent of its revenue from contracts with the State. SOHHS may have viewed HomeAid as a program partner, but for purposes of protecting public funds, HomeAid was a contractor.

Shared objectives did not relieve SOHHS of its responsibility to independently oversee HomeAid's performance and protect the State's interests.

SOHHS's reliance on HomeAid left the State without an independent counterweight

SOHHS addressed its lack of institutional capacity largely by relying on HomeAid, an organization that was itself expanding into substantially different planning and development responsibilities. State contracts helped finance that expansion, while SOHHS increasingly depended on HomeAid to help define, price, and develop the projects for which SOHHS remained responsible.

SOHHS did not establish sufficient independent expertise to evaluate HomeAid's work, prices, performance, and costs and protect the State's interests regarding the development of kauhale. That lack of independent oversight made the contractual and payment controls described in Part 1 especially important – and made SOHHS's failure to consistently establish and enforce them more consequential.

HomeAid and its Affiliated Entities Received Approximately \$127 Million in Additional State Contracts, with Projected Costs Approaching \$154 Million

THE CONTRACTS REVIEWED IN THIS AUDIT represent only a portion of the State's financial relationship with HomeAid. DHS also awarded HomeAid-affiliated companies nearly \$154 million worth of no-bid contracts to develop and operate two Maui housing projects related to the island's August 2023 wildfires and separate from the kauhale initiative. Those projects were not part of the kauhale initiative and not part of our audit.

For Ka La'i Ola, an interim housing community for Maui wildfire survivors near Lahaina, DHS contracted with Kalaiola Village LLC, a HomeAid affiliate, to develop 450 modular homes and related infrastructure. Amendments expanded the company's responsibilities and increased the contract ceiling from \$39.5 million to approximately \$113.5 million. The project also received \$40 million from the Hawai'i Community Foundation's Maui Strong Fund to acquire housing units for the development.

DHS separately awarded Kauhale Management Services, LLC (KMS), whose sole member is HomeAid, a \$9 million contract for startup

operations, property management, maintenance, and resident services at Ka La'i Ola. The contract provided for compensation from August 5, 2024, to June 30, 2025, and projected another approximately \$26.6 million in operating costs over the following four years.

DHS also awarded KMS a \$4.7 million contract for Pu'u'honua o Nēnē, another temporary Maui shelter established after and in response to the wildfire, consisting of tents and off-grid facilities. An adjacent site became the location for Kīpūola, a kauhale initiative project that SOHHS later contracted HomeAid to develop for \$7.9 million.

Together, the three DHS contracts totaled more than \$127 million, more than three times the approximately \$39 million in HomeAid contracts reviewed in this audit. Including Ka La'i Ola's projected operating costs, the State's commitment under those contracts approaches \$154 million. The scale and scope of these contracts show that the State's reliance on HomeAid and its affiliates extended well beyond the kauhale initiative.

Conclusion

SOHHS's administration of the kauhale initiative did not provide the basic accountability expected when the State commits and spends public funds. Contracts, amendments, approvals, deliverables, and payment records were treated as documents that could be completed after decisions were made, work was performed, and costs were incurred – not as controls that defined responsibilities, governed spending, and protected the State. As a result, SOHHS cannot provide reasonable assurance that the State received what it agreed to buy and paid only what it owed.

Emergency authority allowed the State to move faster, but it did not eliminate SOHHS's responsibility to account for its decisions or its use of public funds.

Our audit identified **more than \$13.7 million in unauthorized, unsupported, or questionable payments**. That amount is not a comprehensive accounting of expenditures associated with the initiative; it reflects only the costs identified through our review of selected payment requests and supporting records. Some questioned costs may ultimately prove reimbursable if additional documentation establishes that they were properly chargeable to the applicable agreements. But making that determination was SOHHS's responsibility, and it should have occurred before payment – not years later during an audit.

The deficiencies we identified were not isolated failures of contracting or payment review. They reflected a more fundamental weakness in how the initiative was implemented. SOHHS assumed responsibility for planning and administering a multimillion-dollar public works initiative without the institutional capacity and technical expertise ordinarily associated with those responsibilities. It addressed those limitations largely by relying on HomeAid to supply or coordinate much of the expertise the office lacked, but did not establish sufficient independent capacity to evaluate HomeAid's work, prices, performance, and costs. The result was an arrangement in which SOHHS increasingly depended on the contractor it was responsible for overseeing while failing to consistently establish and enforce the contractual and payment controls needed to protect the State's interests.

The same lack of accountability extends to one of the initiative's most consequential decisions: SOHHS's records do not establish who selected HomeAid to serve as the State's principal planner and developer or the basis for that decision. Accountability requires more than showing that money was spent, housing was produced, and bills were paid. It requires the State to demonstrate who made consequential decisions and the basis for those decisions, what it agreed to buy, why the amounts paid were appropriate, whether contractors performed what they promised, and whether public funds were used only for authorized purposes. SOHHS's records and controls do not provide those assurances.

Emergency authority allowed the State to move faster, but it did not eliminate SOHHS's responsibility to account for its decisions or its use of public funds. To the contrary, the suspension of ordinary procurement safeguards made independent oversight and financial accountability more important, not less. Until SOHHS establishes the qualified personnel, written procedures, allowable-cost standards, and other controls necessary to administer these and other contracts, it cannot provide reasonable assurance that future payments will be authorized, supported, properly allocated, and otherwise reimbursable.

Our identification of more than \$13.7 million in unauthorized, unsupported, or questionable payments was based on selected payment requests and supporting records through December 2025 and was not an exhaustive review of amounts SOHHS reimbursed HomeAid. We also did not examine all underlying agreements and transactions between HomeAid and its contractors, subcontractors, consultants, and vendors. Accordingly, our audit does not establish the full extent of payments that may not have been reimbursable under the HomeAid agreements.

Recommendations

We recommend that the Statewide Office on Homelessness and Housing Solutions:

1. Assess and document the personnel, technical expertise, and other resources needed to administer and independently oversee active and future kauhale development projects, including identifying gaps between those needs and SOHHS's existing capabilities.
2. Address the gaps identified by the assessment and establish and implement a process to obtain the personnel, technical expertise, and other resources needed to administer and independently oversee active and future kauhale development projects, whether through SOHHS personnel, other State agencies, independent consultants, or a combination of those resources.
3. Establish and implement written policies, procedures, and internal controls for planning, contracting, administering, and overseeing kauhale development projects that, at a minimum, require:
 - a. Project-specific planning and pre-development work necessary to establish project scope, requirements, anticipated costs, schedule, and the basis for the contract amount to be completed, reviewed, and documented before the State enters into a development or construction contract;
 - b. A prospective contractor's qualifications, experience, staffing, financial and accounting systems, potential conflicts of interest and related-party relationships, and capacity to perform the proposed work to be evaluated and documented before selection or a material expansion of its responsibilities;
 - c. Contracts and amendments to be fully executed before work begins, reimbursable costs are incurred, or contract periods are extended;
 - d. The basis for selecting the contract type, appropriate public works protections, and other measures necessary to address identified project and contracting risks to be considered and documented;

- e. Required deliverables, project changes, subcontractors and consultants, and contract spending limits to be reviewed and approved as required before the related work or expenditures occur, and applicable professional and contractor licenses to be verified before the licensed work begins;
 - f. Contract amounts to be reassessed and, when appropriate, reduced when project scope, anticipated costs, or required deliverables are reduced; and
 - g. Significant project and contracting decisions, including who made or approved those decisions and the basis for them, to be contemporaneously documented.
4. Establish and implement written procedures for reviewing payment requests under cost-reimbursement contracts that require SOHHS, before approving payment, to document its determination that claimed costs are authorized by the applicable contract and approved budget, adequately supported, properly allocated to the contract charged, reasonable, and otherwise reimbursable. The procedures should establish documentation requirements for personnel costs, shared costs, and indirect costs; require support for cost allocations; require timely reconciliation of advances, credits, refunds, and other adjustments; identify responsibility for performing and approving the review; and require SOHHS to withhold payment for claimed costs that have not been adequately established as reimbursable.
5. Conduct and document a comprehensive review of payments made under the HomeAid agreements to determine whether the amounts paid by the State were authorized, adequately supported, properly allocated, reasonable, and otherwise reimbursable under the applicable agreements. The review should include, as necessary to make those determinations, HomeAid's agreements with, invoices from, and payments to its contractors, subcontractors, consultants, and vendors and the records supporting the nature, amount, and allocation of costs passed through to the State. The review should also reconcile advances, credits, refunds, reallocations, contract closeouts, and other adjustments in a timely manner, and document the results of the review, including the amounts determined to be reimbursable and not reimbursable under the applicable agreements. Until SOHHS obtains the personnel, technical expertise, and other resources needed to perform the comprehensive review, SOHHS should retain an independent consultant, such as a construction auditor.

6. Recover from HomeAid amounts that the comprehensive review determines were not reimbursable under the applicable agreements. If SOHHS reaffirms payments that were unauthorized by the contracts, SOHHS should document why it believed it was appropriate to make those payments, notwithstanding the contract language.
7. Review and document the status of all active kauhale development contracts, including their scopes, not-to-exceed amounts, remaining deliverables, amounts paid, remaining contract balances, and oversight and closeout requirements, and amend the agreements as appropriate based on the results of those reviews.
8. Establish and implement procedures to verify and document final delivery and acceptance of contracted work and reconcile final payments to allowable costs and accepted deliverables before contract closeout.
9. Establish and implement records-management requirements for kauhale development projects that identify the records required to be maintained for each project and contract and provide for complete, organized, authoritative, and readily accessible files documenting significant decisions, contracts and amendments, approvals, deliverables, licenses, payment support, project acceptance, and contract closeout.

Although our audit did not review SOHHS's administration of its service contracts, cost-reimbursement or other payment arrangements that place comparable financial risk on the State warrant similar controls.

10. Review SOHHS's existing service contracts to identify those that use cost-reimbursement or other payment arrangements that place comparable financial risk on the State; determine and document which policies, procedures, and internal controls established in response to these recommendations are applicable to those contracts; and implement those controls in the administration of existing and future service contracts with similar payment arrangements.
11. Review the administration of SOHHS's cost-reimbursement service contracts to assess whether SOHHS adequately determined that claimed costs were authorized, adequately supported, properly allocated, reasonable, and otherwise reimbursable and, based on that assessment, determine whether additional review of payments already made is warranted, conduct such review where appropriate, and recover amounts determined not to have been reimbursable.

Chapter 3

Office of the Auditor's Response to the Statewide Office on Homelessness and Housing Solutions' Comments

We provided a draft of this report to the Statewide Office on Homelessness and Housing Solutions (SOHHS) and the Department of Human Services (DHS) for review and comment. We also met with the Coordinator on Homelessness, a member of his staff, the DHS director, and the two DHS deputy directors in an exit conference. As we discussed, we revised the draft to include as unauthorized costs nearly \$1.6 million in contingency that HomeAid Hawai'i (HomeAid) billed – and SOHHS paid – without revising contract budgets to allocate those funds to specific cost categories. We provided the attendees with the revised section of the report about the unauthorized use of the contingency at the exit conference. We also made non-substantive revisions, including reorganizing Chapter 2, adding clarifying information, and revising graphics.

SOHHS provided a written response to the draft report, which is included in its entirety following our response.

The initiative's accomplishments are irrelevant to SOHHS's duty to safeguard public funds

SOHHS acknowledges the need to reinforce the office's independent oversight, contracting practices, financial controls, and documentation. We agree. SOHHS was responsible for ensuring that public funds were expended responsibly and only for costs the State had agreed to reimburse. Instead, it approved payments without adequately determining whether claimed costs were authorized, supported, properly allocated, reasonable, and otherwise reimbursable. Through our review of selected payment requests, we identified **over \$13.7 million** in unauthorized, unsupported, or questionable costs that SOHHS reimbursed.

SOHHS's description of the initiative's accomplishments does not address these payments or the fundamental weakness underlying them: SOHHS, an office established to coordinate homelessness policy, assumed responsibility for public works construction projects without the expertise and experience needed to administer them. Whatever the initiative may have accomplished, those results are irrelevant to our finding that SOHHS did not adequately protect public funds.

SOHHS's response does not resolve the more than \$13.7 million in costs we identified

SOHHS does not substantively address the amounts we identified as unauthorized, unsupported, or questionable, except for the \$2.5 million advance for Alana Ola Pono. Its objection to that advance rests on a misunderstanding of why we classified it as unauthorized. SOHHS's comments therefore provide no basis to change our conclusion that it paid more than \$13.7 million without adequately establishing that the State owed those amounts.

SOHHS believes we classified the advance as unauthorized because it was paid before the contract was signed. We corrected the draft's statement about payment timing, but the finding rests on the absence of contractual authority for the advance. The contract did not provide for an advance payment, and we found no amendment or other documentation authorizing one. SOHHS's explanation does not address that lack of authorization or change our conclusion.¹³

SOHHS also reports that it has "aggressively taken steps" to recover approximately \$486,000 in expenses it deemed improper. That amount is substantially less than the \$13.7 million we identified in our report as unauthorized, unsupported, or questionable. Its response does not establish how much of the \$486,000 has actually been recovered or how those recovery efforts address the remaining costs. SOHHS's subsequent identification of expenses that it had already approved and paid as improper underscores our finding and the need for SOHHS to independently determine whether costs are reimbursable before paying them.

Corrective action requires qualified independent oversight

SOHHS concurs with all 11 recommendations and describes corrective actions it intends to take. Those actions, however, do not resolve the fundamental issue: SOHHS currently lacks the expertise necessary to administer and oversee public works construction projects. SOHHS says that it will request two additional positions during the upcoming Legislative session – a Contract Specialist with contract and procurement experience and a Planning, Design, and Construction Manager to support project development and oversight. Its corrective action plan, however, does not explain how SOHHS intends to obtain the necessary public works expertise unless and until the Legislature approves and it fills those positions.

13. SOHHS also states that records provided to us in January 2026 included documentation supporting the use of the \$2.5 million advance. We did not identify such documentation in the records provided. After receiving SOHHS's comments, we asked SOHHS to identify the specific record or records supporting its statement. SOHHS responded that it had provided approximately 200 files but did not identify or provide the specific documentation to which its comments refer. We therefore stand by our statement that SOHHS's files did not contain evidence establishing how HomeAid applied the advance funds.

SOHHS has not explained how it will obtain the expertise necessary to oversee future contracts

For example, SOHHS represents that it will require “completed and reviewed project plans that establish the scope, requirements, anticipated costs, schedule, and basis for the contract amount” before executing future contracts. We agree that pre-development and planning work is necessary to inform the development contracts. However, SOHHS amended the Pre-Development Agreement in December 2025 to remove the requirement that HomeAid provide construction plans and biddable documents. SOHHS’s response does not explain who will prepare the project plans it now says it will require or how SOHHS will independently assess their adequacy.

Reviewing past payments will require the same expertise that SOHHS lacked

Similarly, SOHHS says that it will “conduct a comprehensive review of payments” to HomeAid beyond those that we reviewed. Any review should include costs SOHHS reimbursed for work performed by HomeAid’s contractors, consultants, and vendors, which likely will require SOHHS to assess both whether those costs were reimbursable and whether the amounts charged were supported by the underlying work. It is unclear how SOHHS will conduct that review without the necessary public works or general construction expertise. That review may be further complicated by HomeAid’s failure to identify its contractors and consultants, as the contracts required.

SOHHS – not HomeAid – is responsible for safeguarding public funds

SOHHS attached an August 7, 2026, letter to HomeAid’s Chief Executive Officer stating that HomeAid “has routinely failed to adhere to mandatory state financial submission procedures” and identifying six “recurring, systemic non-compliance issues” with HomeAid’s payment requests, including missing receipts, previously reimbursed costs, unauthorized costs, and invoices from entities not approved to perform work on the projects. That letter does not, however, require HomeAid to reimburse the State for any noncompliant payments SOHHS identified. Nor does it otherwise address the more than \$13.7 million in costs that we identified as unauthorized, unsupported, or questionable.

More importantly, SOHHS – not HomeAid – is responsible for determining whether public funds should be paid. Although SOHHS directed HomeAid to submit a “written Corrective Action Plan” describing controls it intends to implement to prevent similar billing errors, SOHHS’s comments do not similarly describe the internal controls that SOHHS has implemented to ensure that its own staff adequately review payment requests before approving them. As our report explains, SOHHS lacked the policies, procedures, and controls necessary to do so.

Until SOHHS obtains qualified personnel or independent assistance to administer and oversee these public works contracts, new procedures and additional reviews alone cannot provide reasonable assurance that the deficiencies identified in our report have been or will be corrected.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STATE OF HAWAII
KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF HUMAN SERVICES
KA 'OIHANA MĀLAMA LAWELawe KANAKA
Office of the Director
P. O. Box 339
Honolulu, Hawaii 96809-0339

JOSEPH CAMPOS II
DIRECTOR
KA LUNA HO'OKELE

TRISTA SPEER
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

LORI-LEI APONTE
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

SOHHS 26.59

October 2, 2026

The Honorable Leslie H. Kondo
State Auditor
Office of the Auditor
465 S. King Street, Room 500
Honolulu, Hawai'i 96813

RE: Response to the Office of the Auditor's Draft Report – Audit of the Statewide Office on Homelessness and Housing Solutions' Administration of the Kauhale Initiative

Dear Mr. Kondo:

Thank you for the opportunity to respond to the draft audit of the administration of the Kauhale Initiative by the Statewide Office on Homelessness and Housing Solutions (SOHHS). SOHHS appreciates the work of your office and the opportunity to provide context, clarify the record, and describe improvements to our oversight and stewardship of public funds.

The Green Administration's Kauhale Initiative is a bold, innovative response to Hawai'i's severe homelessness crisis, which has only gotten worse in recent years due to historic policy failures, systemic barriers and the state's highest-in-the-nation cost of living.

Our community-centered, cost-effective housing solution – complete with the supportive services they provide -- is groundbreaking not just in Hawai'i but throughout the nation. Governor Green's Kauhale Initiative will serve as a blueprint for many other cities and states as they tackle one of their most urgent social challenges.

For that reason, SOHHS acknowledges the need to reinforce the office's independent oversight, contracting practices, financial controls and documentation – and welcomes the State Auditor's guidance in strengthening this vital program.

Homelessness trends and the Kauhale Initiative

Before implementation of the Kauhale Initiative in 2023, 2022 statewide Point-in-Time (PIT) Count data collected by the U.S. Department of Housing and Urban Development (HUD) recorded 5,967 people

experiencing homelessness in the state of Hawaii: 3,743 unsheltered and 2,224 sheltered.¹ This baseline illustrates the substantial unmet need for safe places to live and access to services.

The latest full counts show meaningful progress in reducing unsheltered homelessness. From 2024 to 2026, the combined statewide unsheltered count fell from 4,042 to 3,513, a reduction of 13.1%.² On O‘ahu, it fell from 2,766 to 2,208, a reduction of 20.2%.³ O‘ahu’s sheltered population increased from 1,728 to 2,331.⁴ In 2026, sheltered people outnumbered unsheltered people on O‘ahu for the first time in a full PIT Count since 2018.⁵

SOHHS views these changes as encouraging evidence of progress in the broader homelessness response, in which kauhale have played an integral role in this year’s reduction in unsheltered homelessness and expanded the housing options for our most vulnerable neighbors. The contribution of the Kauhale Initiative should be documented through site occupancy, residents’ prior living situations, services received, and housing outcomes. The PIT count measures community conditions on one night; it does not, by itself, isolate the effect of kauhale from other state, county, provider or community efforts.

The Kauhale Initiative has added 896 active beds statewide at 26 project locations. Kauhale projects consist of both traditional tiny home villages and adaptive reuse of existing housing and other facilities. Most projects are operated by established homeless service providers, including HOPE Services, Catholic Charities Hawai‘i, Hawai‘i Health and Harm Reduction Center, Project Vision Hawai‘i, Mental Health Kokua, the Institute for Human Services, and the YWCA.

HomeAid Hawai‘i (“HomeAid”) has developed 292 tiny homes at established project sites. Although the audit focuses primarily on the developer of nine of the 26 projects, SOHHS appreciates the work undertaken by the Office of the Auditor within that scope.

Since operations began, the Initiative has served more than 2,900 individuals, including medically fragile and older adults, families with children, people with behavioral health needs, and survivors of domestic violence. Most of those individuals have transitioned to permanent housing, group homes, or reunification with family and other support networks. We continue to work with our service providers to improve housing, health and whole-person outcomes as well as to reduce recidivism.

Even before the audit, SOHHS strengthened contracting and reimbursement procedures and internal controls to implement the recommendations. And we redoubled those efforts after the State Auditor raised serious concerns about contract payments in a letter to state lawmakers in April 2026.

¹ 2022 PIT Count data for the state of Hawai‘i is available on HUD’s [2022 Continuum of Care \(CoC\) Homeless Populations and Subpopulations Report](#).

² 2024 PIT Count data for the state of Hawaii is available on HUD’s [2024 CoC Homeless Populations and Subpopulations Report](#). At the time of this letter, HUD has not yet published its 2026 CoC Homeless Populations and Subpopulations Reports. Therefore, 2026 PIT Count data is collected directly from [Partners in Care \(PIC\)](#) and [Bridging the Gap \(BTG\)](#).

³ 2026 PIT Count data for O‘ahu is available on the [PIC website](#).

⁴ See above.

⁵ PIT Count data for historical years is available on the [HUD Exchange website](#).

SOHHS will also use outcome data to guide improvements in services. The Kauhale Initiative reflects the principle that housing is healthcare – and SOHHS has witnessed its impact on the people it serves. While SOHHS recognizes the work undertaken by the Office of the Auditor, it respectfully disagrees with aspects of the draft report and offers the following comments to clarify its position.

Clarifications regarding payments

In the ensuing months, SOHHS will address the Auditor’s remaining concerns; some of those steps are detailed in the responses to the Auditor’s recommendations.

A significant portion of the \$6.1 million in “unauthorized payments” includes \$2.5 million paid to HomeAid for the Alana Ola Pono project. The Auditor said this payment was unauthorized because it was advanced prior to the execution of a contract. However, the contract was executed approximately two months before the payment was made. Records provided to the Auditor in January 2026 included supporting documentation for the use of these funds, including a copy of the check dated September 24, 2024.

The auditor also flagged as “questionable,” \$2.4 million in payments to HomeAid for the predevelopment agreement. Under this predevelopment agreement, HomeAid evaluated potential kauhale sites, conducting tasks such as site assessments, master planning, design work and other project development services.

This kauhale pre-development work evolved over time due to the rapidly changing needs of the office, including an unprecedented disaster response following the Maui Wildfires.

Throughout the process, HomeAid identified and subsequently reallocated costs to the most appropriate sources, which includes refunding various expenses to the state.

In recent months, the SOHHS has also aggressively taken steps to reimburse taxpayer money for expenses that were deemed improper, including:

- More than \$16,000 in unauthorized travel expenses, which includes costs for mainland and interisland travel and first-class fares;
- \$300,000 in office and administrative expenses; and
- Approximately \$170,000 for work performed by subcontractors and consultants for HomeAid that was not directly related to the Kauhale Initiative.

Accuracy of quotations and direct attributions

During the exit conference on September 25, 2026, DHS Director Campos requested a review of a statement attributed to him on page 8 of the draft report. He raised concerns that the statement did not accurately reflect his answers to the audit staff’s questions regarding accountability. Auditor Kondo was adamant that Director Campos had made the statement.

Specifically, The draft report states:

“The Deputy Director, who according to the Director was directly involved in the initiative, said that it was not his role to hold anyone accountable for the concerns raised in the memorandum.”

Director Campos, then deputy director, did not make that statement. Rather, the interview record shows that the statement concerning whether Director Campos was responsible for “holding anyone accountable” was an inference made by the auditor, Chuck Narikiyo, which Director Campos expressly rejected.

The relevant exchange, including the statements immediately before and after Auditor Narikiyo's inference is included as **Exhibit 1**.

Taken together, these statements are inconsistent with the draft report's assertion that Director Campos “said that it was not his role to hold anyone accountable.” In addition, Director Campos expressly acknowledged, throughout the interview, DHS' responsibility for accountability and his responsibility as deputy director at the time within the scope of his authority.

Director Campos recognizes that the Auditor may independently conclude that Director Campos, DHS, or SOHHS should have taken additional action following the April 20 memorandum. The Auditor may state that conclusion and identify the evidence supporting it. However, there is an important distinction between an inference or conclusion drawn by Auditor Narikiyo and a statement actually made by an interviewee.

Here, the draft report converts an inference made by Auditor Narikiyo into a statement attributed to Director Campos, despite Director Campos' immediate and express disagreement with that inference. Accordingly, Director Campos requests that the sentence stating that he “said that it was not [his] role to hold anyone accountable for the concerns raised in the memorandum” be deleted or revised.

SOHHS responses to the recommendations

SOHHS concurs with the 11 recommendations and is committed to making the necessary improvements. Many improvements began before publication of the audit. SOHHS' responsibility includes both advancing housing for people experiencing homelessness and demonstrating that public funds are properly authorized, supported, and used for accepted work. SOHHS will evaluate individual payments through the recommended review and pursue recovery of amounts determined not to be reimbursable.

The responses below group related recommendations while retaining each recommendation number. SOHHS will document the status of each action as completed, in progress, or planned, and the Coordinator on Homelessness will oversee implementation.

1. Staffing and independent technical oversight

- **Recommendation 1** — Assess and document personnel, technical expertise, resource needs, and gaps for active and future development projects.
- **Recommendation 2** — Address the identified gaps and establish a process to obtain the necessary staff, agency support, or independent consultants.

Response and corrective action. SOHHS concurs. It has established procedures and reviewed and defined staff responsibilities to strengthen project administration. We will work with DHS' human resources division to complete a written assessment of the staffing, workload, and technical expertise needed to oversee the development of future project sites, including schedules, budgets, and contractor performance.

SOHHS will request from the Legislature two positions to strengthen the administration of site development and operations: a Contract Specialist at the SR-22 level and a Planning, Design, and Construction Manager at the SR-26 level. The Contract Specialist will require appropriate contracting and procurement experience. The Planning, Design, and Construction Manager will support project development and oversight.

2. Project planning and contracting controls

- **Recommendation 3** — Establish and implement written policies, procedures, and internal controls covering project planning, contracting, administration, and oversight, including requirements 3(a)–3(g).

Response and corrective action. SOHHS concurs. It has already established internal controls and processes to improve administration and oversight and will consolidate and strengthen them through a documented project review and approval process. Before executing a development or construction contract, we will require completed and reviewed project plans that establish the scope, requirements, anticipated costs, schedule, and basis for the contract amount.

The process will require documented evaluation of contractor qualifications, experience, staffing, financial and accounting systems, conflicts of interest, related-party relationships, and capacity before selection or material expansion of responsibilities. Contracts and amendments must be fully executed before work begins, reimbursable costs are incurred, or contract periods are extended. A budget modification protocol will require documented approval and, where required by the agreement, a fully executed amendment before line-item reallocations, new cost categories, indirect costs, or expanded fees are authorized or paid.

Written controls will also require documentation of the basis for selecting the contract type, establishing insurance requirements and other applicable public works protections, and addressing project risks. Required deliverables, changes, subcontractors, consultants, and spending limits will receive the necessary prior review and approval. Applicable licenses will be verified before licensed work begins. When scope, anticipated costs, or deliverables change, SOHHS will reassess and, where appropriate, adjust contract amounts. Significant decisions will be documented when made, including the decision-maker, approval, and supporting rationale.

3. Payment review and reimbursement controls

- **Recommendation 4** — Implement documented prepayment review under cost-reimbursement contracts and withhold costs not adequately established as reimbursable.

Response and corrective action. SOHHS concurs, will strengthen written payment-review procedures and will establish an internal financial review checklist to verify invoices against executed contracts, approved budgets, and payment schedules. Each approval will document that costs are authorized, adequately supported, properly allocated, reasonable, and otherwise reimbursable. Procedures will specify required supporting documentation for personnel, shared, and indirect costs, including allocation methods and clearly defined administrative duties to prevent overlapping or duplicate management charges.

SOHHS will use two levels of verification: (1) designated project staff will confirm the site, contract, and work or deliverables supporting the charge; and (2) designated fiscal staff will verify contract coding, budget authorization, allocation, and supporting records before approval. Advances, credits, refunds, and other adjustments will be reconciled promptly. Costs not established as reimbursable will be withheld, with reasons and documentation requests recorded. Training and supervisory checks will support consistent application.

4. Comprehensive payment review and recovery

- **Recommendation 5** — Conduct and document a comprehensive review of payments under the HomeAid agreements, including supporting downstream records and reconciliations; retain independent expertise if needed.
- **Recommendation 6** — Recover amounts the comprehensive review determines were not reimbursable under the applicable agreements.

Response and corrective action. SOHHS concurs. It will conduct a comprehensive review of payments under the HomeAid agreements, extending beyond the transactions selected for the audit. The review will assess authorization, supporting documentation, allocation, reasonableness, and eligibility for reimbursement under the applicable agreements. It will examine, as necessary, HomeAid's agreements, invoices, payments, and supporting records involving contractors, subcontractors, consultants, and vendors.

SOHHS will reconcile advances, credits, refunds, reallocations, misclassified expenses, closeouts, and other adjustments. It will distinguish reimbursable and non-reimbursable amounts from amounts awaiting supporting evidence. If SOHHS lacks sufficient personnel or expertise, we will retain an independent consultant, such as a construction auditor, with a defined scope for reviewing past payments separate from routine monitoring.

Prior to the interim letter to the Legislature dated April 20, 2026, SOHHS initiated an internal review and reconciliation of development contracts with HomeAid, including a review of expenses claimed and reimbursed, project scopes, and supporting documentation of deliverables.

Exhibit 2 contains SOHHS Notice 26.46 to HomeAid, dated August 7, 2026, on its first page, addressing invoice submission non-compliance and mandatory corrective action. The notice identifies billing deficiencies, establishes heightened review of invoices, and requires corrective action. SOHHS will recover amounts determined not to be reimbursable, coordinating with DHS and legal counsel as necessary.

5. Active contract reconciliation and closeout

- **Recommendation 7** — Document the status of all active development contracts and amend agreements as appropriate.
- **Recommendation 8** — Verify final delivery and acceptance and reconcile final payments to allowable costs and accepted deliverables before closeout.

Response and corrective action. SOHHS concurs. We will prepare an authoritative register of active development contracts showing the scope, not-to-exceed amount, remaining deliverables, payments,

remaining balance, and oversight and closeout requirements. Staff will reconcile agreements, budget schedules, approved amendments, fiscal records, and project status; resolve clerical or baseline discrepancies; clarify the costs covered by administrative fees; and identify amendments needed to align agreements with remaining obligations.

A closeout procedure will require documented verification of final delivery and acceptance, a unit-level inventory where applicable, resolution of outstanding work, and reconciliation of final payments to allowable costs and accepted deliverables. The closeout file will record final approvals, transfers or other disposition of state-funded units where applicable, and the disposition of advances, credits, and refunds.

6. Authoritative project and contract records

- **Recommendation 9** — Establish records-management requirements and complete, organized, authoritative, readily accessible project and contract files.

Response and corrective action. SOHHS concurs. It will establish a centralized digital repository with a standard file structure and required-document index for each development project and contract. The index will cover significant decisions, executed agreements and amendments, approvals, deliverables, licenses, payment support, acceptance, and closeout. SOHHS will designate and assign staff responsibility for maintaining the files and will inventory existing records, pursue missing documentation, and record unresolved gaps.

7. Service contract controls and payment assessment

- **Recommendation 10** — Identify service contracts with comparable payment risks, document applicable controls, and implement them for existing and future contracts.
- **Recommendation 11** — Assess cost-reimbursement service contract administration, conduct additional review of past payments where warranted, and recover non-reimbursable amounts.

Response and corrective action. SOHHS concurs. Although service contract administration was outside the scope of this audit, we agree that payment arrangements presenting comparable financial risks warrant appropriate controls. We will inventory existing service contracts, identify cost-reimbursement and similar arrangements, and document which contract controls apply. SOHHS will incorporate those controls into the administration of existing and future service contracts with similar payment arrangements.

SOHHS will also assess whether service contract reviews adequately established the authorization, documentation, allocation, reasonableness, and eligibility for reimbursement of claimed costs. The assessment will document whether additional review of prior payments is warranted and define its scope. We will conduct that review where appropriate and recover amounts determined not to have been reimbursable, maintaining records of determinations and recovery actions.

Conclusion

SOHHS recognizes the importance of the Legislature's direction to audit the Kauhale Initiative and the value of transparent fiscal management and project oversight. At the same time, we are concerned that references to political campaigns in the report's opening pages may distract from the report's findings on

administrative practices, and we question the timing of the interim communications to the Legislature and the anticipated delivery of the final report. We simply ask that the report focus on documented findings and practical improvements.

SOHHS accepts the recommendations and will implement the corrective actions described in this response. Sustaining these improvements will require adequate staffing. Our request for a Contract Specialist at the SR-22 level and a Planning, Design, and Construction Manager at the SR-26 level will support consistent contract administration, fiscal monitoring, and project oversight.

These administrative improvements must serve the central purpose of the Kauhale Initiative: helping people move from homelessness into safe, stable housing with the support they need. SOHHS will continue coordinating efforts across state agencies and service providers while advancing the Initiative and safeguarding public resources.

Thank you for considering SOHHS's response.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jun Yang', is written over the printed name.

Jun Yang

Coordinator on Homelessness

Statewide Office on Homelessness and Housing Solutions

State of Hawai'i

Corrective action matrix

Grouped recommendations	Response summary
Staffing and independent technical oversight Recommendations 1 and 2	Assess staffing and expertise needs with DHS human resources; request a Contract Specialist at the SR-22 level and a Planning, Design, and Construction Manager at the SR-26 level.
Project planning and contracting controls Recommendation 3	Implement planning and contracting controls, a budget modification protocol, required approvals and licenses, ceiling reviews, and decision records.
Payment review and reimbursement controls Recommendation 4	Use project and fiscal verification, invoice checklists, correct cost allocation, and duplicate-fee checks; reconcile adjustments and withhold unsubstantiated costs.
Comprehensive payment review and recovery Recommendations 5 and 6	Review payments to HomeAid Hawai'i and supporting records; document determinations and recover non-reimbursable amounts. See Exhibit 2 for the invoice compliance notice.
Active contract reconciliation and closeout Recommendations 7 and 8	Reconcile contract and budget baselines; amend as needed; verify delivery, unit inventories, acceptance, final costs, and credits before closeout.
Authoritative project and contract records Recommendation 9	Centralize authoritative records, resolve gaps, retain completion evidence, and reconcile public project reporting quarterly.
Service contract controls and payment assessment Recommendations 10 and 11	Identify comparable payment risks; apply relevant controls; assess prior payment reviews, investigate further where warranted, and recover non-reimbursable amounts.

Exhibit 1

Auditor Narikiyo: “So, based on your answers and correct me if I’m wrong, is it fair to say that you personally don’t see anything in the memo that requires addressing or corrective action immediately.”

Campos: “If it’s accurate, then I’m sure, as you mentioned, Director Yamane said that he had somebody speak to Jun about it. I’m sure that they’re correcting whatever actions are necessary. I know for what I do, I didn’t think that I needed to correct any of my actions because I think I have my internal controls well buttoned.”

Auditor Narikiyo: “Okay, so I, from your responses, I will take it that you don’t, you’re not responsible for holding anyone accountable for addressing the concerns raised in the memo.”

Campos: “That is not my position.”

Auditor Narikiyo: “And if any corrective actions are taken or in the process of being taken or being looked at, that’s not, you don’t have any involvement in that.”

Campos: “Correct.”

Auditor Narikiyo: “Or any oversight of SOHHS in addressing that, if it’s currently being addressed.”

Campos: “Correct.”

First, immediately before the Auditor’s inference, Director Campos stated that, if the concerns in the memorandum were accurate, he understood that Director Yamane had directed someone to speak with Coordinator Yang and that he expected the necessary corrective actions were being taken.

Second, the proposition that Director Campos was “not responsible for holding anyone accountable” was introduced by the Auditor Narikiyo. Auditor Narikiyo expressly characterized it as an inference — **“from your responses, I will take it that”** — and Director immediately rejected that inference by responding:

“That is not my position.”

Director Campos’ statement was intended to communicate Director Campos’ disagreement with the proposition Auditor Campos had just presented. “Position” referred to Director Campos’ **view or position on Auditor Narikiyo’s proposition**; it was not a statement that accountability was outside Director Campos’ employment position or responsibilities as Deputy Director.

Third, the exchange immediately following Director Campos’ rejection confirms the distinction. Auditor Narikiyo did not ask again whether Director Campos was responsible for accountability. Instead, Auditor Narikiyo asked two narrower questions: whether Director Campos was **personally involved in corrective**

Exhibit 1 continued

actions being taken and whether Director Campos had **oversight of SOHHS in addressing the memorandum**. Director Campos answered “Correct” to those questions because he was not personally involved in those activities and did not directly oversee SOHHS's response. At that time, the SOHHS Coordinator reported directly to the DHS Director.

Those two “Correct” responses therefore cannot reasonably be treated as agreement with the preceding proposition that Director Campos was not responsible for holding anyone accountable. Director Campos had expressly rejected that proposition. In addition, Director Campos made other statements during the interview that further confirms his position regarding accountability. When discussing the expenditure of public funds, Director Campos stated:

“We all have a fiduciary responsibility to ensure that public funds are disbursed appropriately and not wasted.”

When asked whether emergency authority affected accountability, Director Campos stated:

“In fact, I think it would actually increase the level of accountability.”

When asked who should be accountable for SOHHS's use of state funds, Director Campos stated:

“It should be the department.”

And when Auditor Narikiyo asked whether that accountability included Director Campos insofar as he had a role in the Kauhale Initiative, Director Campos responded:

“Correct, I am the deputy director.”

Taken together, these statements are inconsistent with the draft report's assertion that Director Campos “said that it was not his role to hold anyone accountable.” In addition, Director Campos expressly acknowledged, throughout the interview, DHS's responsibility for accountability and his responsibility as Deputy Director at the time within the scope of his authority.

Exhibit 2

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STATE OF HAWAII
KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF HUMAN SERVICES
KA 'ŌIHANA MĀLAMA LAWELAWE KANAKA
Office of the Director
P. O. Box 339
Honolulu, Hawaii 96809-0339

JOSEPH CAMPOS II
DIRECTOR
KA LUNA HO'OKELE

TRISTA SPEER
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

LORI-LEI APONTE
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

SOHHS 26.46

Mr. Kimo K. Carvalho, Chief Executive Officer
Housing Providers of Hawaii, Inc. d/b/a HomeAid Hawaii
680 Iwilei Road, Suite 570
Honolulu, Hawaii 96817

August 7, 2026

RE: NOTICE OF INVOICE SUBMISSION NON-COMPLIANCE AND MANDATORY CORRECTIVE ACTION

Dear Mr. Carvalho,

I am writing to formally communicate the results of a recent internal administrative review conducted by the State Office on Homelessness and Housing Solutions regarding contract execution and financial management practices across state-funded programs. As a recipient of state funds, Housing Providers of Hawaii, Inc. d/b/a HomeAid Hawaii ("HomeAid Hawaii") is bound by all applicable state procurement, administrative, and contracting standards, including General Conditions, Special Conditions, and specific scope-of-work guidelines established in your contract agreements.

While the State recognizes and values HomeAid Hawaii's ongoing dedication to housing solutions, our internal audit revealed recurring, systemic non-compliance issues regarding the submission of payment invoices. Specifically, HomeAid Hawaii has routinely failed to adhere to mandatory state financial submission procedures. The identified deficiencies include, but are not limited to, the following:

- **Failure to Include Original Invoices:** Submissions frequently lack original primary receipts, vendor proof of purchase, or certified underlying documentation required to verify expenditure authenticity.
- **Duplicative Billing:** Invoices have included line items previously submitted, processed, or reimbursed under prior payment requests.
- **Resubmission of Previously Rejected Invoices:** Submissions have contained uncorrected or unadjusted line items previously flagged and rejected by the State, re-entered without addressing the underlying compliance defects or providing required justification.
- **Billing for Non-Reimbursable Items:** Payment requests have contained line items for unallowable expenses or activities outside the contractually authorized scope.

Exhibit 2 continued

Mr. Kimo K. Carvalho, Chief Executive Officer
August 4, 2026
Page 2

SOHHS 26.46

- **Categorical Billing Errors:** Expenditures have been misallocated across budget line items or applied against incorrect contract categories without prior formal budget reallocations or amendment approval.
- **Invoices from Uncontracted Entities:** Submissions have included billing statements, invoices, and payment demands from third-party vendors, contractors, or affiliated entities that hold no direct contractual relationship or approved subcontract status with the State of Hawai'i.

Please be advised that effective immediately, all pending and future invoice submissions from HomeAid Hawaii will undergo heightened administrative oversight. Any invoice containing any of the non-compliant practices outlined above will be rejected without processing and returned for full remediation prior to payment authorization.

To ensure full alignment with state requirements and facilitate the timely processing of your valid claims, we require HomeAid Hawaii to take the following corrective steps within **fifteen (15) calendar days** of receipt of this letter:

1. Submit a written Corrective Action Plan (CAP) detailing the internal fiscal controls and review processes HomeAid Hawaii will implement to eliminate invoice errors.
2. Designate a primary financial compliance point-of-contact responsible for conducting pre-submission audits of all state billing packages.
3. Schedule a mandatory compliance briefing with our office's fiscal team to review baseline accounting requirements and verification standards.

We trust that HomeAid Hawaii will treat this matter with the utmost seriousness and urgency. We remain committed to working collaboratively with your organization to resolve these administrative deficiencies promptly. Should you have any questions or wish to schedule the compliance meeting, please contact my office directly.

Sincerely,



Jun Yang

Coordinator on Homelessness
State Office on Homelessness and Housing Solutions
State of Hawai'i

Appendix

Scope and Methodology

We conducted this audit pursuant to Act 309, Session Laws of Hawai'i 2025, which directed the Auditor to perform a management and performance audit of the kauhale initiative.

We reviewed SOHHS's process to develop kauhale projects on undeveloped land for people experiencing homelessness or at risk of becoming homeless. Our review included the period from January 2023, which is when the Governor announced his housing initiative, through December 2025. When appropriate, we included information through the current fiscal year. We conducted our audit work from August 2025 through August 2026.

We reviewed documents maintained by SOHHS relevant to its development of kauhale on undeveloped State lands, including contracts and supplemental contracts for pre-development and planning activities; the construction and delivery of tiny homes and communal facilities; the development of kauhale communities; and management and support services. We also reviewed kauhale site selection and evaluation criteria; quarterly activity reports; invoice and expenditure reports; financial packages; invoices and receipts; and payments made by SOHHS. In our review of invoices and receipts submitted by HomeAid and paid by SOHHS, we selected individual charges for review. We also reviewed the Hawai'i Interagency Council on Homelessness's "Hawai'i Ten-Year Strategic Plan and Framework to End Homelessness (2022 – 2032)."

We note that the period of our review involved significant turnover in both the Coordinator position and at the SOHHS staff level. In addition, several interviewees expressed reluctance to speak with us, some expressing concerns about retaliation. Therefore, our review relied heavily on SOHHS's documents.

We also requested access to HomeAid's contract files and requested that files be made available for review at its offices. Instead, HomeAid represented that it would produce copies of the files to our office. Files were not produced as represented, which required us to request SOHHS's assistance to obtain HomeAid's cooperation notwithstanding contract language requiring HomeAid to make its records available. HomeAid did not provide all the documents that we requested before we completed our audit fieldwork.

We conducted site visits of selected kauhale projects on O'ahu, including Alana Ola Pono, Hale 'Imi Ola at Waikiki Vista, Iwilei Center, Kumu Ola Hou, and Weinberg Village. In addition, we visited Pu'uhonua o Wai'anae and Hui Mahi'ai 'Āina. We spoke with service providers from the Institute for Human Services and Mental Health Kōkua. We interviewed the Vice-President of Prometheus Construction, the company that developed the Cedar Church project.

We interviewed the Governor's Chief of Staff, who was accompanied by the Governor's General Counsel and a Senior Special Advisor; the DHS Director; the DHS Deputy Director; current and former SOHHS management and staff, including the Coordinators, the Homelessness Assistant, the Homelessness Special Assistant, the Fiscal and Contracting Specialist, the Facilities and Planning Specialist, and the Facilities, Design, and Planning Specialist. We also interviewed the Department of Accounting and General Services Public Works Division Administrator and HomeAid's Chief Executive Officer.

We requested a meeting to speak with the Governor, offering to accommodate his schedule on any day between March 16 and April 30, 2026. We were told he was not available to participate in a meeting with us during that time frame.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.