



UNIVERSITY
of HAWAII
SYSTEM

March 22, 2013

Ralph Wolff, President
WASC
985 Atlantic Ave. Suite 100
Alameda, CA 94501

**SUBJECT: Response to the WASC Commission letter regarding the
September 2012 visit to the University of Hawai'i System**

Dear Ralph:

We are in receipt of the March 11, 2013, WASC Commission letter addressing the report of the Special Visit Team that visited the University of Hawai'i System September 17-19, 2012. The University would like to express its appreciation to the team and the Commission for their affirmation of the University's progression in its key system initiatives and priorities, and the effectiveness of its leadership and planning during a difficult financial time. The University's continuing commitment to serve the needs of the state is embodied in these initiatives and priorities.

The members of the Board of Regents and I are greatly concerned about the matters raised in the Commission's letter relating to the aftermath of the failed concert, and we want to provide an update as requested:

As noted in our November 23, 2012, response to the recommendations of the WASC Special Visit Team, the Board of Regents at its November 15, 2012 meeting accepted the report of the Operational and Financial Controls Improvement Advisory Task Group (ATG) that was established by the Board.

The report focused on evaluating the operational and financial processes associated with the planned Stevie Wonder Concert. The report concluded that the loss resulted from a lack of judgment and a failure to take overall responsibility by individuals within the UH Mānoa Athletics Department who were involved in the financial transactions. The report also determined that the UH Disbursing Office received the appropriate approvals and documentation to process the payment.

The full report was made public following acceptance by the Board of Regents and is available online at: www.hawaii.edu/offices/bor/tempdocs/UH_BOR_Report_111512.pdf

The ATG report made a series of recommendations for the Board and the senior administration to consider. On December 6, 2012, Vice President for Budget and Finance and Chief Financial Officer Howard Todo reported to the University of Hawai'i Board of Regents Committee on University Audits on the progress made by the administration in addressing the concerns raised by the ATG. Vice President Todo detailed the ten policies/procedures that have been revoked, modified, or created as well as the training that is being conducted for fiscal officers. He also responded to each of the recommendations made by the ATG by detailing the responsible party, the action to be taken and the status as of the Audit Committee meeting. This effort addresses the "policy gaps" noted in the Commission's action letter. A summary of the response is attached. (Attachment 1)

At their February meeting, the Board of Regents approved a new additional scope of work for the ATG to further evaluate the University's governance. This review is not related to the failed concert, but rather will consist of an assessment of BOR and University System's roles and responsibilities, decision-making authorities, and related delegations of authority at the System Level. This review will address the "system/campus lines of authority" described in the Commission action letter. The members of the ATG are volunteers, and they were authorized by the BOR to engage a consultant to assist with the process. They intend to have a significant portion of the work completed within 90 days. The University will share the results of this phase of the work when the report becomes available. The full scope of work is attached. (Attachment 2)

In regard to the functioning of the Board of Regents during this unfortunate incident, it is not the case that the Board has failed to "assess its own role in decisions made leading up to these events and thereafter." The Board of Regents conducted three publically-noticed Board meetings in the month of November and devoted significant time to assessing the roles and responsibilities of the parties involved including their own members. On November 15, 2012, they issued a statement affirming their partnership with me, as President, and their "conviction that autonomy and independence in governing its internal affairs are essential if the University is to carry out its mission." The complete statement is attached. (Attachment 3)

Moreover, the Board devotes a great deal of time to orienting new members and developing their understanding of their role in the governance of the University. Each year as new members are confirmed by the Senate, the administration provides an orientation and uses as a guide a comprehensive *BOR Reference Guide* that is updated annually. Continuing members of the Board have attended the annual meeting of the Association of Governing Boards and use many of their publications as resources. This May, at the suggestion of the Senate Committee on Accountability, the Board is

Ralph Wolff
March 22, 2013
Page 3

scheduled to undergo training from the Hawai'i State Office of Information Practices and from Accuity LLP, the University's external auditor, on financial, accounting, and auditing practices in higher education.

Also as part of its annual training and self-evaluation, the Board of Regents has in past years enlisted the services of an outside consultant. On October 18, 2012, Dr. Terrence MacTaggart, Association of Governing Boards, conducted a briefing/workshop on Board Governance and Best Practices for the UH Board of Regents. The timing of this workshop provided the Board the opportunity to discuss the events leading to the failed concert and decide to appoint the independent advisory group referenced above.

These efforts notwithstanding, we welcome a visit from WASC Commission staff to discuss the matters raised in the Commission action letter. We appreciate the level of concern that has prompted this recommendation. The media coverage has not been as measured as one would hope, but we acknowledge that what you have read reflects a serious decline in the quality of interactions and relations among the various parties. We would note, however, that the bills and resolutions that were sponsored in the early days of the legislative session have, for the most part, not progressed, and there seems to be a genuine effort to differentiate between "external interference" and appropriate levels of accountability. A visit from the Commission could be beneficial in clarifying the roles and responsibilities of all parties relative to the University.

Thank you again for your thoughtful attention to these matters.

Sincerely,



M.R.C. Greenwood, President
University of Hawai'i System

Attachments

Action Plan to Address Advisory Task Group Recommendations

Attachment 1

2.1 Facilities Use Agreements

Recommendations	Responsible Party	Action to be taken	Status
<p>1. The University should adopt policies related to the development, execution, and administration of facilities use agreements. The policies, at a minimum, should specify:</p> <ul style="list-style-type: none"> a. When a written contractual agreement is preferable or required; b. When and what due diligence procedures should be performed; c. When legal counsel and other departments should be involved in drafting or reviewing contracts; d. Who has the authority to sign and approve these types of contracts; and e. Who is responsible to oversee and administer contracts 	<p>Campuses with oversight from University System Administration</p> <p><i>Additional assistance to be provided by Office of General Counsel (OGC) and Risk Management</i></p>	<p>Campuses to develop policies and procedures for the development, execution, and administration of facilities use agreements for their campus facilities with oversight from System for consistency between campuses and with other university policies.</p>	<p>In process of coordinating with Chancellors and Vice Chancellors to facilitate development of guidelines and implementation plan for compliance by February 28, 2013.</p> <p>Revisions to <i>Executive Policies E10.201</i> and <i>E10.202</i> and <i>Administrative Procedure A8.215</i> (Attachments 6, 7 and 8) have been implemented relating to facilities use agreements.</p>
<p>2. The University should develop procedures related to the development, execution, and administration of agreements for use of University facilities. The procedures should describe:</p> <ul style="list-style-type: none"> a. The steps necessary to conduct proper due diligence of third parties; b. The guidelines on the use of appropriate fee structures in renting University facilities to ensure the University, at a minimum, is able to cover its expenses related to the event; c. The distribution or routing procedures to 	<p>Campuses with oversight from University System Administration</p> <p><i>Additional assistance to be provided by OGC and Risk Management</i></p>	<p>Campuses to develop policies and procedures for the development, execution, and administration of facilities use agreements for their campus facilities with oversight from System Administration for consistency between campuses and with other university policies. The policies and procedures will include a list of due diligence procedures and guidance on when such procedures should be performed.</p>	<p>In process of coordinating with Chancellors and Vice Chancellors to facilitate development of guidelines and implementation plan for compliance by February 28, 2013.</p>

Action Plan to Address Advisory Task Group Recommendations

Attachment 1:

<p>ensure all parties review and approve the agreement;</p> <p>d. The distribution or routing requirements for executed agreements to ensure all affected individuals/departments understand the terms of the agreement;</p> <p>e. The roles and responsibilities with respect to overseeing and administering the executed contract; and</p> <p>f. The guidelines for the preparation of written agreements by the OGC.</p>			<p>3. The University should develop tools and templates (i.e., checklists) to ensure that all necessary steps are taken to ensure compliance with (1) University facilities use agreement requirements and (2) contract terms and conditions.</p> <p>4. Staff should be provided with the necessary training once the policies, procedures, tools, and templates are developed and implemented to ensure roles and responsibilities are clearly understood.</p>
	<p>Tools and templates will be developed after the implementation of policies and procedures.</p>	<p>Campuses with System Administration oversight</p>	
<p>Plan for completion by April 30, 2013.</p>		<p>Campuses and System Administration</p>	
<p>We have had a meeting with Fiscal Administrators to review with them the policies and procedures we have changed, developed and implemented to date. We will continue to hold these regularly as and after new policies, procedures, tools and templates are developed and implemented.</p>	<p>Develop initial and recurring training plans and curriculums.</p>		

Action Plan to Address Advisory Task Group Recommendations

Attachment 1:

2.2 Sale of Concert Tickets

Recommendations	Responsible Party	Action to be taken	Status
<p>1. The University should assess whether it will continue to offer ticketing services for non-University and/or non-athletic events, and if so, the University should adopt policies over the printing, sale, and distribution of tickets for non-University and/or non-athletic events. Such ticketing policies should specify:</p> <ul style="list-style-type: none"> a. The circumstances in which ticketing services are allowed for non-University and/or non-athletic events; b. Ticketing services should only be provided pursuant to a written agreement or contract; c. The general terms that are required as part of the agreement; and d. The approvals necessary to print, sell, and distribute event tickets. 	<p>UH Manoa, UH Hilo, Leeward CC, Windward CC, and other campuses which have or use ticketing systems or services, in consultation with System Administration and the OGC</p>	<p>System Administration and the OGC to work with Chancellors and Vice Chancellors to determine and adopt policies over the printing, sale, and distribution of tickets for non-University and/or non-athletic events.</p>	<p>Established <i>Administrative Procedure 48.571 (Attachment 4)</i> and <i>Executive Policy E8.110</i> regarding ticket sales for non-athletic competitions.</p> <p>Coordinating and setting-up a meeting with Chancellors and Vice Chancellors to facilitate development of further policies and guidelines deemed necessary by February 28, 2013.</p>
<p>2. The University should develop and implement procedures to ensure that:</p> <ul style="list-style-type: none"> a. The printing and/or sale of tickets for non-University and/or non-athletic events are done pursuant to a written agreement or contract; and b. Necessary authorizations and sign-offs are completed before tickets for non-University organizations are printed and/or sold. 	<p>UH Manoa, UH Hilo, Leeward CC, Windward CC, and other campuses which have or use ticketing systems or services, in consultation with System Administration and the OGC</p>	<p>System Administration and the OGC to work with Chancellors and Vice Chancellors to determine and adopt procedures applicable to the printing, sale, and distribution of tickets for non-University and/or non-athletic events for campuses having such needs.</p>	<p><i>Administrative Procedure 48.571</i> applies to sales of tickets by UH Manoa Athletics for events that are not UH athletic competitions. Applicability to other campuses and events will be addressed and established by February 28, 2013.</p>

Action Plan to Address Advisory Task Group Recommendations

Attachment 1

<p>3. Staff should be provided with the necessary training once the policies and procedures are developed and implemented to ensure roles and responsibilities are clearly understood.</p>	<p>Individual campuses with support from System Financial Management and the OGC</p>	<p>Each individual campus to execute and administer staff training regarding the policies and procedures for the printing and/or sale of tickets for non-University and/or non-athletic events at their campus facilities.</p>	<p>Regular and recurring training sessions to be scheduled and held as and after new policies, procedures, tools and templates are developed and implemented.</p>
--	--	--	---

2.3 \$200,000 Disbursements to Epic Talent, LLC

Recommendations	Responsible Party	Action to be taken	Status
<p>1. The University should adopt policies that govern receipts and disbursements of moneys held as a custodian for non-University organizations. These policies should, at a minimum:</p> <ul style="list-style-type: none"> a. Require that the receipts and disbursements of moneys held as a custodian for others be done only pursuant to a written agreement or contract. b. Emphasize the University's roles and responsibilities as a custodian; c. Identify the circumstances that require the establishment and use of an agency (custodial) account; d. Specify the approvals required to create an agency (custodial) account; and e. Specify the approvals required to disburse funds from an agency (custodial) account. 	<p>Financial Management Office (FMO), (General Accounting and Loan Collection (GALC), and Treasury) with assistance from Bank of Hawaii</p>	<p>Develop general policies that govern receipts and disbursements of moneys held as a custodian for non-University organizations.</p>	<p><i>Administrative Procedure A8.571</i> addresses moneys held from ticket sales.</p> <p>To address policies for other custodial arrangements, we will commence development meetings beginning in January 2013 with the goal to issue new and revised policies to address custodian and trust/agency account relationships and proper usage by May 31, 2013.</p>
<p>2. The University should develop and implement procedures to ensure that:</p> <ul style="list-style-type: none"> a. The deposits into and disbursement of funds from agency (custodial) accounts for non-University organizations are made pursuant to applicable policies; b. Terms of applicable agreements or contracts are met before funds are disbursed from the agency (custodial) account; and c. Adequate guidelines are provided for disbursements into escrow and trust 	<p>FMO (GALC and Treasury) with assistance from Bank of Hawaii</p>	<p>Develop procedures that govern receipts and disbursements of moneys held as a custodian for non-University organizations.</p>	<p><i>Administrative Procedure A8.571</i> addresses moneys held as custodian from ticket sales. In addition, amendments to <i>Administrative Procedures A8.265 and A8.275</i> (Attachments 9 and 10) limit and restrict deposits, prepayments and advance payments.</p> <p>To develop additional procedures to address the recommendations we will</p>

Action Plan to Address Advisory Task Group Recommendations

Attachment 1:

<p>accounts, where applicable.</p>			<p>commence development meetings beginning in January 2013 with the goal to issue new and revised procedures to address custodian and trust/agency account usage by May 31, 2013.</p>
<p>3. The University should develop or revise any applicable forms that are necessary to:</p> <ul style="list-style-type: none"> a. Create an agency (custodial) account; b. Request a disbursement of non-public funds held in an agency (custodial) account; and c. Process a payment to an escrow or trust account. 	<p>FMO (GALC, Treasury, Bursar) with assistance from Bank of Hawaii</p>	<p>Develop forms, determined to be necessary, for the creation of agency accounts and receipts and disbursements of moneys in agency accounts.</p>	<p>Develop any necessary forms as applicable policies and procedures are being developed.</p>
<p>4. The University should re-evaluate the use of "pro forma" invoices. For example, the University may develop a standard form or memorandum to be completed by the department in the event that an original invoice is not available to support the request for payment. Such forms should be clearly marked as a replacement or facsimile.</p>	<p>FMO</p>	<p>Update to Interim Processing Manual</p>	<p>Communicated to Fiscal Authorities on September 6, 2012 (Attachment 2) emphasizing that "pro forma" invoices are not allowed.</p> <p>Subsequently, updated Interim Processing Manual v2.2 (Attachment 3) posted to KFS website and notice provided via UH listserv providing more specific guidance.</p> <p>In addition, revision to <i>Administrative Procedure 48.275</i> emphasizes that creation of pro forma invoices is prohibited.</p> <p>While numerous informal "dotted line" relationships exist which have been established through practice and</p>
<p>5. The University should consider a "dotted line" reporting relationship between all Fiscal Officers and the University System Financial Management</p>	<p>University System Administration, University Office of</p>	<p>Discuss and determine, in coordination with campus administration the appropriate reporting relationships and</p>	

Action Plan to Address Advisory Task Group Recommendations

Attachment 1

<p>Office in order to consult and seek guidance on fiscal matters, when deemed necessary.</p>	<p>Human Resources (OHR) in coordination with campus administration</p>	<p>the process by which such may be established and documented.</p>	<p>verbal communications, we will consider what the appropriate relationships are and how best to communicate and document them.</p>
<p>6. Ensure all policies and procedures and position descriptions are consistent and in alignment to avoid any conflicting language regarding roles and responsibilities.</p>	<p>FMO and OHR</p>	<p>FMO to work with OHR to consider appropriate and necessary alignment between position descriptions and Executive Policies and Administrative Procedures. To the extent deemed appropriate, develop procedures to attain consistency.</p>	<p>Project to commence in 3rd quarter of this fiscal year with planned completion by end of the fiscal year.</p>
<p>7. Staff should be provided training on the policies and procedures once they are developed and implemented to ensure roles and responsibilities are clearly understood.</p>	<p>FMO along with the campuses</p>	<p>FMO to develop revised training curriculum</p>	<p>Project to commence upon development of policies and procedures and training will begin in the first quarter of next fiscal year (July 2013) and will be ongoing thereafter.</p>

Action Plan to Address Advisory Task Group Recommendations

Attachment 1

2.4 Ticket Sale Refunds

Recommendations	Responsible Party	Action to be taken	Status
<p>1. The University should develop and implement policies and procedures related to processing ticket sale refunds. The policies and procedures should address the following:</p> <ul style="list-style-type: none"> a. Authority over event cancellations and approval of ticket refunds; b. Communication protocols on event cancellations and ticket refunds; c. The circumstances in which refunds are acceptable or allowed; d. Refunds of various ticket processing fees; and e. How refunds will be processed. 	<p>UH Manor, UH Hilo, and other campuses with ticketing systems in consultation with OGC and FMO and with oversight from System Administration</p>	<p>Concurrently with the development and establishment of policies and procedures for ticket sales as recommended in Section 2.2 above, develop policies and procedures for ticket sale refunds.</p>	<p>Planned completion date February 28, 2013.</p>
<p>2. Staff should be provided training on the policies and procedures once they are developed and implemented to ensure roles and responsibilities are clearly understood.</p>	<p>Campuses with ticketing systems, with support from FMO and OGC</p>	<p>Each campus with ticketing systems to execute and administer staff training regarding the policies and procedures for ticket sale refunds.</p>	<p>Regular training sessions to be scheduled and held as and after new policies, and procedures are developed and implemented.</p>
<p>3. Since the University Athletics Department provided the funds necessary to cover the refund of ticket sales, it should consider and evaluate whether the total direct costs incurred as identified in Figure 4.0 should be recorded as a receivable from EPE.</p>	<p>UH Athletics, OGC, FMO and System Administration</p>	<p>We will jointly evaluate and consider the actions which will be taken by UH with respect to EPE.</p>	<p>This will be considered as the result of law enforcement and legal actions become clearer.</p>
<p>4. The ticket refund policy should be made available on the University Ticket Office website.</p>	<p>Campuses with ticketing systems</p>	<p>Post refund policy on website.</p>	<p>Upon implementation of ticket sale refund policies and procedures.</p>

ADVISORY TASK GROUP PHASE 2 PROJECT SCOPE

Phase 2 of the Advisory Task Group (ATG) scope of work will focus primarily at the Board of Regents (BOR) and System levels. The review shall consist of an assessment of the BOR and University System's roles & responsibilities, decision making authorities, and related delegations of authority at the System Level. For purposes of this Phase 2 scope, the System Level is defined as: the UH System President and the offices that report directly to the BOR or the UH System President. The ATG has agreed that the Scope of Phase 2 would be as follows:

- Review the current organization chart for the System Level offices (See attached). This would include identifying all relevant positions and reviewing the accompanying descriptions to determine the position's current level of authority.
- Identify, inventory, and review applicable Hawaii Revised Statutes (HRS) and Hawaii Administrative Rules (HAR) that define the authorities and responsibilities of the BOR and System Level offices.
- Identify, inventory, and review System Level (Board and Executive) policies to include an assessment of decision making and delegations of authority, focusing on consistency with responsibilities provided and required by statute or administrative rules (i.e. HRS or HAR).
- Where deemed necessary, interview members of the BOR, System Offices, government officials, and other members of management to confirm the ATG's understandings of roles and responsibilities, policies and accepted practices. In addition, contact, or obtain other applicable documents from other sources that will supplement the information obtained from the procedures noted above.
- Research, compile and provide recommendations on System Level "leading practices" available from authoritative reports or from similar institutions, where available and applicable, issued in the past five years. Specific focus will be on "leading practices" in Board governance, decision making and delegations of authorities, and related roles and responsibilities.
- Identify and assess gaps, inconsistencies, segregation of duties issues, and/or overlaps in roles and responsibilities, decision making authorities and applicable delegations of authority at the BOR and System Level.
- Prepare a report(s) (interim and final) summarizing the work performed, observations, conclusions and recommendations to improve and enhance organizational effectiveness and efficiency, and to remedy gaps, inconsistencies, divergence from leading practices, etc., and suggested next step, if any.

The ATG, if possible, will seek additional assistance and input from volunteers with relevant experience. In addition, it is contemplated that the ATG will engage a consultant to assist in the performance of specific procedures. It is expected that a significant portion of the work effort can be completed within two months. However, the nature and extent of detailed procedures determined to be necessary could affect project timing.

Board of Regents, President Greenwood affirm partnership

hawaii.edu

November 16, 2012 | UH News staff

The Board of Regents and President M.R.C. Greenwood announced that their partnership to achieve ever higher standards of academic excellence throughout the University of Hawai'i System will continue and remains strong. Each acknowledged that the concert fiasco and its aftermath created strains in the University's leadership. President Greenwood apologizes for having sent the letter to the Board of Regents, which she has since withdrawn, and has no plans to bring legal action against the university or the board. Soul-searching has led the regents and the president to rededicate themselves to the university's unique role in educating the people of Hawai'i as well as serving as a center for productive and innovative research.

The regents and the president share a conviction that autonomy and independence in governing its internal affairs are essential if the university is to carry out its mission. They agree that improved communication and transparency within the university's leadership is critical to avoiding future mishaps. The regents are optimistic that under President Greenwood's leadership the university will correct the management failures highlighted by the Advisory Task Group Report on Operational and Financial Controls Improvement.

Over the past three years the university has improved graduation rates, especially among under-served groups, and created an innovation initiative that focuses on the STEM fields. UH researchers garnered over \$450 million in outside support in each of the last two years. A new four-year campus has risen on the Ewa plain to serve West O'ahu. A state-of-the-art Cancer Center, certified by the National Institutes of Health will shortly open in Kaka'ako. The university is the linchpin of an international consortium to mount a billion-dollar thirty-meter telescope on Mauna Kea. The university has become a world leader in the field of indigenous studies. All of these accomplishments occurred while enrollment climbed by 50 percent to 60,000 students and state budgetary support was cut. President Greenwood, a nationally recognized scientist and administrator, has left her mark on all these achievements.

The regents and president will work together to build on this record by offering affordable access, excellence in teaching, internationally recognized research and innovation, and a culture of service to the people of Hawai'i. Our shared goal is to make the university the first choice of the people of Hawai'i to achieve their academic goals and pursue their personal dreams.