

UNIVERSITY OF HAWAI'I
CORRECTIVE ACTION – AUDITEE STATUS

April 2015

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University of Hawai'i
Office of Internal Audit



UNIVERSITY
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SYSTEM

April 29, 2015

To the University of Hawai'i Board of Regents:

The accompanying report is a compilation of follow-up reviews performed by the Office of Internal Audit (Internal Audit) to evaluate the status of auditee corrective action and implementation of Internal Audit recommendations. The follow-up reviews are performed as a result of audit issues and observations identified by Internal Audit and reported in fiscal year 2014 audit reports. Procedures performed by Internal Audit in connection with the follow-up reviews primarily consisted of inquiries, observations and inspection of source documents.

Internal Audit's evaluation determined that auditee's have implemented or are implementing Internal Audit's recommendations by creating or revising policies, practices and procedures. External professionals were also engaged to assist the auditee revise policies and perform complex calculations to mitigate risks (Revenue Bond Post-Issuance Compliance) identified by Internal Audit. In general, auditee's were proactive in addressing the issues and matters identified in Internal Audit's fiscal year 2014 reports.

Sincerely,

Background / Objectives

The Office of Internal Audit (Internal Audit) performs follow-up reviews to evaluate the status of corrective action on audit issues reported in prior year audit reports. Similar to prior years, auditee management concurred with all of Internal Audit’s recommendations reported in audit reports issued during fiscal year 2014 and agreed to implement the recommendations immediately or pursuant to a corrective action plan with planned implementation dates. This report evaluates the status of Internal Audit’s findings/comments and recommendations contained in the following reports issued during fiscal year 2014.

- Kapi‘olani Community College - Office of Continuing Education and Training
- University of Hawai‘i at West O‘ahu - Operational and Financial Review
- University of Hawai‘i at Mānoa - Associated Students of the University of Hawai‘i
- Revenue Bond – Post-Issuance Compliance

Audit engagements that resulted in no findings or recommendations such as the Sales Audit of the Rainbowlounge at Ward Center for the period ended August 31, 2013 are not included in this report. In addition, audit engagements that identified capital improvement project (CIP) issues are not included in this report as the re-engineered CIP process developed by the University’s Business Process Council are expected to mitigate the CIP issues identified in Internal Audit’s report on the University of Hawai‘i at Mānoa’s Office of Facilities and Grounds (dated December 2013) and report on the development and construction of the Clarence T.C. Ching Athletic Complex (dated February 2014). The re-engineered CIP process was approved by the Board of Regents at the May 15, 2014 meeting.

Procedures Performed

Internal Audit performed inquiries, held meetings and obtained representations (verbal and written) from auditee management regarding the implementation status of the recommendations included in the fiscal year 2014 reports noted above. Internal Audit also reviewed documents to support auditee assertions with respect to implemented recommendations. A description of the prior year audit, identified audit issues and the current status of Internal Audit’s recommendations by audit engagement are documented in the following pages.

Kapi‘olani Community College – Office of Continuing Education and Training

Description of Audit

Internal Audit reviewed certain strategic, financial and operational aspects of Kapi‘olani Community College’s (KCC) Office of Continuing Education and Training (OCET) as a result of concerns regarding the financial management, initiation and management of courses and untimely payments to instructors. Specifically, Internal Audit reviewed OCET’s Business Plan, budget and financial reports, management of accounts receivable, initiation and management of courses, performance evaluations of OCET personnel, and the process of hiring and paying course instructors. The report was presented to and accepted by the Audit Committee on May 13, 2014.

OCET offers courses to the general public (Public Courses) consisting of career training and workforce professional development courses (e.g., health and wellness, hospitality, etc.) and personal enrichment courses (e.g., culinary, language and culture, etc.). In addition, customized training and education courses (Contract Courses) for businesses or organizations are offered on- or off-campus or online.

Prior Year Comments

Internal Audit noted the following:

Strategic:

OCET's Business Plan (dtd: December 17, 2012) covered fiscal years 2013 – 2015 and described OCET’s financial and operational goals and objectives; however, no document was prepared monitoring the status of those goals and objectives. In addition, the Interim Director represented that she was unaware of the status of the Business Plan’s goals and objectives. Accordingly, Internal Audit suggested that OCET prepare a project plan (e.g., activity/work schedules, milestones, expected completion dates, etc.) to assist in measuring and monitoring the achievement of Business Plan goals and objectives. Internal Audit also recommended that the KCC Chancellor be periodically informed of the attainment status of the Business Plan’s goals and objectives as well as regularly consulted with respect to all significant matters impacting OCET’s operations.

Financial

OCET enters registration information, class scheduling, enrollee information, tuition collection, etc. into a Student Information System (SIS). A significant difference of \$627,000 in revenues was noted between the University’s general ledger (\$1,305,000) and OCET’s SIS (\$678,000) for fiscal year ended June 30, 2013. Financial information reflected in the SIS was not compared and reconciled to the financial information in the University’s general ledger. Further, annual and periodic financial reports were not prepared. Internal Audit recommended that OCET ensure the completeness and accuracy of data included in their SIS and compare and reconcile revenues between the SIS and the University's general ledger as this would impact the accuracy and reliability of OCET’s financial reports. Internal Audit also recommended that OCET establish

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an annual budget and prepare periodic and annual financial reports to assist KCC and OCET management assess OCET’s financial results and assist in operational decisions.

As of June 30, 2012, the outstanding accounts receivable (AR) of approximately \$251,000 (modified from prior year report to be comparable to the current year accounts under OCET’s management) included outstanding AR balances originating in 1991. The reserve for uncollectible accounts receivable was \$52,000. Internal Audit was informed that no monitoring or collection efforts were performed on outstanding AR balances. Accordingly, Internal Audit recommended that OCET and the Business Office collaborate and determine the feasibility of billing and collecting Contract Course fees prior to the start of the course to ensure cash is collected for services provided by OCET. In addition, OCET management should perform a monthly review of outstanding AR and follow-up on outstanding AR balances in accordance with University policy.

Operational:

OCET classified all instructors as casual hires and did not have policies regarding classifying instructors as independent contractors to reduce KCC’s risk exposure. Accordingly, Internal Audit recommended that OCET assess all instructors to determine the appropriate instructor classification as either independent contractor or casual hire.

The types of Public Courses offered by OCET are determined by estimated financial returns and the overall mission of OCET and KCC. OCET had no written guidelines for the financial and strategic goals of Public Courses. Accordingly, Internal Audit recommended that OCET consider establishing financial and strategic guidelines to ensure that Public Courses meet and support OCET’s and KCC’s mission and strategic plan.

OCET management did not prepare performance evaluations for all OCET employees and thus Internal Audit recommended that OCET employees be evaluated in accordance with University policy. Internal Audit also noted continued paycheck distribution delays. Accordingly, Internal Audit recommended that OCET collaborate with the KCC Chancellor’s Office, Human Resources, and Business Office to determine a method and process to effectively communicate and monitor the status of hiring and payroll related documents to decrease or eliminate untimely paycheck distributions.

Status

OCET prepared an “Audit Recommendation Action Plan” (Corrective Action Plan) dated July 2, 2014, documenting Internal Audit’s recommendation, proposed corrective action, responsible person(s) and expected implementation date. All corrective action items were expected to be implemented by Fall 2014. Internal Audit met with the KCC Chancellor, Vice Chancellor of Administrative Services (VCAS) and OCET Interim Director on September 17, 2014 to discuss the Corrective Action Plan. The KCC Chancellor stated that he would monitor the status of all items included on the Correction Action Plan. Based on a review of an updated Corrective Action Plan dated April 7, 2015, discussions with the VCAS and OCET management, and review of supporting documents, Internal Audit noted that although OCET has addressed certain observations noted in Internal Audit’s prior year report, various corrective action items are

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currently in-progress and are not fully implemented. A primary cause for the delay was the recent and pending changes to OCET’s organizational structure.

Strategic:

OCET prepared a revised Business Plan for fiscal years 2015 – 2021 in November 2014. The Business Plan is anticipated to be approved by the KCC Chancellor during May 2015. As a result of the revised goals and objectives included in the revised Business Plan, OCET management did not measure or monitor goals and objectives included in the 2013-2015 Business Plan. The KCC Chancellor and OCET management have been meeting periodically to discuss the revised Business Plan, OCET’s operations, and the Corrective Action Plan.

Financial:

KCC and OCET management informed Internal Audit that they are uncertain as to the completeness and accuracy of data recorded in the SIS (Destiny). Monthly comparisons and reconciliations of revenues between Destiny and the University’s general ledger are not performed. However, Internal Audit was informed that monthly reconciliations of revenues between Destiny and the University’s general ledger since July 2014 are in progress and will be completed during May 2015. Additionally, the Community College System Office has prioritized a plan to interface Destiny and the University’s general ledger to gain efficiencies in the monthly comparison and reconciliation of financial information.

The Business Office indicated that the preparation of financial reports will commence with the fiscal year ended June 30, 2015 financial reports. OCET prepared an operating expense budget for fiscal years 2015 – 2019. The budget will be revised to include estimated revenues and expenses separated by Public and Contract Courses by August 2015. Although outstanding AR (\$237,000) as of March 31, 2015 has decreased since June 30, 2012, the reserve for uncollectible AR has increased by approximately \$171,000 indicating the collection of AR originating since June 30, 2012 but insufficient follow-up on older outstanding AR balances. Further, OCET management indicated that they will commence requiring prepayment for certain courses.

Operational:

OCET implemented procedures to determine if instructors should be classified as an independent contractor. According to OCET management, all current instructors do not meet the criteria of an independent contractor. OCET has also developed strategic and financial guidelines to ensure Public Courses meet and support OCET's and KCC's mission and strategic plan.

Internal Audit obtained the most recent annual performance evaluations for all OCET employees and noted that all, but one evaluation was prepared in accordance with University policy. Finally, Internal Audit noted that OCET is monitoring the preparation and approval status of hiring and payroll documents for instructors. According to the VCAS and OCET management, all paychecks have been processed within 45 days after services were provided and are unaware of any delinquent paychecks.

University of Hawai'i at West O'ahu - Operational and Financial Review

Description of Audit

Internal Audit performed an operational and financial review of the University of Hawai'i at West O'ahu (UHWO) pursuant to a request by the UHWO Chancellor. Internal Audit proposed and received approval from the UHWO Chancellor regarding strategic, operational, and financial areas to address in connection with the review. Strategic areas reviewed related to the overall governance of UHWO, such as conflicts of interest and the UHWO Strategic Plan. Operational areas included facilities and emergency management, human resources (performance evaluations, termination procedures), and student affairs (dining, student health and/or counseling services). Financial review areas included accounting, budgeting, and reporting.

The report was presented to and accepted by the Audit Committee on February 19, 2014.

Prior Year Comments

Internal Audit noted the following:

Strategic:

According to the 2013 *Annual Summary Report of Disclosures of Conflicts of Interest* (Annual Summary Report), 14 (of 129 UHWO employees) and all lecturers did not complete the required *University of Hawai'i Conflicts of Interest Disclosure Form* (Disclosure Form). Accordingly, Internal Audit recommended that substantially all employees comply with Administrative Procedure A5.504 and complete a Disclosure Form within 30 days of initial appointment, anytime a potential/actual conflict is identified, or at least annually by April 15.

The most recently prepared UHWO Strategic Plan covered the years 2002 – 2010 and contained five goals. According to the Vice Chancellor for Academic Affairs, three goals were either fully or substantially met, while achievement of the remaining two goals was in process. However, a written document or analysis measuring the achievement of these goals was not prepared or provided to Internal Audit. Internal Audit was informed that the Strategic Plan for the years 2012 – 2017 was in progress and was expected to be completed subsequent to the Western Association of Senior Colleges and Universities (WASC) visit in October 2014. Upon completion of the Strategic Plan, Internal Audit suggested that benchmarks be established such that the achievement of Strategic Plan goals could be measured and monitored.

Operational:

Internal Audit noted that the UHWO Emergency Response Plan (dated August 2013) addressed major disasters and other significant interruptions. A significant component of an emergency operation plan is the mitigation of information technology disruptions, ranging from mild (e.g., short-term power outage) to severe (e.g., equipment destruction, fire) from a variety of sources such as natural disasters to terroristic actions. Accordingly, Internal Audit reviewed UHWO's *IT Disaster Recovery Plan* (IT Plan). Internal Audit noted that the IT Plan addressed a majority of the recommended leading practices described in the National Institute of Standards Technology's *Contingency Planning Guide for Information Technology Systems* except for the performance of testing and the specific system recovery procedures to be performed in the event of a disaster.

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The UHWO Campus Security Standard Operating Procedures (SOP) manual addressed the daily operational requirements of the Campus Security Department. However, Internal Audit recommended that the SOP be reviewed to confirm the inclusion of all necessary procedures to comply with Clery Act regulations. In addition, the Campus Security Department should research leading practices to assess the adequacy of their seven day video surveillance retention period.

The performance evaluation completion rate of Administrative, Professional, and Technical (APT) and Civil Service personnel was approximately 63% and 100% for fiscal year 2012. Internal Audit was informed that enforcing the completion of performance evaluations pursuant to University policy has been difficult as there are no consequences for supervisors not performing and preparing the required performance evaluations of their subordinates. In order to increase compliance, Internal Audit suggested that Human Resources inform Vice Chancellors or the Chancellor of supervisors that are delinquent in completing required subordinate performance evaluations and establish a deadline for the completion of delinquent performance evaluations. In the event supervisors fail to complete the required performance evaluations, UHWO should consider documenting this matter in the respective supervisor’s performance evaluation and/or personnel file.

UHWO entered into a contract with a third-party to provide food and beverage service at the Campus Center. Internal Audit recommended UHWO prepare annual and periodic Statements of Revenues and Expenses (including an estimate for utilities) to evaluate actual financial results in connection with the food and beverage service against expected results. In addition, Internal Audit recommended that UHWO install utility meters in their Campus Center to track utility costs incurred by the third-party food service provider to assess whether the cost of utilities for a fiscal year exceeds the total rent received by UHWO for that same fiscal year. The contract terms provided that 50% of the utility costs incurred by UHWO in excess of total rent received would be paid by the third-party.

Financial:

Certain costs (capitalizing vs. expensing costs, classification of capital assets, etc.) and real estate transactions (Tokai University land sale, allocation of construction costs, etc.) in connection with the development of the UHWO campus were not recorded in conformity with accounting principles generally accepted in the United States (GAAP). Internal Audit determined that UHWO campus administrative and fiscal personnel should have the primary responsibility for recording transactions having a direct and significant impact to their campus. Accordingly, UHWO should establish written procedures regarding their accounting processes to mitigate the risk of accounting errors related to accounting transactions that have a direct and significant impact to UHWO. These written procedures should include non-routine accounting transactions, such as the capitalization and allocation of construction costs and recordation of real estate transactions.

In addition, UHWO should develop policies and procedures with respect to preparing interim and annual financial reports consistent in the form and content recommended by the University’s Advisory Task Group on Operational and Financial Controls Improvement (ATG). Specifically,

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UHWO should prepare budget to actual financial reports that contain written explanations for significant variances on a scheduled basis. These financial reports should be reviewed by UHWO management to ensure the completeness and accuracy of recorded financial data and analyzed to assess UHWO’s operating results and financial position.

Status

The following summarizes the status of corrective action based on discussions with the UHWO Chancellor, the UHWO Interim Vice Chancellor for Administration, and other UHWO personnel and review of supporting documentation:

Strategic:

According to the 2014 Annual Summary Report (dated June 30, 2014), 36 UHWO employees did not complete the required Disclosure Form. Based on discussion with the Interim Vice Chancellor for Administration, substantially all employees (including lecturers) are required to complete Disclosure Forms. Internal Audit noted that of the 36 employees that did not submit a 2014 Disclosure Form, 25 were lecturers. According to the Interim Vice Chancellor for Administration, the low completion rate for lecturers was primarily due to lecturers working at multiple University campuses and submitting a Disclosure Form at only one campus versus all campuses. Internal Audit was informed that lecturers working at multiple campuses were asked to provide a copy of their Disclosure Form submitted to another campus to UHWO by the April 15, 2015 deadline. According to the UHWO Chancellor’s Executive Assistant, 97% of all employees (254 of 261 employees) completed a 2015 Disclosure Form by the April 15, 2015 deadline.

The UHWO Strategic Plan for the years 2015 – 2020 was completed in November 2014. WASC stated that the UHWO Strategic Plan “articulates the kind of institution UHWO seeks to be in future years, describes the academic programs that align with community needs, and uses evidence to determine faculty and staff expectations.” During March 2015, the WASC reaffirmed the accreditation of UHWO for seven years. According to the UHWO Interim Vice Chancellor for Administration, committees have been created to monitor the achievement of the goals and objectives identified in the UHWO Strategic Plan. The committees are expecting to complete written action plans by August 2015 and timelines by December 2015.

Operational:

UHWO recently established the position of Environmental Health and Safety Officer. The Environmental Health and Safety Officer hired in September 2014 is reviewing the UHWO Emergency Response Plan and is planning to test the UHWO Emergency Response Plan during Fall 2015. With respect to the IT Plan, Internal Audit noted that system recovery procedures related to power interruptions were added to the IT Plan. Based on discussion with the Interim Vice Chancellor for Administration, the effectiveness of the IT Plan was tested during fiscal year 2015 as a result of three power outages at UHWO. The IT Plan was followed and complete system recovery was successful.

The Environmental Health and Safety Officer and the UHWO Security Chief are in the process of reviewing the UHWO Campus Security SOP manual to assess and confirm the inclusion of all

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necessary procedures to comply with the Clery Act. The anticipated completion date of the UHWO Campus Security SOP is May 2015. The UHWO Security Chief is also in the process of determining training options for security staff on current Clery Act regulations. UHWO management is currently assessing the feasibility of extending security video retention to 30 days.

The 2014 listing (November 1, 2013 – October 31, 2014) used by the Human Resource Manager to monitor the completion of APT performance evaluations indicated a completion rate of approximately 82% (41 of 50 performance evaluations were completed). Internal Audit noted that the number of Civil Service employees requiring a performance evaluation increased from 3 to 24 since 2012. A probation period performance appraisal (generally covering the first six months of employment) is required of new Civil Service employees. Accordingly the completion rate of Civil Service performance evaluations (including probation period performance evaluations) for calendar year 2014 was approximately 35%. According to the Interim Vice Chancellor for Administration, supervisors of Civil Service employees were not tracking performance evaluation due dates. As a result of the low completion rate of Civil Service performance evaluations, the Human Resource Manager is in the process of developing procedures to monitor the completion of performance evaluations for Civil Service employees and communicate approaching deadlines to respective supervisors. In addition, the Human Resource Manager will communicate delinquent performance evaluations to the Interim Vice Chancellor for Administration for communication to the Chancellor and Vice Chancellors at weekly meetings. In the event supervisors remain in noncompliance in preparing performance evaluations for their subordinates, UHWO management will consider documenting the matter in the respective supervisor’s performance evaluation.

UHWO signed a food and beverage concession service contract with Da Spot for the period August 1, 2014 – December 31, 2015. Da Spot is obligated to pay UHWO a monthly fixed fee of \$1,250 plus 15% of catering sales. Based on discussion with the UHWO Director of Food Services, Internal Audit was informed that Da Spot is in compliance with the terms and conditions of the contract. UHWO personnel do not prepare a Statement of Revenues and Expenses to evaluate whether actual financial results of UHWO’s food and beverage service operations are attaining expected financial results. Internal Audit was informed that UHWO will prepare a Statement of Revenues and Expenses for its food service operations when expenses, such as utility cost in the Campus Center, are determinable with greater precision.

Financial:

According to the Interim Vice Chancellor for Administration, all future major development and construction projects at UHWO will be managed by the Office of Capital Improvements (OCI) and not UHWO and/or the Research Corporation of the University of Hawai‘i. Determination of the proper accounting for future development and construction costs (e.g., capitalized vs. expensed, classification of capital assets, etc.) will be handled jointly by OCI and Financial Management Office personnel. Accordingly, UHWO will evaluate the necessity of establishing written procedures prior to the commencement of future development and construction projects. Prospectively, UHWO fiscal personnel will timely consult with the Financial Management

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Office for guidance with regards to any complex, non-routine accounting transactions requiring technical accounting knowledge.

During December 2014, the University’s Vice President for Budget & Finance and Chief Financial Officer (CFO) commenced presenting quarterly budget to actual financial information by University campus to the Board of Regents’ Committee on Budget and Finance. The System Budget Office prepares the budget to actual financial information and will contact the UHWO Fiscal Administrator for assistance in researching variances. Review of the budget to actual reports presented by the CFO indicated that expenses were condensed into “Personnel Expenditures” and “Other Current Expenditures”. Accordingly, Internal Audit noted that the Committee on Budget and Finance requested additional budget to actual financial information by expense categories that aggregate to “Other Current Expenditures” be provided in subsequent reports. The University’s Vice President for Budget & Finance and Chief Financial Officer stated that budget to actual comparisons by expense category is a work in process as budget information by expense category is currently not input into the University’s general ledger.

University of Hawai‘i at Mānoa - Associated Students of the University of Hawai‘i

Description of Audit

The Constitution of Associated Students of the University of Hawai‘i at Mānoa (ASUH) requires that an annual audit be performed of ASUH’s financial statements. Senate Resolution 07-10 stipulates that financial statement audits be performed no more than once every ten years. Senate Resolution 04-13 requires operational audits during fiscal years 2012, 2013, 2015, 2016, 2018 and 2019 and financial statement reviews during fiscal years 2014 and 2017.

ASUH requested that Internal Audit perform operational audits of Stipends and Graduate Test Preparation Awards (GTPA) for fiscal year 2012 and Research Awards, Scholarship Awards, and Registered Independent Organization Awards (RIO) for fiscal year 2013. The objective of the operational audits was to assess if Stipends and Awards (GTPA, Research Awards, Scholarship Awards, RIO) were authorized, processed, recorded, and distributed in compliance with University and ASUH policies, procedures and practices and to evaluate the associated internal controls. The report was presented to and accepted by the Audit Committee on February 19, 2014.

Prior Year Comments

Internal Audit noted that ASUH generally processed Stipends and Awards in accordance with University policies and ASUH policies, procedures and practices. In addition, total Stipends and Awards expended during the period under review were within the ASUH approved budget amounts.

Internal Audit did note instances whereby documents supporting the processing of Stipends and Awards were not available or ASUH policy was inconsistently applied. Internal Audit

concluded that ASUH consider preparing written policies and procedures to minimize the risk of processing Stipends and Awards that are contrary to ASUH policy. Internal Audit also concluded that ASUH consider enhancing internal controls by performing a review and analysis of monthly expense reports to historical reports and budget to detect unrecorded and incorrect transactions.

Status

Internal Audit met with the Interim Director for Student Life and Development, ASUH Operations Manager, and Fiscal Authority responsible for ASUH on March 18, 2015 and noted that the ASUH Operations Manager has either completed or is currently in the process of preparing or revising written policies and procedures to reflect current ASUH practices regarding the authorization, processing, recording and distribution for Stipends and Awards. Specifically, Internal Audit reviewed revised Stipend policies and procedures regarding the processing of partial monthly stipends. Internal Audit also noted that Senate Rules have been modified to reflect current practices and objectives with respect to the processing of RIOs.

Currently, the ASUH Operations Manager reviews a listing of individual ASUH expense transactions recorded in the University’s general ledger on a monthly basis to determine whether the recorded transactions are reasonable and/or whether further investigation is necessary. In addition, a comparison of monthly and year-to-date actual expenses to the annual budget by general ledger account is performed by the ASUH Operations Manager and the Fiscal Authority.

ASUH has requested that Internal Audit perform operational audits of fiscal 2015 Stipends and General Legislation Expenses. The audit objectives are anticipated to be consistent with the fiscal year 2012 and 2013 operational audits. Internal Audit will include this review in its Fiscal Year 2016 Audit Plan.

Revenue Bonds - Post-Issuance Compliance

Description of Audit

The University’s Board of Regents Committee on Independent Audits requested the Office of Internal Audit to review the University’s revenue bond processes with the primary purpose of assessing the policies and procedures ensuring post-issuance compliance with federal income tax law. A secondary purpose was to evaluate the University’s procedures prior to the issuance of revenue bonds (pre-issuance planning). The report was presented to and accepted by the Audit Committee on May 13, 2014.

Prior Year Comments

Internal Audit determined that the University did not perform post-issuance compliance procedures on an annual or consistent basis but rather on an as needed basis. In addition, Internal Audit believed that the current post-issuance compliance policy lacked relevant information such as personnel responsible for performing the compliance function as well as identifying supervisory review responsibilities.

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University financial management personnel engaged BLX Group LLC (contract period of January 1, 2014 – December 31, 2016) to assist the University in formalizing and revising its post-issuance process and policies. Internal Audit believes the services provided by BLX should effectively mitigate the University’s post-issuance compliance risk from both a federal income tax and “Event of Default” perspective.

The University’s Chief Financial Officer was the only individual that fully understood the pre-issuance planning process. Internal Audit recommended that University financial management personnel consider preparing written documentation with respect to the pre-issuance planning process including the roles and responsibilities of personnel involved in this process.

Status

The BLX Group LLC has completed a majority of the services pursuant to their contract with the University. Private Use Analysis reports have been issued for four (4) of the University’s six (6) revenues bond issuances. The BLX Group LLC issued reports concluded that private use ranged from 0.00% - 2.19% which is well below the federal income tax law threshold of 10%. University financial management personnel anticipate the two (2) pending reports to be issued during May 2015 and stated that the BLX Group LLC has preliminarily concluded that private use for these bond issuances are below the 10% threshold. The BLX Group LLC is also in process of finalizing a post issuance compliance policy to replace the University’s current policy (APM A8.560). The finalized policy is anticipated to be issued during fiscal 2016.