Notice of Meeting

UNIVERSITY OF HAWAI‘I

BOARD OF REGENTS COMMITTEE ON INDEPENDENT AUDIT

Date:  Friday, May 27, 2016
Time:  9:30 a.m.
Place:  University of Hawai‘i at Mānoa
        Information Technology Building
        1st Floor Conference Room 105A/B
        2520 Correa Road
        Honolulu, Hawai‘i 96822

AGENDA

I. Call Meeting to Order

II. Approval of Minutes of the April 7, 2016 Meeting

III. Public Comment Period for Agenda Items: All written testimony on agenda items received after posting of this agenda and up to 24 hours in advance of the meeting will be distributed to the board. Late testimony on agenda items will be distributed to the board within 24 hours of receipt. Registration for oral testimony on agenda items will be provided at the meeting location 15 minutes prior to the meeting and closed once the meeting begins. Written testimony may be submitted via US mail, email at bor@hawaii.edu, or facsimile at 956-5156. Oral testimony is limited to three (3) minutes.

IV. Agenda Items

A. For Action

   1. Recommend Approval of Regents Policy RP 2.205, Policy on Whistleblowing and Retaliation
   2. Acceptance of Management’s Response to Internal Audit’s report of UHM Commuter Services

B. For Information & Discussion

   1. Status of FY16 Audit Plan
   2. Status of Implementation of Enterprise Risk Management Program
   3. Presentation by Pricewaterhouse Coopers on Best Practices for Audit Committees of Higher Education Institutions

V. Adjournment

Accommodation required by law for Persons with Disabilities requires at least (5) five days prior notice to the board office at 956-8213 or bor@hawaii.edu.
MEMORANDUM

TO: Randolph Moore, Chair
   Board of Regents

FROM: Cynthia Quinn
       Executive Administrator and Board Secretary

DATE: May 20, 2016

SUBJECT: Approval of RP 2.205, Policy on Whistleblowing and Retaliation

SPECIFIC ACTION REQUESTED:

For reasons set forth below, the Board of Regents (Board) of the University of Hawaii (University) is requested to approve RP 2.205, Policy on Whistleblowing and Retaliation.

RECOMMENDED EFFECTIVE DATE:

July 1, 2016.

BACKGROUND:

Part V of Chapter 378 of the Hawaii Revised Statutes ("HRS") prohibits retaliation against employees who report or are about to report in good faith violation of law, rule, ordinance or regulation. HRS Chapter Section 304A-321 protects persons who make good faith complaints regarding auditing matters, suspected fraud and financial controls, and requires the Independent Audit Committee to review said complaints and any resolution of said complaints, as it deems necessary. The University is committed to compliance with applicable laws and regulations, and to promulgate policies and procedures to interpret and apply these laws and regulations in the University setting.

DISCUSSION:

Above and beyond what the law requires, for the University community in particular, the Board wishes to set forth one overarching policy that demonstrates its commitment to an atmosphere at the University that allows individuals to disclose in good faith violations of law, regulation or policy, and protects individuals from retaliation by adverse academic or employment action taken as a result of good faith reports. While various existing Board policies set forth the
principle that individuals who make good faith reports of violations of law, regulation or policy should be protected from unlawful retaliation, the policies do so in specific contexts, e.g., research and employment discrimination. The proposed new policy on whistleblowing and retaliation is more broadly applicable in all contexts, and specifically and expressly includes cases of suspected fraud and failure of financial controls, as identified in HRS Chapter Section 304A-321.

The proposed policy vests with the President or his designee the authority to implement this “one stop” whistleblower policy, with the exception that in connection with the responsibilities of the Independent Audit Committee of the Board for reviewing the University’s antifraud programs and controls, and aiding in discovering and remedying incidences of financial fraud regarding the University, it is expected that the Independent Audit Committee through the University’s internal auditor will review and monitor good faith reports of financial fraud. It is anticipated that a corresponding Executive Policy will be issued by the President which among other things will publicize the availability of the whistleblower hotline through which anonymous complaints may be made, which are then forwarded to the respective campuses or System for investigation and follow-through.

SPECIFIC ACTION RECOMMENDED:

In accordance with the above, the board is recommended to approve RP 2.205, Policy on Whistleblowing and Relatiation, as set forth in Attachment 1.
I. Purpose

To set forth a policy that promotes an atmosphere at the University of Hawai’i (University) that allows individuals to disclose in good faith violations of law, regulation or policy, and protects individuals from retaliation by adverse academic or employment action taken as a result of a good faith report.

II. Definitions:

“Members of the University” means faculty, staff, students and administrators.

III. Board of Regents Policy:

A. The University is committed to compliance with applicable laws and regulations, and to promulgate policies and procedures to interpret and apply these laws and regulations in the University setting.

B. To achieve compliance, it is the policy of the University to encourage and enable Member of the University or the general public, to make good faith reports of known or suspected violations of law, regulation or policy, including but not limited to fraud.

C. No employee shall take retaliatory academic or employment action against any Member for reporting, or causing to be reported, in good faith suspected violations of law, regulation or policy.

D. The general authority for implementing this policy is vested in the president or designee, with the exception that in connection with the responsibilities of the independent audit committee of the board for reviewing the university’s antifraud programs and controls, and aiding in discovering and remedying incidences of financial fraud regarding the University, it is expected that the independent audit committee
through the University’s internal auditor will review and monitor good faith reports of financial fraud.

IV. **Delegation of Authority:**

   The general authority for implementing this policy is vested in the president or designee, with the exception as indicated in Section III.D. above, for which the board retains authority.

V. **Contact Information:**

   Office of the Board of Regents, 956-8213, bor@hawaii.edu.

VI. **References:**


   B. Hawaii Revised Statutes Section 304A-321, as amended.

**Approved as to Form:**

_____________________________     ___________
Cynthia Quinn         Date
Executive Administrator and
Secretary of the Board of Regents
MEMORANDUM

TO: Randolph G. Moore  
   Chairperson, Board of Regents

VIA: David Lassner  
     President

VIA: Robert Bley-Vroman  
     Chancellor

FROM: Kathy Cutshaw  
      Vice Chancellor for Administration, Finance & Operations

SUBJECT: Internal Audit Response

Commuter Services was pleased to work with Internal Audit on its review of its Commuter Services program, as the review is in alignment with the department’s commitment to its continuous improvement philosophy. Below are the management responses to Internal Audit’s recommendations, as summarized on page 17 of Internal Audit’s report (Attachment 1).

Recommendation #1
Due to the significance of parking permit revenue, calculate expected annual parking permit revenue and compare to actual parking permit revenue to assess the accuracy and completeness of parking permit revenue recorded in KFS. Information that should be considered in calculating expected parking permit revenue include parking fee based on permit type (upper campus, lower campus, moped/motorcycles), parking permit duration (semester, annual), count of parking permits sold, and historical year-end accrual adjustments. Validating annual parking permit revenue will also support the accuracy and completeness of annual parking permit revenue projections.

Management’s Response:
A direct comparison between T2—the department’s parking database which tracks the sales of parking permits—and parking permit revenues recorded into KFS presents challenges as T2 is meant to be used as an inventory management tool. Commuter Services is in communication with T2 Systems to determine if the company has a solution which would allow for the T2 database to track revenues in a similar fashion.
as KFS, so that T2 could be an accurate method of validating annual parking permit revenue per Internal Audit’s recommendation. Commuter Services is also exploring if programming can be written internally which will allow for an accurate KFS-to-T2 comparison of parking permit revenues.

Recommendation #2
With respect to revenues, compare monthly budget to actual revenues by source (permit, daily, passes, etc.) rather than on an aggregate basis to increase the precision in identifying significant and unexpected revenue fluctuations warranting further investigation.

Management’s Response:
Monthly comparisons currently occur through a financial report which is generated by the fiscal department; however, the revenue sources in the current report are in aggregate. A new monthly report is being generated that will break down revenue sources by line item rather than in aggregate. The new report will go into effect July 2016.

Recommendation #3
Quantify additional expenses (Diamond, Star, HPD personnel, etc.) incurred for special events organized by external parties and compare the additional expenses to an estimate of incremental revenue earned. To the extent that the additional expenses do not substantially cover the incremental revenue earned, consider requesting that “Facility Use Agreements” include a provision allowing Commuter Services to recover additional expenses that exceed the incremental revenue.

Management’s Response:
Commuter Services agrees it would be beneficial if the University’s “Facility Use Agreement” contained the option for the department to recover excessive expenditures related to special events and is exploring this recommendation further.

Recommendation #4
Obtain and analyze financial information with respect to the dollar value of citations issued, waived, forwarded for collection, and outstanding. This information should assist in assessing the collection agency’s effectiveness in settling outstanding citations as well as assisting in the overall management of citations.

Management’s Response:
Commuter Services does not currently link citation collections to the year the citation was issued. Commuter Services is exploring the feasibility of linking the collection of outstanding citations back to the year citations were issued for the purpose of having more in-depth data analysis available for outstanding citation collections.

Recommendation #5
Continue to reflect unpaid citation balances in Banner for current and former students. Unpaid amounts recorded in Banner preclude current students from registering for classes in a subsequent semester and former students from receiving certified transcripts.

Management’s Response:
Commuter Services agrees that current students with outstanding citations should be precluded from registering for classes and that former students with outstanding citations should be precluded from receiving certified transcripts, in order to encourage such students to pay for outstanding citations. T2 and Banner are not currently linked in such a way that Commuter Services can tag students/former students in Banner. We will explore if there is a programming option which will allow this process to occur.
Recommendation #6
With respect to repairs and maintenance projects, update cost estimates, identify the funding source(s) and prioritize projects based on risk (legal, health and safety, compliance, etc.), cost and value to UHM constituents.

Management’s Response:
Commuter Services is in the process of securing a consultant to perform an assessment of its program and expects the consultant to provide recommendations which may include updating/changed its infrastructure in order to further maximize revenues and further minimize expenditures. Upon the completion of this assessment, Commuter Services will produce a proposal for a new rate schedule which will help the department meet its fiscal obligations, including funding repairs and maintenance projects.

Commuter Services works with Facilities to update cost estimates on repairs and maintenance projects as the projects are being planned. The University believes that as a self-sustaining unit, Commuter Services is responsible to fund its own repairs and maintenance projects; as such, Commuter Services plans to fund its repairs and maintenance projects from the revenues the department generates. Projects are prioritized based on:

1) Health and safety
2) Recommendations from the assessment report
3) Availability of funds
4) Projects impacting the maximum use of parking facilities

The tentative target date for a new rate schedule based on the above assessment is Fall 2017. This timeline is dependent upon the timely approval of new rates as it goes through the public hearing process and approval by the Board of Regents and Governor. Commuter Services also intends to have any new processes in place based on its exploration of the recommendations above by Fall 2017.

Attachment
1. Attachment 1: Internal Audit’s report on Commuter Services
UNIVERSITY OF HAWAI‘I AT MĀNOA

COMMUTER SERVICES

March 2016

University of Hawai‘i
Office of Internal Audit
To the University of Hawai'i Board of Regents and University of Hawai'i at Mānoa Director of Campus Services

Commuter Services is responsible for all parking operations at the University of Hawai'i at Mānoa (UHM), including generating parking revenues. The Board of Regents' Committee on Independent Audit requested that the Office of Internal Audit (Internal Audit) perform a review of Commuter Services as a result of Internal Audit’s identification of financial process and control issues at other University of Hawai'i revenue generating operations. Accordingly, Internal Audit reviewed historical Commuter Services financial statements and its related processes and controls in addition to evaluating financial and operational risks and opportunities.

During the three years ended June 30, 2015, Commuter Services generated annual revenues of approximately $6.2 - $6.7 million (primarily from permit and daily parking fees) resulting in annual net income ranging from $400,000 to $1.2 million over this same period and a cash balance of $3.4 million at June 30, 2015. Internal Audit also noted that Commuter Services issues approximately 6,500 - 6,700 parking permits each Fall or Spring semester for the approximate 4,600 available parking permit stalls. The parking structure generally attains full capacity on school days. UHM’s parking fees are also competitive or at the low end when compared to certain higher education institutions located on the U.S West Coast and private parking locations adjacent to the UHM campus.

As of June 30, 2015, Commuter Services identified approximately $8 million of repairs and maintenance projects that they believe must be completed within the next five years. However, the identified projects and related cost estimate were pursuant to a 2011 external consultant survey. Commuter Services stated that updated cost estimates will be obtained and that funding source(s) will need to be determined given their $3.4 million cash balance.

Internal Audit noted that Commuter Services has appropriate financial processes and procedures to manage and monitor their financial operating results. However, Internal Audit noted certain improvement opportunities for Commuter Services’ evaluation and consideration, which Internal Audit believes will provide additional financial information to improve operational decisions and financial results. These improvement opportunities related to analyzing budget to actual financial information, comparing expenses incurred to revenues generated from special events, monitoring and managing the citation process, updating cost estimates and identifying the funding source(s) of future repairs and maintenance projects.

Sincerely,

Glenn Shizumura
Director
University of Hawai‘i at Mānoa  
Commuter Services  
March 2016

I. OVERVIEW

Parking at the University of Hawai‘i at Mānoa (UHM) is available to all employees, students and visitors. Availability is on a first-come, first-served basis. UHM Commuter Services (Commuter Services) is responsible for all parking operations including parking permit sales, special events, traffic control enforcement and the maintenance of parking facilities. Commuter Services has prepared written Standard Operating Procedures to assist employees in the performance of their daily parking operation duties and responsibilities.

Commuter Services is expected to be self-supporting. Accordingly, revenues should pay for all expenses including payroll, office operations, parking structure and surface lot maintenance, electricity, repairs and maintenance, capital improvements, safety measures and other parking support services. In general, a Commuter Services issued parking permit, parking pass or parking receipt is required to park on the UHM campus. There are approximately 5,400 available parking stalls. According to the University of Hawai‘i Institutional Research and Analysis Office website, full-time UHM faculty and staff employees approximated 4,000 and UHM student enrollment approximated 18,800 during Fall 2015.

Organizational Structure

The following presents a summarized organization chart of Commuter Services and its direct affiliates pursuant to the official UHM organization chart (approved July 1, 2015).

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Office of Campus Services

Bookstore System
Department of Public Safety
Auxiliary Services
Commercial Enterprises

Commuter and Fleet Services
University Housing, Food Services, & Mail Services
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Fleet Services is a sister unit of Commuter Services that is responsible for acquiring and maintaining UHM’s fleet vehicles. Commuter Services staffing ranges from 10 – 12 employees. The total number of employees for the Office of Campus Services approximates 215.

Laws, Regulations and Rules

The University of Hawai‘i (University) must comply with the provisions of Hawai‘i Revised Statutes (HRS) Section 304(A). Part VI of HRS 304(A) includes a subsection for University parking that identifies the responsibilities of the Board of Regents (BOR) with respect to parking fees and fines and the issuance of revenue bonds to provide adequate parking facilities. The BOR delegates these responsibilities to the President in BOR policy RP 10.207. Commuter Services management stated that
the University's Office of Government Relations monitors and tracks State of Hawai'i legislative bills that may have a potential impact to the operations of Commuter Services.

Hawai'i Administrative Rules (HAR) Chapter 20-12 describes the rules and guidelines prepared by the University to comply with the parking regulations stated in Part VI of HRS 304(A) by campus. HAR Chapter 20-12-1 is specific to UHM and documents the fees for parking permits, hourly and daily parking, and citations (fines). All UHM parking fees agree to the HAR (dated August 21, 2009) except for the daily parking fee. The HAR indicates that the daily parking fee may not exceed $16/day. However, Commuter Services charges $5/day or $6/day (after 4 pm) in the lower campus parking structure to achieve a more affordable parking fee for UHM constituents and $2/half hour (up to three hours) in the upper campus parking lots. UHM Parking Regulations are communicated to UHM constituents at the Commuter Services website. The UHM Parking Regulations were prepared from rules and guidelines contained in HAR Chapter 20-12-1.

Pursuant to HRS Section 91, amendments to the HAR are subject to public hearings and approval by the Governor. The public hearing must be authorized by both the BOR and Governor. Any changes to UHM parking fees and citations would require public hearing(s), approval by the BOR and University General Counsel, and ultimately the Governor. Commuter Services estimates that changes to the HAR takes approximately one year from the approval of public hearings by the BOR to approval of the revised HAR by the Governor.

Purpose

The objective of this project is to review historical UHM Commuter Services financial statements and its related processes and controls in addition to evaluating financial and operational risks and opportunities. Documents (contracts with external service providers, third-party UHM parking reports, etc.) impacting this financial information will also be reviewed and analyzed.
II. FINANCIAL INFORMATION and FINANCIAL PROCESSES

The following presents UHM Commuter Services financial results of operations for the three years ended June 30, 2015. Revenues are classified by revenue source. Expenses are classified by expense type.

University of Hawai’i at Mānoa - Commuter Services
Statements of Revenues and Expenses (Unaudited)
For the Three Years Ended June 30, 2015

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permit parking</td>
<td>$2,869,691</td>
<td>$2,676,429</td>
<td>$2,755,802</td>
</tr>
<tr>
<td>Daily parking:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMPCO</td>
<td>-</td>
<td>566,758</td>
<td>2,643,662</td>
</tr>
<tr>
<td>Diamond</td>
<td>2,514,251</td>
<td>1,934,360</td>
<td>-</td>
</tr>
<tr>
<td>Parking passes</td>
<td>595,490</td>
<td>512,048</td>
<td>660,436</td>
</tr>
<tr>
<td>Parking fines</td>
<td>562,175</td>
<td>434,761</td>
<td>494,329</td>
</tr>
<tr>
<td>Commission:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AdWalls</td>
<td>128,390</td>
<td>11,307</td>
<td>72,851</td>
</tr>
<tr>
<td>E Noa</td>
<td>-</td>
<td>2,265</td>
<td>1,535</td>
</tr>
<tr>
<td>Enterprise</td>
<td>18,915</td>
<td>27,508</td>
<td>-</td>
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<tr>
<td>Interest</td>
<td>5,239</td>
<td>3,202</td>
<td>5,054</td>
</tr>
<tr>
<td>Other</td>
<td>(368)</td>
<td>803</td>
<td>14,251</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>6,693,783</td>
<td>6,189,441</td>
<td>6,647,920</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses:</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Divisional Campus Services charge</td>
<td>694,793</td>
<td>651,645</td>
<td>637,733</td>
</tr>
<tr>
<td>Personnel services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>648,173</td>
<td>653,686</td>
<td>707,391</td>
</tr>
<tr>
<td>Students</td>
<td>141,865</td>
<td>181,589</td>
<td>175,875</td>
</tr>
<tr>
<td>Contracted services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMPCO</td>
<td>-</td>
<td>331,584</td>
<td>1,151,027</td>
</tr>
<tr>
<td>Diamond</td>
<td>801,822</td>
<td>659,174</td>
<td>-</td>
</tr>
<tr>
<td>E Noa</td>
<td>741,393</td>
<td>700,195</td>
<td>627,958</td>
</tr>
<tr>
<td>Star Protection Agency</td>
<td>1,142,367</td>
<td>1,111,734</td>
<td>925,087</td>
</tr>
<tr>
<td>Honolulu Police Department</td>
<td>91,978</td>
<td>105,290</td>
<td>74,898</td>
</tr>
<tr>
<td>Other</td>
<td>39,828</td>
<td>64,745</td>
<td>45,615</td>
</tr>
<tr>
<td>Electricity for parking structures</td>
<td>476,333</td>
<td>452,703</td>
<td>426,487</td>
</tr>
<tr>
<td>Ceded land</td>
<td>268,858</td>
<td>284,968</td>
<td>265,031</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>241,302</td>
<td>275,639</td>
<td>149,971</td>
</tr>
<tr>
<td>Printing and binding</td>
<td>67,700</td>
<td>64,321</td>
<td>71,914</td>
</tr>
<tr>
<td>Material and supplies</td>
<td>60,048</td>
<td>153,722</td>
<td>143,434</td>
</tr>
<tr>
<td>Bank service charges</td>
<td>40,738</td>
<td>28,211</td>
<td>37,001</td>
</tr>
<tr>
<td>Travel and related costs</td>
<td>10,415</td>
<td>1,200</td>
<td>3,891</td>
</tr>
<tr>
<td>Other</td>
<td>48,880</td>
<td>69,254</td>
<td>28,853</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>5,516,493</td>
<td>5,789,660</td>
<td>5,472,166</td>
</tr>
<tr>
<td>Excess of Revenue over Expenses</td>
<td>$1,177,290</td>
<td>$399,781</td>
<td>$1,175,754</td>
</tr>
</tbody>
</table>

University of Hawai’i at Mānoa at Mānoa
Commuter Services
March 2016
As of June 30:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, at beginning of year</td>
<td>$2,209,611</td>
<td>$2,580,171</td>
</tr>
<tr>
<td>Excess of revenues over expenses</td>
<td>1,177,290</td>
<td>399,781</td>
</tr>
<tr>
<td>Change in accounts receivable</td>
<td>(85,221)</td>
<td>18,156</td>
</tr>
<tr>
<td>Change in other assets</td>
<td>913</td>
<td>1,453</td>
</tr>
<tr>
<td>Change in current liabilities</td>
<td>131,841</td>
<td>(274,697)</td>
</tr>
<tr>
<td>Change in non-current liabilities</td>
<td>2,696</td>
<td>(25,324)</td>
</tr>
<tr>
<td>Payments for repairs and maintenance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parking structure 5th floor deck coating</td>
<td>(15,500)</td>
<td>(434,076)</td>
</tr>
<tr>
<td>Payments for revenue bond debt service</td>
<td>(58,185)</td>
<td>(55,853)</td>
</tr>
<tr>
<td>Cash, at end of year</td>
<td>$3,363,445</td>
<td>$2,209,611</td>
</tr>
</tbody>
</table>

Accounts receivable         $139,236     $60,854
Write-offs of accounts receivable $-            $(6,839)

The cash reconciliation provides financial information regarding significant cash inflows and outflows. Accounts receivable primarily relates to employee payroll deductions for annual parking permits earned during the fiscal year and collected during the subsequent fiscal year (approximately $55,000 at year-end). As of June 30, 2015, accounts receivable includes approximately $73,000 due from AdWalls.

A. Revenues

Permit Parking:

Parking permits are issued to employees (staff/faculty) and students for semester or annual (academic year and summer) terms. Approximately 4,600 parking stalls at UHM are allotted for permit parking and approximately 6,500 – 6,700 parking permits are issued each Fall or Spring semester. Commuter Services generally issues a parking permit to all employees requesting a parking permit. Payment may be made online (credit/debit card), by cash/check or by semi-monthly payroll deduction (employees only). Employees may elect either a pre- or post-tax payroll deduction pursuant to Administrative Procedure (AP) 9.761 “Pre-Tax Qualified Parking Benefit Plan.” However, AP 9.761 does not describe the eligibility requirements for employee participation in the payroll deduction option. Commuter Services’ practice is to allow participation in the payroll deduction option if the employee is classified in a 50% or more full-time equivalent position and is employed in excess of 89 consecutive days. Students request and pay for parking permits during the class registration process on a first-come, first-served basis. Accordingly, full-time graduate students, seniors and a limited number of juniors will obtain parking permits due to the limited supply. The ratio of parking permits issued to employees compared to students approximates 65% to 35%.

Commuter Services utilizes parking management software named T2 Flex (T2) to manage all parking operations (parking permits and fines), except for daily parking. T2 has point-of-sale functionality and a credit card terminal to process credit/debit cards. Online payments are processed through TouchNet, the University’s online payment processor.
Fees
Parking permit fees for the 2015 – 2016 academic year are as follows:

<table>
<thead>
<tr>
<th>Parking Permit Type</th>
<th>Semester Fee</th>
<th>Summer Fee</th>
<th>Annual Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Campus (Employees)</td>
<td>$193</td>
<td>$193</td>
<td>$579</td>
</tr>
<tr>
<td>Lower Campus (Employees &amp; Students)</td>
<td>$142</td>
<td>$142</td>
<td>$426</td>
</tr>
<tr>
<td>Moped/Motorcycles (Employees &amp; Students)</td>
<td>$30</td>
<td>$30</td>
<td>$90</td>
</tr>
</tbody>
</table>

Commuter Services processes and controls
Parking permit revenue is collected, processed and recorded by Commuter Services personnel. Customer information (name, parking permit type, parking zone, parking permit fee, etc.) for each issued parking permit is recorded in T2. Parking permits are issued in numerical sequence by parking zone. Unissued parking permits are stored in a locked room at the lower campus parking structure.

Fees for parking permits are collected pursuant to cash/check/credit card/debit card payment or employee payroll deduction. During the daily closing process, the Commuter Services cashier compares payments received at the Commuter Services window or processed online to total receipts recorded on the T2 cash register report. Campus Services Business Office personnel re-perform this closing process to verify accuracy. Discrepancies must be investigated and resolved immediately. Prior to recordation into KFS (the University’s general ledger), a Campus Services Business Office Accountant verifies that all discrepancies have been properly resolved.

The University’s payroll is processed by the State of Hawai‘i Department of Accounting and General Services (DAGS). During June, Commuter Services will prepare and send to DAGS an electronic file containing all eligible employees electing to pay for parking permits through semi-monthly payroll deduction. Accordingly, DAGS prepares a semi-monthly check payable to Commuter Services equal to employee payroll deductions associated with parking permits. Upon receipt of the DAGS check, Commuter Services compares the check amount to the expected cash receipts associated with parking permit payroll deductions. Commuter Services also scans the DAGS Payroll Assignment Register (list of each faculty/staff and payroll deduction amount) for unexpected and unusual employee transaction amounts (e.g., no deduction, amount differs from the expected upper/lower campus parking permit fees). Commuter Services will investigate unexpected and unusual employee transaction amounts (e.g., termination, leave without pay, etc.) and perform additional follow-up as necessary (e.g., billing faculty/staff, requesting return of parking permit, etc.).

Daily Parking (non-permit):
Approximately 800 parking stalls are earmarked for daily parking. Daily parking is available at both upper campus and lower campus. Fees for upper campus customers are collected and processed via automatic pay stations. Fees for lower campus parking are collected at vehicle entrance kiosks by personnel employed by a third-party contractor (Diamond Parking Services, LLC). These vehicle entrance kiosks are located at Dole Street and Waialae Avenue. Internal Audit was informed that the lower campus parking structure is generally at capacity during the late morning of each school day. Accordingly, vehicles without a parking permit will not be provided access to the lower campus parking structure until parking stalls become available during the early afternoon. Commuter Services monitors available lower campus parking structure stalls through an automated system (AutoCount) that tracks vehicles entering and exiting the lower campus parking structure. Commuter Services personnel stated that upper campus lots attain approximately 90% of their vehicle capacities on school days during the hours of 9 am and 1 pm.
Fees

Daily parking fees for the 2015–2016 academic year are as follows:

<table>
<thead>
<tr>
<th>Location</th>
<th>Fee</th>
<th>Time of Entrance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parking Structure (Lower</td>
<td>$5</td>
<td>5:00 am – 4:00 pm M–F</td>
</tr>
<tr>
<td>Campus)</td>
<td>$6</td>
<td>After 4:00 pm M–F</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Saturday all day</td>
</tr>
<tr>
<td>Upper Campus</td>
<td>$2 per half hour (3 hrs maximum)</td>
<td>6:30 am – 4:00 pm M–F</td>
</tr>
<tr>
<td></td>
<td>$6</td>
<td>After 4:00 pm M–F</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Saturday all day</td>
</tr>
<tr>
<td>Lower Campus</td>
<td>$6</td>
<td>After 4:00 pm M–F</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Saturday all day</td>
</tr>
</tbody>
</table>

Vehicles displaying a valid daily parking receipt may park in all lower campus lots until 11:59 pm. Upper campus lots do not require vehicles to display a daily parking receipt after 8:00 pm through 6:29 am the next day. Internal Audit was informed that annual daily parking revenues (approximately $2.5 million) is split evenly between the $5 fee and $6 fee.

Contracted services

The Ampco System Parking (currently known as ABM Parking Services) contract to provide general parking related services to UHM expired on September 30, 2013. Diamond Parking Services, LLC (Diamond) was subsequently engaged to provide parking related services with a contract commencement date of October 1, 2013. The contract with Diamond may be renewed annually through September 30, 2018. Diamond personnel supervise and control the flow of traffic at all vehicle entrances to the UHM campus. In addition, Diamond personnel account for parking passes/coupons collected, cash receipts and credit/debit card transactions associated with parking receipts issued for daily parking from vehicle entrance kiosks and automatic pay stations. Diamond invoices Commuter Services monthly for the actual time incurred by Diamond personnel at hourly wages ranging from $16/hour - $20/hour plus a monthly management fee of approximately $13,000.

Diamond personnel also operate the vehicle entrance kiosks during special events (UHM Athletics events, graduation ceremonies, Special Olympics, etc.) held at UHM facilities. Parking fees are charged based upon the day and time of entrance ($6 on Sundays for UHM Athletics events). Commuter Services believes the additional parking revenue collected in connection with these special events is greater than the additional expenses incurred resulting from contract personnel working additional hours (additional Diamond personnel at the parking gates, Honolulu Police Department (HPD) personnel to control traffic). Accordingly, additional expenses incurred in connection with special events are not charged to the event organizer. Commuter Services does not track or quantify the parking revenue associated with special events to determine if the incremental revenue exceeds the incremental additional expenses.

Contractor processes and procedures

The University’s contract with Diamond requires that Diamond perform procedures (daily, monthly and annually) and prepare reports that provide the University with assurances regarding the proper processing and accounting for daily parking proceeds. These procedures and reports include:

1) On a daily basis, requiring Diamond supervisors to review and approve the following parking information compiled by Diamond employees at each vehicle entrance kiosk:
   a. parking proceeds (including passes/coupons) collected,
   b. first and last parking receipt issued to customers during a respective shift and
Commuter Services processes and controls

The Commuter Services Manager informed Internal Audit that she reviews the "daily cash log" every weekday to determine if parking proceeds are reasonable based on her knowledge of events/activities that occurred on-campus (e.g., UH Men’s basketball game). Commuter Services management personnel also meet weekly with Diamond personnel to discuss parking operations (cash collections, complaints, etc.) of the prior week.

The Manager also reviews a Diamond prepared monthly cash overage/shortage report documenting daily cash discrepancies. The Manager also agrees the daily cash discrepancies from this monthly report to the daily cash log by Diamond employee. Diamond must reimburse the University for net cash shortages in addition to any loss parking revenue. Loss parking revenue includes losses resulting from theft, cash shortages and missing or unaccounted for Diamond issued daily parking receipts. Since the inception of Diamond’s contract on October 1, 2013, Commuter Services has collected from Diamond $848 for the ten month period ended June 30, 2014 and $535 for the year ended June 30, 2015 related to net cash shortages and loss parking revenue.

Commuter Services management personnel also perform random audits of vehicle entrance kiosks twice a month. Audit procedures include comparing cash collected to parking receipts issued as well as observing if the Diamond employee is fulfilling their job requirements. The Manager also periodically reviews Diamond employee timesheets and compares timesheet information to the labor charges noted on monthly Diamond invoices. Work hours recorded on employee timesheets are also compared to work hours observed during the random audits. Commuter Services audit comments include Diamond employees not complying with certain UHM parking procedures and policies in addition to cash shortages. Commuter Services communicates their audit results to Diamond through written correspondence and their weekly meetings with Diamond management personnel.
Parking Passes:
The following types of parking passes are issued by Commuter Services:

- Special Pass — Monthly ($75) and Daily ($5)
- Daily Visitor ($5)
- Fiscal year Contractor ($10 - $579)
- Fiscal Year
  - Gold (no charge)
  - Department ($240)
- UHM Athletics events (various)

Certain University departments receive gold passes to be used by Deans/Directors or guests of the department. The gold pass is valid in all parking zones and should be used for official business only. Department passes are purchased by University departments not assigned a UHM fleet vehicle. The Department pass must be displayed in the vehicle of the department’s faculty/staff during the performance of official business.

With respect to on-campus UHM Athletics events, Commuter Services provides the UHM Athletics Department with parking passes/coupons pursuant to a Memorandum of Understanding (MOU) dated June 2014. The MOU expired on June 30, 2015 and was renewed for fiscal year 2016. Reserved season parking passes and season parking passes are provided and/or sold to season ticket holders based on their contribution amount to 'Aahui Koa Anuenue (AKA). The following parking passes/coupons were sold to UHM Athletics during the 2014-2015 academic year:

<table>
<thead>
<tr>
<th>Type</th>
<th>Quantity</th>
<th>No. of Stalls</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserved Season Parking Passes (AKA)</td>
<td>880</td>
<td>17,746</td>
<td>$ 53,238</td>
</tr>
<tr>
<td>Season Parking Passes (UHM Athletics)</td>
<td>1,379</td>
<td>27,128</td>
<td>81,384</td>
</tr>
<tr>
<td>Other Parking Passes/Coupons (UHM Athletics) (Sports Marketing, Visiting Team Passes, Guest Passes, Media, Volunteer)</td>
<td>4,975</td>
<td>8,130</td>
<td>24,390</td>
</tr>
<tr>
<td>Total</td>
<td>7,234</td>
<td>53,004</td>
<td>$ 159,012</td>
</tr>
</tbody>
</table>

Pursuant to the MOU, Commuter Services charges and receives $3 for each parking stall provided to AKA or UHM Athletics. The charge to AKA or UHM Athletics for season parking passes is a function of the quantity of parking passes issued and number of home games by sport. AKA and UHM Athletics establishes the sales price of season parking passes and collects and retains all proceeds. Commuter Services indicated that AKA received in excess of $125,000 in reserved season parking pass revenues for the 2014-2015 academic year. All other parking passes/coupons provided to UHM Athletics are primarily for the Sports Marketing Sponsorship Program and visiting team 1-day parking passes. As described above in the “Daily Parking (non-permit)” section, Commuter Services does not assess fees to cover additional expenses incurred in connection with UHM special events. Accordingly, all parking pass/coupon cash collected by AKA and UHM Athletics in excess of the $3 per stall paid to Commuter Services provides additional financial support for UHM Athletics.

Commuter Services processes and controls
Processes and controls are identical to the parking permit process.
Parking Fines (Citations):
Parking fines (Citations) are issued by a third-party contractor (Star Protection Agency, LLC) and result from the parking enforcement program established by Commuter Services. Citations range from $15 to $250. Violations associated with the $15 citation include parking in prohibited areas and double parking. Violating disability parking regulations result in a $250 citation. Persons receiving citations may appeal their citation within seven (7) calendar days from the date of issue through the Commuter Services website or regular mail. Commuter Services believes that the substantial number of citations issued relate to violations with a $15 fine.

Citations not paid within 15 days result in Commuter Services mailing a copy of the citation to the registered owner of the vehicle as recorded in T2. Uncollected citations for vehicles not registered in T2 (UHM parking permit or pass was not issued for the vehicle) will result in the Manager and her assistant accessing the HPD's Department of Motor Vehicle file to identify the registered owner thereby allowing Commuter Services to mail the citation to the registered owner. Follow-up citations are mailed if the citation is unpaid after 35 days. Students with unpaid balances greater than $25 will have the unpaid balance reflected in the University's Student Information System (Banner). Unpaid balances preclude students from registering for classes, obtaining transcripts, etc. All citations greater than $25 and unpaid in excess of 90 days will be transferred to a collection agency. Students are allowed to register for classes and obtain transcripts subsequent to the transfer of their unpaid student account to the collection agency. The collection agency providing this service is selected pursuant to an approved list of collection agencies received from the Office of Procurement and Real Property Management (OPRPM) and subsequent to Commuter Services determining the collection agency that will provide the best service and results.

Contracted services
Star Protection Agency, LLC (Star) provides parking enforcement and traffic control services to Commuter Services 24 hours a day, 7 days a week (with the exception of State holidays and Christmas and Spring breaks). The contract commenced on February 2011 and is renewable annually through June 30, 2016. Star invoices Commuter Services monthly for actual time incurred by Star personnel at $18/hour.

Services provided by Star include ensuring that parked vehicles have a proper parking permit or pass displayed on the vehicle and managing parking pass areas in connection with UH M Athletics events. In addition, Star reviews the number sequencing of daily parking receipts displayed on vehicle dashboards to verify that Diamond is properly issuing daily parking receipts. Out of sequence daily parking receipts numbers are reported to Commuter Services to determine if Diamond is reusing parking receipts and under reporting revenue and the related cash proceeds forwarded to Commuter Services.

Star personnel input citation information (license plate number, description of violation and fine amount) into a hand-held device that is linked to T2. Due to the uncertainty in realizing citation revenue since all citations may be appealed, Commuter Services recognizes citation revenue on a cash basis. The following table presents cash collected (per KFS) during the three years ended June 30, 2015 for citations issued during that year as well as citations issued in prior years:

<table>
<thead>
<tr>
<th>Citation Cash Collections:</th>
<th>Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Commuter Services</td>
<td>$548,984</td>
</tr>
<tr>
<td>Collection agency</td>
<td>$13,191</td>
</tr>
<tr>
<td>Total</td>
<td>$562,175</td>
</tr>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Commuter Services</td>
<td>$437,568</td>
</tr>
<tr>
<td>Collection agency</td>
<td>$17,193</td>
</tr>
<tr>
<td>Total</td>
<td>$454,761</td>
</tr>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Commuter Services</td>
<td>$466,299</td>
</tr>
<tr>
<td>Collection agency</td>
<td>$28,030</td>
</tr>
<tr>
<td>Total</td>
<td>$494,329</td>
</tr>
</tbody>
</table>
The following table quantifies citation activity provided by Commuter Services as of June 30, 2015 for citations issued during each of the three years ended June 30, 2015.

**As of June 30, 2015:**

<table>
<thead>
<tr>
<th>Number of Citations:</th>
<th>Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Issued</td>
<td>37,179</td>
</tr>
<tr>
<td>Appealed</td>
<td>5,164</td>
</tr>
<tr>
<td>Waived due to appeal</td>
<td>2,863</td>
</tr>
<tr>
<td>Forwarded to collection agency</td>
<td>2,995</td>
</tr>
<tr>
<td>Not forwarded to collection agency</td>
<td>2,975</td>
</tr>
<tr>
<td>Collected to date</td>
<td>28,346</td>
</tr>
</tbody>
</table>

Commuter Services could not monetize the citation information presented in the above table. In addition, citation cash collection information is not tracked or monitored by citation issuance year. Accordingly, information presented in the “Citation Cash Collections” table is not fully attributable to citations issued during the year of cash collection.

**Commuter Services processes and controls**

The T2 system generates a daily report of citations issued by Star employee. Internal Audit was informed that approximately 100 - 150 citations are issued each school day during the academic year. The Manager reviews the daily citation reports to monitor the work performance of Star personnel. The Manager also meets weekly with Star management personnel to discuss Star’s performance from the prior week as well as any operational matters.

Citation payments are settled in cash, check or credit/debit card. The Commuter Services cashier processes the payment by inputting the license plate number, citation number and the amount paid into T2 as the system will perform a three-way match to the citation information.

Commuter Services manages Star invoices by periodically reviewing Star employee timesheets and comparing timesheet information to the labor charges noted on monthly Star invoices. Commuter Services also reviews the productivity and efficiency of Star employees via an automated security patrol system that records the time when the Star employee reaches designated parking checkpoints during their tour. Checkpoint times are recorded on security patrol system handheld data loggers and RFID (radio frequency identification) sensors.

**Commission:**

**AdWalls**

AdWalls obtains and manages corporate sponsor advertisements placed on the walls of the UHM lower campus parking structure. There are 62 available wall spaces for advertising. Wall spaces with advertisements for the three years ended June 30, 2015 have ranged from 6 to 18. The contract commenced on April 2013 and may be renewed annually through April 2018. Monthly, Commuter Services receives the greater of $5,000 or 50% of AdWalls revenues recognized from corporate advertisements. Effective July 2015, the monthly commission decreased to the greater of $3,000 or 30% of AdWalls revenues. AdWalls is required to provide a monthly report to the Director of Auxiliary Services listing the corporate sponsors with posted advertisements, amount received by AdWalls and amount owed to Commuter Services. This report is due no later than the fifth day of every month.
E Noa
Commuter Services provides free shuttle bus services to employees and students between various locations on- and off-campus through its contractor E Noa. The contract period is September 2012 – 2017. The shuttle serves eight routes and operates Monday through Friday (except holidays and designated school breaks) from 7:00 am through 11:15 pm. The shuttle operates approximately 67 hours per school day. E Noa submits monthly invoices and invoices its services at $56 per hour. Commuter Services estimates ridership of more than 1,000/day and approximately 38,000/month. E Noa allowed Commuter Services to install GPS tracking devices on each shuttle to allow riders to track the location of a shuttle through the internet.

Commuter Services earns revenue from advertisements placed by AdWalls in shuttle buses. During the three years ended June 30, 2015, Commuter Services has earned $3,800. Commuter Services believes the market for advertisements on shuttle buses are minimal and accordingly does not anticipate any increases in shuttle bus advertising revenue.

Enterprise
Enterprise manages and operates a car share program (CarShare Program) and a retail rental program (Retail Program) at no cost to the University. The CarShare Program is only available to UHM faculty, staff and students 21 years or older (18 years or older for student employees during the performance of services for the University). There are currently four (4) hybrid CarShare Program vehicles parked in various locations on the UHM campus that UHM faculty, staff and students may rent (includes a parking space, gas and damage/liability coverage) by the hour, day or overnight (6 pm – 8 am) for either business or personnel use. The Retail Program is open to the general public (at least 21 years of age) and operates as a traditional vehicle rental business located on the UHM campus. The Retail Program consists of a minimum of five (5) hybrid and/or non-hybrid vehicles. The University provides Enterprise with office and parking space at no charge. The contract commenced on September 2012 and may be renewed annually through June 2016.

Commuter Services earns the following as a percentage of the monthly revenues recognized by Enterprise.

CarShare Program (per car):

- $0 - $1,400 = 0%
- $1,401 - $1,600 = 30%
- $1,601 - $1,800 = 40%
- $1,801+ = 50%

Retail Program: 10% of the time and mileage rental revenue

Based on a review of monthly commission payments received from Enterprise, Internal Audit noted that substantially all commission is related to the Retail Program. In connection with each Program, Enterprise must submit monthly reports to Commuter Services documenting vehicle usage and availability. Enterprise is also required to provide Commuter Services with an annual report documenting its concession revenues earned for each contract year (July 1 – June 30). The annual report must be certified by Enterprise and verified by a licensed independent Certified Public Accountant. The submission due date is September 30th of each year.
The University may also request the following in connection with Enterprise’s operations (all costs and expenses to be borne by Enterprise):

- An annual audit of revenues to be performed by an independent Certified Public Accountant
- Audited or unaudited financial statements certified by the Enterprise Chief Financial Officer

**Commuter Services processes and controls**

Commuter Services personnel stated that all commission contractors are complying with their respective contract provisions. In addition, the invoices and financial reports submitted by the contractors are sufficient to permit Commuter Services to effectively monitor contractor services and to determine if they are disbursing the proper and allocable portion of earned revenues to Commuter Services. However, Commuter Services did not monitor monthly commissions owed by AdWalls. Accordingly, AdWalls was $73,000 in arrears as of June 30, 2015. This receivable balance approximates $36,000 as of February 29, 2016 due to increased collection efforts by Commuter Services.

Internal Audit noted that the Enterprise annual report is not certified by Enterprise or verified by a licensed independent Certified Public Accountant (CPA) as required by contract. Commuter Services stated that the operational and financial information included in the annual report and other financial reports provided by Enterprise are sufficient to monitor the CarShare Program and Retail Program. Accordingly, Commuter Services believes the certification and verification of the annual report is not necessary.

**B. Expenses**

**Divisional Campus Services Charge:**

Expenses incurred by the Office of the Campus Services Director and Campus Services Business Office (including accounting, human resources, and information technology services) are allocated annually to Commuter Services. These allocated expenses, consisting primarily of payroll and related benefits (but also including office supplies, travel, etc.) are charged to all Campus Services divisions except the Department of Public Safety and Mail Services segment of the University Housing, Food Services and Mail Services division. Current fiscal year expenses are allocated based on prior year actual revenues generated in each respective division as a percentage of prior year total revenues. For the three years ended June 30, 2015, Commuter Services was assessed approximately 54% - 58% of the total allocated expenses.

Based on discussion with the Campus Services Director, no expenses are allocated to the Department of Public Safety and Mail Services segment because the expense amount associated with the work performed by the Office of the Campus Services Director or Campus Services Business Office for these divisions is insignificant in comparison to the expense amounts attributable to the other Campus Services divisions. Additionally, the Department of Public Safety has dedicated administrative staff (accounting and human resources) whose salary is directly charged to that division. Accordingly, the Department of Public Safety requires minimal assistance from the Campus Services Business Office. The Campus Services Director believes this allocation method results in financial results by division that are fair and reasonable.

**Personnel Services and Contracted Services:**

Commuter Services employs 10 – 12 full-time staff and varied number of student employees. The services and related costs associated with AMPCO, Diamond, E Noa and Star are substantially personnel related costs and were discussed in the Revenues section. HPD costs relate to special duty services
incurred for traffic control during UHM special events (see special event discussion in the Daily Parking section).

C. Significant Cash Outflows

Repairs and Maintenance:
During fiscal year 2013, Commuter Services disbursed approximately $1,946,000 to waterproof the fifth floor of the lower campus parking structure. An additional $450,000 was disbursed during fiscal years 2014-2015 to complete this project.

As of June 30, 2015, Commuter Services prepared a schedule identifying approximately $8 million of repairs and maintenance projects that they believe must be completed within the next five years. The projects and estimated costs were derived from a July 2011 Parking Structure Condition Survey (Parking Survey) report prepared by an external consultant. The most significant repairs are associated with the lower campus parking structure and include repairs for the standpipe system, waterproofing, spalled concrete and corroded handrails. As of March 2016, approximately $650,000 has been encumbered for lower campus parking structure repairs to expansion joints and handrails. Internal Audit was informed that uncertainty regarding the funding source(s) (Commuter Services, revenues bonds, etc.) for these projects has resulted in the awarding of minimal contracts for repairs and maintenance projects over the last several years. Commuter Services has updated this schedule during March 2016 for completed projects and included additional projects not included on the June 30, 2015 schedule. Commuter Services indicated that updated cost estimates will be obtained that corresponds to the projects on the updated schedule.

Revenue Bond Debt Service:
All outstanding revenue bond obligations will be repaid by June 30, 2017. Aggregate outstanding debt service as of July 1, 2015 was $125,000.

D. Observations of Financial Information, Financial Processes and Management Oversight

Financial Information:
Permit and daily parking provides 80% - 84% of Commuter Services annual revenue. Commuter Services also issues approximately 6,500 - 6,700 parking permits each Fall or Spring semester for the approximate 4,600 available parking permit stalls. Since the lower campus parking structure is generally at full capacity on school days a few hours before and after 12 noon, it appears that Commuter Services has maximized this source of revenue at its current fee amounts.

Collection of unpaid citations would increase Commuter Services revenues. However, Commuter Services' only recourse and incentive to persuade the settlement of unpaid citations is to record the unpaid balance in the UHM student's account (assumes the vehicle is registered in T2) in Banner. Unpaid amounts recorded in Banner would preclude the student from registering for classes in a subsequent semester or receiving certified transcripts. However, all citations greater than $25 (including those issued to students) and more than 90 days outstanding are transferred to the collection agency thereby removing the unpaid balance reflected in Banner. Once the unpaid balance reflected in Banner is removed, students are allowed to register for classes and obtain transcripts.

Personnel related cost accounts for 64% - 67% of total expenses. In addition to Commuter Services personnel, this percentage includes amounts invoiced from contracted service providers (Diamond, Star,
HPD) whose personnel provide services to Commuter Services and the Divisional Campus Services charge. Fluctuations in Commuter Services personnel costs result from temporary vacant positions and staff turnover. All other expense categories as well as total expenses were fairly stable during the three year period ended June 30, 2015. According to Commuter Services management personnel, personnel costs related to contracted service providers for special events are managed by budgeting the number of contracted service provider personnel (Diamond, Star, HPD) needed based on an estimate of special event attendees. Commuter Services monitors vehicle traffic and actual attendance to determine if any personnel assigned by the contracted service provider may be released early (i.e., sent home) to reduce expenses related to special events.

**Financial Processes and Management Oversight of Financial Results:**
The Auxiliary Services Director prepares revenue projections (budget) at the beginning of each fiscal year and monitors revenue against these projections on a monthly basis. The Campus Services Business Office prepares monthly financial statements by Campus Services division and provides these financials to Division Managers to manage and monitor their operations. The Director of Campus Services also receives copies of the monthly financial statements. The Director of Campus Services meets with the Auxiliary Services Director and other Division Managers periodically to discuss the cause of significant and/or unexpected variances between actual and budget.

With respect to the financial results of Commuter Services, the Manager reviews a cash basis spreadsheet comparing actual revenues and expenses (monthly and year-to-date) to expectations prepared by the Campus Services Business Office. Explanations for significant and unexpected fluctuations are documented by the Manager on the spreadsheet and forwarded to the Campus Services Business Office and Director of Auxiliary Services for review and comment. Internal Audit’s review of this spreadsheet noted that all sources of revenue are combined and identified as sales/services revenue rather than segregated by source (permit, daily, citations, etc.). Expenses are listed by expense type (personnel services, contracted services, supplies, etc.).

**E. Analysis**

Management review of monthly financial information should detect unusual and unexpected fluctuations in Commuter Services revenues and expenses warranting further investigation. The contractual requirements of various contracted service providers (Diamond, Star, Enterprise, etc.) to prepare and submit (daily, monthly or annually) various financial reports allows Commuter Services to review and monitor the revenues collected and payroll costs incurred by these contracted service providers for propriety and reasonableness. In connection with this review process, Commuter Services informed Internal Audit of an instance when they detected contracted service provider personnel reissuing daily parking receipts and retaining the parking proceeds. Commuter Services stated that they have also detected payroll costs overbillings in connection with their review process. Commuter Services weekly meetings with Diamond and Star management personnel as well as their random audits of the vehicle entrance kiosks serviced by Diamond provides an additional level of assurance that these contracted service providers are complying with the terms and conditions of their respective contracts. Accordingly, management oversight and monitoring of financial results are deemed sufficient.

In connection with this project, Internal Audit estimated parking permit revenue based on parking permit type/counts obtained from T2 for fiscal years 2014 and 2013 (T2 information for fiscal year 2015 was not available). Internal Audit’s calculations resulted in expected parking permit revenue exceeding parking permit revenue recorded in KFS by approximately $538,000 and $120,000 for fiscal years 2014 and 2013, respectively. Campus Services Business Office and Commuter Services personnel were unable to
determine the reason(s) for the difference. Accordingly, it is uncertain if parking permit revenue was misclassified in KFS, if T2 contains erroneous data or if the payroll deduction file submitted to DAGS was complete and accurate. As a result of the differences noted and given the significance of parking permit revenue, Internal Audit believes Commuter Services should consider calculating expected annual parking permit revenue and compare the expected amount to actual parking permit revenue to assess the accuracy and completeness of parking revenue in KFS. Validating annual parking permit revenue recorded in KFS will also assist in increasing the accuracy of annual permit revenue projections, as Commuter Services primarily uses historical financial information from KFS to develop their annual budget. Additionally, Internal Audit believes that management should consider analyzing and comparing monthly budget to actual Commuter Services revenue by source (permit, daily, passes, etc.) since an analysis on an aggregate basis may lack the precision to identify revenue fluctuations that should be investigated.

In connection with special events organized by external parties but utilizing UHM parking facilities, Commuter Services should consider quantifying any additional expenses (primarily additional contracted services costs incurred by Diamond, Star and HPD) incurred to an estimate of the incremental revenue earned. To the extent that the additional expenses do not substantially cover the incremental revenue earned, Commuter Services should consider requesting that “Facility Use Agreements” with the external party include a provision allowing Commuter Services to recover additional expenses that exceed the incremental revenue.

Although citation revenue is not a significant source of revenue in comparison to parking (permit and daily) revenue, financial information associated with citations issued, outstanding and settled should be determined to improve the monitoring and management of citation revenues. Presently, management oversight is limited to a monthly review of citation cash collections. Management does not have financial information with respect to the dollar value of citations issued, waived, forwarded for collection and outstanding. In addition, financial information is not available to assess the effectiveness of the collection agency in settling outstanding citations. Accordingly, management does not have sufficient information to assess if additional citation revenues could be realized. Internal Audit believes that Commuter Services should consider performing the following:

- Identify the most frequent violations over the past few years and consider increasing the citation amount for these violations to deter future violations.
- Assess the effectiveness of the collection agency by comparing the number and dollar value of citations forwarded to the number and dollar value of citations settled by citation issuance year.
- Continue to reflect unpaid citation balances in UHM student accounts in Banner until citations are paid.

The Statement of Revenues and Expenses and Cash Reconciliation indicates that Commuter Services has recognized profits during the three year period ended June 30, 2015 resulting in a cash balance at June 30, 2015 of $3.4 million. This cash balance results from minimal costs incurred in connection with capital improvement/repairs and maintenance projects on parking facilities and is despite the $600,000 - $700,000 allocation of expenses from the Office of the Campus Services Director and Campus Services Business Office. Commuter Services has identified a significant number of repairs and maintenance projects that they believe must be completed within the next five years. A current cost estimate for these repairs and maintenance projects has not been determined. Additionally, the funding source(s) of these projects remains uncertain as Commuter Services is unable to fund all identified projects based on insufficient cash reserves ($3.4 million as of June 30, 2015). Accordingly, Internal Audit believes that current cost estimates and funding source(s) for identified repairs and maintenance projects needs to be obtained and identified as soon as possible.
III. PARKING FEES of HIGHER EDUCATION INSTITUTIONS and COMPETITION

The following table compares vehicle parking fees at UHM to public and private institutions located on the West Coast as well as parking locations adjacent to the UHM campus. The below noted fees were obtained from the respective institution’s parking websites.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Annual Parking Permit</th>
<th>Daily</th>
<th>Hourly</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employee</td>
<td>Student</td>
<td></td>
</tr>
<tr>
<td>UHM</td>
<td>$426 or $579</td>
<td>$426</td>
<td>$5 - $6</td>
</tr>
<tr>
<td>California State System (Poly, Fullerton, Northridge, Long Beach, Fresno, San Diego, San Jose)</td>
<td>Low $140 - $283</td>
<td>High $184 - $510</td>
<td>$230 - $611</td>
</tr>
<tr>
<td>University of California System (Davis, Irvine, Santa Barbara, Berkeley, Los Angeles, Riverside)</td>
<td>Low $120 - $924</td>
<td>High $612 - $1,692</td>
<td>$276 - $983</td>
</tr>
<tr>
<td>Seattle University</td>
<td>$1,320</td>
<td>$1,020</td>
<td>$15</td>
</tr>
<tr>
<td>University of San Francisco</td>
<td>$745</td>
<td>$745</td>
<td>None</td>
</tr>
<tr>
<td>Stanford</td>
<td>$360 - $972</td>
<td>$360 - $972</td>
<td>$12</td>
</tr>
<tr>
<td>University of Southern California</td>
<td>$912 - $1,248</td>
<td>$912 - $1,248</td>
<td>$10 - $12</td>
</tr>
<tr>
<td>University of Oregon</td>
<td>$420</td>
<td>$360</td>
<td>$12</td>
</tr>
<tr>
<td>Oregon State University</td>
<td>$95 - $495</td>
<td>$95 - $495</td>
<td>$5 - $7</td>
</tr>
<tr>
<td>University of Washington</td>
<td>$1,800</td>
<td>$1,800</td>
<td>$6 - $15</td>
</tr>
<tr>
<td>Washington State University</td>
<td>$126 - $656</td>
<td>$126 - $656</td>
<td>$1 - $10</td>
</tr>
</tbody>
</table>

Legend:
1 - Represents the range of the lowest priced parking permits for the institutions in this University system.
2 - Represents the range of the highest priced parking permits for the institutions in this University system.
3 - The collective bargaining agreement for California State System employees stipulates that employee parking fees cannot exceed student parking fees.

<table>
<thead>
<tr>
<th>Location</th>
<th>Annual Parking Permit</th>
<th>Daily</th>
<th>Hourly</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-student</td>
<td>Student</td>
<td></td>
</tr>
<tr>
<td>Japanese Cultural Center</td>
<td>$936</td>
<td>$936</td>
<td>$5</td>
</tr>
<tr>
<td>Pucks Alley</td>
<td>$1,800</td>
<td>$435</td>
<td>$15</td>
</tr>
<tr>
<td>Varsity Square</td>
<td>$1,800</td>
<td>$435</td>
<td>$6</td>
</tr>
</tbody>
</table>

Observations and Analysis

With respect to UHM, the $426 fee applies to vehicles with a parking permit for the lower campus. The $579 parking permit is only available to employees and applies to parking on the upper campus. The parking fees depicted in the above table indicates that parking fees at UHM are very competitive when compared to public institutions and at the low end when compared to the private institutions. Parking permit fees at adjacent parking locations are significantly higher when compared to UHM. Commuter Services informed Internal Audit that parking permit fees have remained stable since July 2009. Accordingly, the competitiveness of UHM parking fees may be attributable to UHM parking fees not increasing for the past five plus years.
IV. CONCLUSION and RECOMMENDATIONS

Commuter Services has appropriate financial processes and procedures to manage and monitor their financial operating results. These processes and procedures include the preparation of annual financial budgets, monthly budget to actual analysis, preparation and review by senior management of monthly financial statements by Campus Services division, review and analysis of a variety of financial and operational reports submitted (daily, monthly, and annual basis) by contractors, and periodic random audits of vehicle entrance kiosks. With respect to revenues, Commuter Services appears to have maximized permit and daily parking revenues given the issuance of approximately 6,500 – 6,700 parking permits each Fall or Spring semester for the approximate 4,600 available parking permit stalls and due to the lower campus parking structure generally attaining full capacity. UHM’s parking fees are competitive when compared to public institutions and at the low end when compared to private institutions and private parking locations adjacent to the UHM campus. UHM’s parking fees are documented in the HAR. Any fee revisions would require public hearing(s), approval by the BOR, University General Counsel, and the Governor.

Internal Audit noted certain improvement opportunities for Commuter Services’ evaluation and consideration. Internal Audit believes implementation of these recommendations will provide additional financial information to improve operational decisions and financial results.

1. Due to the significance of parking permit revenue, calculate expected annual parking permit revenue and compare to actual parking permit revenue to assess the accuracy and completeness of parking permit revenue recorded in KFS. Information that should be considered in calculating expected parking permit revenue include parking fee based on permit type (upper campus, lower campus, moped/motorcycles), parking permit duration (semester, annual), count of parking permits sold, and historical year-end accrual adjustments. Validating annual parking permit revenue will also support the accuracy and completeness of annual parking permit revenue projections.

2. With respect to revenues, compare monthly budget to actual revenues by source (permit, daily, passes, etc.) rather than on an aggregate basis to increase the precision in identifying significant and unexpected revenue fluctuations warranting further investigation.

3. Quantify additional expenses (Diamond, Star, HPD personnel, etc.) incurred for special events organized by external parties and compare the additional expenses to an estimate of incremental revenue earned. To the extent that the additional expenses do not substantially cover the incremental revenue earned, consider requesting that “Facility Use Agreements” include a provision allowing Commuter Services to recover additional expenses that exceed the incremental revenue.

4. Obtain and analyze financial information with respect to the dollar value of citations issued, waived, forwarded for collection, and outstanding. This information should assist in assessing the collection agency’s effectiveness in settling outstanding citations as well as assisting in the overall management of citations.

5. Continue to reflect unpaid citation balances in Banner for current and former students. Unpaid amounts recorded in Banner preclude current students from registering for classes in a subsequent semester and former students from receiving certified transcripts.

6. With respect to repairs and maintenance projects, update cost estimates, identify the funding source(s) and prioritize projects based on risk (legal, health and safety, compliance, etc.), cost and value to UHM constituents.
# Office of Internal Audit
## Summary of Audit Engagements
### Fiscal Year Ended June 30, 2016

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Primary Objective(s)/Audit Scope</th>
<th>Findings/Conclusions &amp; Comments</th>
<th>Status (as of May 20, 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. University of Hawai‘i (Consolidated) financial statements</strong>&lt;br&gt;• Type: Financial&lt;br&gt;• Period: Year ended June 30, 2015</td>
<td>Audits pursuant to federal law or University election.&lt;br&gt;• Provide audit assistance under the direction of Accuity, LLP (Accuity).&lt;br&gt;• Provide support and assistance in connection with all audit reports.&lt;br&gt;• Participate in periodic status meetings with Accuity and Financial Management Office personnel.&lt;br&gt;• Review and provide comments on draft reports.</td>
<td>Accuity’s reports noted:&lt;br&gt;• Unmodified audit opinion&lt;br&gt;• No material weaknesses in internal controls over financial reporting</td>
<td>• Complete&lt;br&gt;• Accepted by the Audit Committee on December 21, 2015.</td>
</tr>
<tr>
<td><strong>2. University of Hawai‘i (A-133) Reports</strong>&lt;br&gt;• Type: Compliance&lt;br&gt;• Period: Year ended June 30, 2015</td>
<td></td>
<td>Accuity’s reports noted:&lt;br&gt;• Unmodified opinion on compliance for major programs&lt;br&gt;• Total expenditures of federal awards - $559 million&lt;br&gt;• No material weaknesses in internal controls over compliance</td>
<td>• Complete&lt;br&gt;• Accepted by the Audit Committee on February 10, 2016.</td>
</tr>
<tr>
<td><strong>3. University of Hawai‘i at Mānoa Intercollegiate Athletics (UHM Athletics) financial statements</strong>&lt;br&gt;• Type: Financial&lt;br&gt;• Period: Year ended June 30, 2015</td>
<td></td>
<td>Accuity’s reports noted:&lt;br&gt;• Unmodified audit opinion&lt;br&gt;• Two material weaknesses in internal controls over financial reporting related to ‘Ahahui Koa Ānuenue (AKA) oversight and the H-Zone. Matters related to the H-Zone referenced issues identified by Internal Audit.</td>
<td>• Complete&lt;br&gt;• Accepted by the Audit Committee on December 9, 2015.</td>
</tr>
<tr>
<td><strong>4. UHM Athletics agreed-upon procedures (AUP) report</strong>&lt;br&gt;• Type: Attestation (NCAA agreed-upon procedures)&lt;br&gt;• Period: Year ended June 30, 2015</td>
<td>AUP pursuant to NCAA regulations.&lt;br&gt;• Provide AUP assistance under the direction of Accuity.&lt;br&gt;• Provide support and assistance in connection with the AUP report.&lt;br&gt;• Review and provide comments on draft report.</td>
<td>Accuity’s report noted one exception related to UHM Athletics not providing regular oversight over cash disbursements related to the operations and additional activity accounts maintained by AKA.</td>
<td>• Complete&lt;br&gt;• Accepted by the Audit Committee on December 9, 2015.</td>
</tr>
</tbody>
</table>
## Internal Audits

### 5. UHM Athletics – Athletic Equipment and Apparel
- **Type:** Operational
- **Period:** Concurrent with time of performance

Perform a review of UHM Athletics policies, procedures, and related controls over the distribution, tracking and inventorying of athletic equipment and apparel.

- **Findings:**
  - For the years ended June 30, 2015 and 2014, equipment/apparel purchased each year approximated $500k. Additional equipment/apparel is also acquired through contracts with sporting goods manufacturers (e.g., Under Armour provided a $331,000 allowance to acquire equipment/apparel for the year ended June 30, 2015).
  - Develop policies and procedures to identify and track acquisitions, issuances, and the collection of equipment/apparel.
  - Perform a physical inventory by sport immediately after each sport’s season ends.
  - Manual procedures with the assistance of automated software or the acquisition of an automated athletic equipment management system should assist with the tracking and monitoring of equipment/apparel.
  - Consider preparing written policies documenting the consistency and uniformity with respect to the quantity, quality and maintenance of equipment/apparel provided to student athletes.

- **Status:**
  - Complete
  - Accepted by the Audit Committee on December 9, 2015.

### 6. Sales Audit of the H-Zone
- **Type:** Financial
- **Period:** January 1, 2015 – December 31, 2015

Perform a sales audit of the H-Zone’s (located at Ward Center) Schedule of Gross Sales in accordance with the lease agreement.

- **Findings:**
  - Issuance of an unmodified report in accordance with AICPA standards.

- **Status:**
  - Complete
  - Accepted by the Audit Committee on February 10, 2016.
Office of Internal Audit  
Summary of Audit Engagements  
Fiscal Year Ended June 30, 2016

<table>
<thead>
<tr>
<th>Engagement</th>
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<th>Findings/Conclusions &amp; Comments</th>
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</tr>
</thead>
</table>
| 7. H-Zone - Comments and Observations | Provide comments and recommendations in connection with the 2015 H-Zone sales audit and assess the status of 2014’s comments, observations and recommendations. | Calendar year 2015 represented H-Zone’s second year of operations. During 2015, on-hand inventory increased and gross margins decreased indicating the continued need for operational improvements. The inability to implement or untimely implementation of prior year recommendations contributed to Internal Audit’s 2015 comments. A summary of 2014 comments are as follows:  
  - Inventory management requires improvement.  
  - Lack of management review and approval of sales discounts.  
  - Damages and unsaleable merchandise was not written down to net realizable value.  
  - Supporting documents for inventory adjustments (e.g., price/cost adjustment, quantity, etc.) is not maintained.  
  - Lack of monitoring contract expiration dates which resulted in the H-Zone allowing several contracts to expire resulting in H-Zone selling consigned merchandise without a written agreement.  
  - Sales were not recorded daily in KFS (University’s general ledger) pursuant to University policy. | • Complete  
• Accepted by the Audit Committee on February 10, 2016.  
• UHM Athletics will monitor and evaluate the Ward Center operations during 2016 as a result of the 2015 net loss of $50,000. |
### Office of Internal Audit
**Summary of Audit Engagements**
**Fiscal Year Ended June 30, 2016**

<table>
<thead>
<tr>
<th>Engagement</th>
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</tr>
</thead>
</table>
| **8. Purchasing Card (PCard) Program**  
- Type: Compliance  
- Period: As of December 2015 | Review and evaluate the University’s PCard policies and procedures as well as the processes and controls to mitigate the risk of improper, fraudulent or abusive PCard transactions. | • Compliance with University Administrative Procedures AP 8.266 (A8.266) should prevent and detect significant instances of improper, fraudulent and abusive PCard transactions.  
• Unit Supervisors (Approving Authority and Fiscal Administrator) are not promptly authorizing the recordation and classification of PCard transactions in KFS as required by A8.266.  
• The PCard Administrator should adopt an audit process to increase the management and monitoring of PCard transactions.  
• Perform a cost-benefit analysis to determine whether the number of restricted Merchant Category Codes should be decreased. | • Complete  
• To be presented to the Audit Committee on May 27, 2016. |
| **9. Associated Students of the University of Hawai‘i at Mānoa (ASUH)**  
- Type: Attestation  
- Period: July 1, 2014 – June 30, 2015 | Perform an agreed-upon procedures engagement related to the following:  
- stipends awards  
- student services expenses | • ASUH personnel complied with written ASUH and University policies and procedures related to the processing and recordation of stipend awards and student services expenses.  
• Internal controls were operating as intended.  
• Amounts expended were within ASUH approved budgeted amounts. | • Complete  
• Accepted by the Audit Committee on February 10, 2016. |
<table>
<thead>
<tr>
<th>Engagement</th>
<th>Primary Objective(s)/Audit Scope</th>
<th>Findings/Conclusions &amp; Comments</th>
<th>Status (as of May 20, 2016)</th>
</tr>
</thead>
</table>
| **10. Community Colleges – Revenue Generating Programs**  
- Type: Operational, Compliance, Financial  
- Period: March 2016 – July 2016 | Assess the implementation of financial and operational policies and procedures with respect to revenue generating programs at Community College campuses and programs. | • At the August 6, 2015 Audit Committee meeting, the Community College System Associate Vice President for Administrative Affairs (AVPAA) stated that a policy relating to the management of all revenue-generating programs was drafted and reviewed by the Vice Chancellor for Administrative Services and Fiscal Administrators at each Community College campus. The policy would be discussed and reviewed by the Community College Chancellors, Vice Chancellors, academic programs, Deans and Program Coordinators.  
• At the February 10, 2016 Audit Committee meeting, the AVPAA stated that the final draft of the policy was expected to receive approval by the Community College Chancellors the following week.  
• The policy was effective March 2016. | • A review to assess the implementation of the policy at Leeward Community Colleges (LCC) is in-progress. |
| **11. UHM Athletics**  
- Type: Operational, Compliance, Financial  
- Period: TBD | Provide audit services to UHM Athletics senior administrators. Potential audit areas include: 1) ticket office operations, 2) booster club operations and 3) sports camp operations. | • UHM Athletics senior administrators determined that audit services (in addition to the equipment and apparel audit described at #5) were not needed during fiscal 2016. | • Internal Audit will consult with UHM Athletics senior administrators regarding audit services for fiscal 2017. |
## Office of Internal Audit
### Summary of Audit Engagements
#### Fiscal Year Ended June 30, 2016

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Primary Objective(s)/Audit Scope</th>
<th>Findings/Conclusions &amp; Comments</th>
<th>Status (as of May 20, 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Type: Operational, Compliance, Financial</td>
<td>• H-Zone: See description of #7.</td>
<td>• Complete (H-Zone #7)</td>
</tr>
<tr>
<td></td>
<td>• Period: As of May 2016</td>
<td>• Kapi‘olani Community College (KCC) and the LCC Culinary Art Programs: Currently reviewing the implementation of financial and operational policies and procedures at Community College campuses and programs (see description of #10).</td>
<td>• In-progress (KCC/LCC #10)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• KCC Chancellor’s Office Accounts at the University of Hawai‘i Foundation (UHF): KCC has implemented procedures to improve the management and administration of their UHF accounts pursuant to the terms and conditions of donor contributions. Internal Audit will review KCC’s implementation of these revised procedures to ensure the proper accounting and administering of donor accounts maintained at UHF.</td>
<td>• In-progress (KCC Chancellor Accounts at UHF)</td>
</tr>
</tbody>
</table>

### AUDIT COMMITTEE ASSISTANCE

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Primary Objective(s)/Audit Scope</th>
<th>Findings/Conclusions &amp; Comments</th>
<th>Status (as of May 20, 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. Enterprise Risk Management (ERM)</td>
<td>Assist in formalizing and implementing an ERM process at the University.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Type: Audit Committee Assistance</td>
<td>• At the October 1, 2015 Audit Committee meeting, the Vice President for Administration and the Director of Risk Management provided a presentation on ERM and an ERM plan.</td>
<td>• In-progress</td>
</tr>
<tr>
<td></td>
<td>• Period: ongoing</td>
<td>• During the November 5, 2015 Audit Committee meeting, the Vice President for Administration reported that an ERM summit led by a Higher Education Specialist from Aon would be held on November 24, 2015. Participants would include select University senior management personnel.</td>
<td>• Update to be presented at May 27, 2016 Audit Committee meeting.</td>
</tr>
</tbody>
</table>
Office of Internal Audit  
Summary of Audit Engagements  
Fiscal Year Ended June 30, 2016

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Primary Objective(s)/ Audit Scope</th>
<th>Findings/Conclusions &amp; Comments</th>
<th>Status (as of May 20, 2016)</th>
</tr>
</thead>
</table>
| 14. Whistleblower Hotline | Assist in the establishment of a mechanism for the receipt, retention, and treatment of complaints received by the University of Hawai‘i regarding accounting, internal accounting controls, auditing matters, or suspected fraud that may be submitted by any party internal or external to the University. | • At the November 5, 2015 Audit Committee meeting, Internal Audit reported that the goal is to have the whistleblower program in place by June 30, 2016.  
• The Director of Risk Management and Director of Internal Audit have led whistleblower workshops and meetings.  
• Whistleblower website hosted by Ethics Point is complete and ready to go-live. | • In-progress with an expected implementation date by June 30, 2016. |
| 15. Audit Committee Reports – Annual Report to the Board of Regents (BOR) and Hawai‘i State Legislature | Assisting the Audit Committee prepare an annual report to the Board of Regents (BOR) and Hawai‘i State Legislature identifying 1) all instances of material weakness in internal controls and 2) all instances of fraud required by HRS §304A-321. | Annual report to the Hawai‘i State Legislature dated December 21, 2015 noted no instances of material weakness in internal controls over financial reporting and no instances of fraud or illegal acts. | • Complete |
| 16. Audit Committee Reports – Annual Report to the BOR | Assisting the Audit Committee prepare an annual report to the BOR regarding the Audit Committee’s effectiveness required by HRS §304A-321. | Annual report to the BOR (in progress) will note that the Audit Committee fulfilled its HRS §304A-321 and Charter responsibilities for the fiscal year ended June 30, 2016. | • In-progress |
### Engagement
17. **University of Hawai‘i at Mānoa (UHM) Parking (Commuter Services)**
- Type: Operational, Financial
- Period: As of March 2016

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Primary Objective(s)/Audit Scope</th>
<th>Findings/Conclusions &amp; Comments</th>
<th>Status (as of May 20, 2016)</th>
</tr>
</thead>
</table>
| INTERNAL AUDITS – SUPPLEMENTAL PROJECTS (approved at the November 5, 2015 Audit Committee meeting) | Review and analyze financial information and the related processes and controls to assess operational issues. | - During the three years ended June 30, 2015, Commuter Services generated annual revenues of approximately $6.2 - $6.7 million resulting in annual net income ranging from $400,000 to $1.2 million.  
- UHM parking fees are competitive or at the low end when compared to certain higher education institutions located on the U.S. West Coast and private parking lots adjacent to the UHM campus.  
- Commuter Services has appropriate financial processes and procedures to manage and monitor their financial operating results.  
- Certain improvement opportunities were noted for Commuter Services’ evaluation and consideration, such as analyzing budget to actual financial information, comparing expenses incurred to revenues generated from special events, monitoring and managing the citation process, and updating cost estimates and identifying the funding source(s) of future repairs and maintenance projects. | Complete  
- Accepted by the Audit Committee on April 7, 2016. |
### UHM and University of Hawai‘i at Hilo Student Housing
- **Type:** Operational, Financial
- **Period:** Year ended June 30, 2015 including fiscal 2016 operations

**Primary Objective(s)/Audit Scope:**
Review and analyze financial information and the related processes and controls to assess operational issues.

**Findings/Conclusions & Comments:**
- **UHM Student Housing:**
  - Room rental revenues for fiscal years ended June 30, 2015, 2014, and 2013 approximated $23.3 million, $22.2 million and $20.9 million.
  - Revenue beds for academic year 2014-2015 totaled approximately 3,600 [2,500 (resident halls) and 1,100 (apartments)].
  - Resident hall room rental rates for academic year 2014-2015 ranged from $5,671-$11,682/occupant.
  - Apartment rental rates per unit for academic year 2014-2015 ranged from $1,751-$2,758/month.

**Status (as of May 20, 2016):**
- UHM Student Housing is in-progress.
- UHH Student Housing to be performed subsequent to completion of UHM Student Housing. UHM work should increase audit efficiencies in the performance of the UHH project.
Independent Audit Committee
May 27, 2016
Enterprise Risk Management
Status Update

IN PROGRESS

Q4 2015: Risk Identification by UH Officers
Q1 2016: Develop Risk Areas by UH Officers
Q2 2016: Analyze and Prioritize Results
Q3 2016: Present Findings and Risk Mitigation Plan for High Priority Risks
Top Enterprise Risks 
(not in order of priority or rank)

- Construction / Facilities
- Enrollment
- Financial Resiliency / Revenue Model
- Information Technology
- Safety (Individual, Campus, Business Continuity)
- Personnel / Workforce
- Policies & Procedures (Governance)
- Research Revenue
Risk Definitions (not in order of priority or rank)

- **Construction / Facilities**
  - Significant deferred maintenance backlog creating health and safety concerns
  - Lack of reliable source of funding on either a short or long term basis
  - Current capacity and functionality of facilities not aligning with or supporting programmatic need
  - Inefficient and ineffective capital and facilities programs and processes create reputational, legal and financial risks

- **Enrollment**
  - Declining enrollment creates risks to financing and economic health of State
  - Lack of coordinated planning and implementation of recruitment strategy
  - Academic offerings must address Hawai`i’s workforce needs
  - Relevance and currency of academic programs

- **Financial Resiliency / Revenue Model**
  - Volatility of primary sources of revenue
  - Sufficient financial acuity to evolve budget and financial execution
  - Insufficient reserve levels

- **Information Technology**
  - Pervasive nature of IT throughout the system pose risks to continuity of operations
  - Security breaches that damage both individuals and the public trust in the institution
  - Failure to radically advance use of data and analytics to improve operational efficiency and effectiveness and decision-making
Risk Definitions (not in order of priority or rank) . . . Continued

- **Safety (Individual, Campus, Business Continuity)**
  - Catastrophic and/or natural disasters that interrupts business wholesale
  - Personal safety of students, faculty and staff
  - Increasing number and complexity of unfunded federal and state mandates

- **Personnel / Workforce**
  - Inconsistent protocol and relaxed procedural standards across campuses and units
  - Aging workforce without transition plans
  - Difficulties in recruiting talent
  - Inefficient work processes and limited use of technology that uses our workforce for transactional purposes instead of analysis and customer support

- **Policies & Procedures (Governance)**
  - Inconsistent policies and procedures as Admin Rules, Regents Policies, Exec Policies and Admin Procedures have been updated independently
  - Lack of common practices and procedures between campuses
  - Outdated and convoluted standards that attempt to eliminate rather than manage risk
  - Policy system not user friendly, which diminishes compliance and consistency
Risk Definitions (not in order of priority or rank) . . . Continued

- **Research Revenue**
  - Limited diversification of funding portfolio (e.g., sponsors, academic/research units)
  - Noncompliance with regulations and research ethics
  - Failure to protect University intellectual property or infringing on others’ intellectual property
  - Failure to protect confidential information such as under classified research, non-disclosure agreements, etc.
Next Steps

- Asses Impact and Likelihood
- Identify mitigating measures
- Identify Monitoring Activities
- Present Report to Board (sample)

<table>
<thead>
<tr>
<th>Risk</th>
<th>Impact</th>
<th>Likelihood</th>
<th>Mitigation Activities</th>
<th>Monitoring Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identified Risk</td>
<td>High/Med/Low</td>
<td>High/Med/Low</td>
<td>Activity / Plan</td>
<td>Data / Report</td>
</tr>
</tbody>
</table>
Item IV.B.3. Presentation by Pricewaterhouse Coopers on Best Practices for Audit Committees of Higher Education Institutions

Presentation Agenda

1. Audit committee effectiveness (roles & responsibilities)
   a. Financial reporting and disclosures
   b. Risk management and the system of internal control
   c. Culture and compliance
   d. Oversight of management and internal audit
   e. Relationship with the external auditor
   f. What to do when things go wrong
   g. Committee composition
   h. Meetings
   i. Maintaining effectiveness – charter, evaluations, resources, and training

2. Audit committee self-assessment

3. Internal auditor evaluation

Appendix A (PwC’s Governance Insights Center, University of Hawai‘i Slide Presentation)