AGENDA

I. Call Meeting to Order

II. Approval of Minutes of the April 6, 2017 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 Review and Approval:
   1. Annual review of committee charter
   2. Proposed internal audit workplan for 2017-18
   3. Compliance of internal audit reports with Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing
   4. Draft Annual Report to the Board

B. For Information
   1. Whistleblower Report
   2. Enterprise Risk Management Report

C. For Discussion
   1. Committee Self-evaluation

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.
Item IV.A.1. For Review and Approval: Annual review of committee charter

Part 1 of 2. BOR Bylaws pp 8-9 Committee on Independent Audit
BYLAWS OF THE BOARD OF REGENTS OF THE UNIVERSITY OF HAWAI‘I
(as of October 1, 2015)

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BYLAWS OF THE BOARD OF REGENTS
UNIVERSITY OF HAWAI’I

ARTICLE I. Definitions

As used in these Bylaws:

“Board” or “BOR” means the Board of Regents of the University;
“HRS” means the Hawai‘i Revised Statutes, as may be amended from time to time;

“Meetings” shall not include rule-making hearings, declaratory rulings or contested cases under Chapter 91, HRS;

“Chairperson” means the chairperson of the board;

“President” means the President of the University;

“Secretary” means the Executive Administrator and Secretary of the Board; and

“University” means the University of Hawai‘i system and its various campuses.

ARTICLE II. Membership and Organization

A. Membership. The membership of the Board shall be as required by Chapter 304A-104, HRS. The members of the Board shall serve without pay, but shall be entitled to reimbursement for necessary expenses while attending meetings and while in the discharge of duties and responsibilities.

Notwithstanding the term of office, the term of a Board member shall expire upon the failure of the member, without valid excuse, to attend three consecutive meetings duly noticed to all members of the Board. The Chairperson or acting Chairperson of the Board shall determine if the absence of the member is excusable. The expiration of the member’s term shall be effective immediately after the third consecutive unattended meeting and unexcused absence.

B. Officers, Organization. As required by Section 304A-104, HRS, the Officers of the Board shall consist of a Chairperson, up to two Vice-Chairpersons, and a Secretary (who shall be appointed by the Board and shall not be a member of the Board). The Chairperson and up to two Vice-Chairpersons shall be elected at its first meeting after June 30 of the next year or thereafter until their successors are elected and have qualified and whose election shall be immediately certified by the Board to the Lieutenant Governor. The President shall act as the chief executive officer of the Board.
1. Term. The term of the office of Chairperson and up to two Vice-Chairpersons shall be for one year. A Chairperson may serve more than one term, but not more than two consecutive terms.

2. Vote. Votes for the Chairperson and up to two Vice-Chairpersons of the Board shall be by ballot if more than one person is nominated for an office.

3. Succession. In the event of a vacancy in the office of the Chairperson, the First Vice-Chairperson shall succeed as Chairperson for the unexpired term. If at that time there is a vacancy in the office of the First Vice-Chairperson, the Second Vice-Chairperson shall succeed as Chairperson for the unexpired term. If at that time there is also a vacancy of the office of the Second Vice-Chairperson, the Secretary shall succeed as Chairperson for the sole purpose of conducting an election as soon as possible for a new Chairperson to serve for the unexpired term.

C. Duties of Officers.

1. Chairperson. The Chairperson, in addition to presiding at all regular and special Board meetings, shall:

   a. Appoint the chairperson and members of the standing committees and any other committees.

   b. Acknowledge communications, petitions, requests, and proposals on behalf of the Board and, except in emergencies, refer same to the President or Secretary or an appropriate Committee of the Board for action or recommendation so as not to detract from the Board’s governance and fiduciary responsibilities.

   c. Maintain liaison with the President to see that there is an effective working relationship between the University administration and the Board.

   d. Approve all press releases and public statements made by the Board.

   e. Approve agenda items for any regular or special meeting of the Board.

   f. Coordinate the efforts of the Board’s standing committees to strengthen the roles and functions of same.

2. Vice-Chairperson(s). The First Vice-Chairperson will assume the duties and responsibilities of the Chairperson in the absence of the Chairperson and will undertake such other duties as may be assigned by the Chairperson. If there is a second Vice-Chairperson, he/she will assume the duties and responsibilities of the First Vice-Chairperson in the absence of the First-Vice
Chairperson and will undertake such other duties as may be assigned by the Chairperson or First Vice-Chairperson.

3. Secretary. The Secretary shall serve under the direction of the Board through the Chairperson and shall provide the necessary administrative support services to the Board. The Secretary shall:

a. Prepare and distribute the agenda for each of the regular and special Board and standing and other committee meetings.

b. Schedule regular and special Board meeting dates in consultation with the Chairperson.

c. Record and prepare minutes and reports for each of the regular and special Board and standing and other committee meetings.

d. Be responsible for securing information from the University administration.

e. Acknowledge and answer routine correspondence directed to the Chairperson and/or Board.

f. Serve as liaison between the University administrative staff and the Board.

g. Review policy proposals submitted by the University administration.

h. Maintain a calendar of the Board’s unfinished business.

i. Conduct research and analysis of policies relating to the governance of the University by the Board.

j. Review rules and regulations affecting the University in accordance with the Hawai‘i Administrative Procedures Act.

k. Maintain, collect, and preserve the official records of the Board.

l. Collate and index policies which are adopted by the Board.

m. Serve as “Records Officer” under the State archives program.

n. Serve as “Certifying Officer” of official University documents.

o. Perform additional duties as assigned by the Chairperson and the various standing and other committee chairpersons.

D. Standing Committees of the Board.
1. Establishment of Standing Committees. To facilitate consideration of policy matters that must be approved by the Board, seven standing committees are established. Authority to act on all matters is reserved for the Board, and the functions of each standing committee shall be to consider and make recommendations to the Board. Any provision to the contrary notwithstanding, pursuant to HRS 304A-321, as may be amended from time to time, the board shall conduct an annual review of the functions of the independent audit committee to reassess its adequacy and adopt any proposed and necessary changes.

2. Standing Committees. The following are the standing committees of the Board and their functions:

a. Committee on Academic and Student Affairs
   
   (1) Review and make recommendations on all new academic and research program proposals.
   
   (2) Examine and evaluate the academic and research aims, objectives, and activities of the University.
   
   (3) Review program evaluation reports and termination of programs, and make recommendations related to existing programs.
   
   (4) Review, evaluate and make recommendations on the articulation of academic and research programs throughout the University.
   
   (5) Review and make recommendations on programs, objectives and activities relating to international education, research and training.
   
   (6) Periodically review Board policies affecting the community colleges and make recommendations for changes, as necessary, to the Board.
   
   (7) Periodically review the strategic plan, mission statement, and the long range development plan of the respective community colleges for recommendation to the Board.
   
   (8) Periodically review and report to the Board the performance of the respective community colleges in meeting the community colleges and University strategic goals and objectives.
   
   (9) Provide oversight and direction to the community colleges on operational and financial performance issues.
(10) Periodically review and report to the Board the status of compliance by the respective community colleges of requirements for academic accreditation.

(11) Provide oversight and direction to the community colleges and four year degree schools to facilitate a seamless transfer of students matriculating between the community colleges and the four year degree schools.

(12) Periodically review the impact of the community colleges upon the workforce in the State of Hawaii, and, if required, provide oversight and direction to the respective community colleges in addressing the dynamic employment needs and demands of the State.

(13) Provide oversight and direction to the community colleges in providing greater access to higher education throughout the State of Hawaii, which shall include, but not be limited to, developmental/remedial education and distance learning instruction.

(14) Serve as a liaison between the Board and appropriate student organizations.

(15) Consider matters of student life, including, but not limited to, student organizations, student housing, extra-curricular activities, student concerns in community, and other matters affecting students.

(16) Recommend policies governing all aspects of student life at the University.

b. Committee on Budget and Finance

(1) Work in concert with the University administration relating to operating and capital improvement budgets.

(2) Examine the budgetary process, budget proposals, expenditure plans, and development plans.

(3) Discuss the implementation of the budgetary decisions with the University administration, especially amendments thereto or when circumstances require deviations from expenditure plans.

(4) Review matters related to business affairs, endowment funds, and other financial assets of the University.

(5) Exercise general oversight and policy direction over the University's financial systems and programs.
c. Committee on Planning and Facilities

(1) Review, study, and make recommendations to the Board relative to the long-range plans for the development of the University, considering academic needs, priorities, and fiscal capabilities of the State.

(2) Review, study, and make recommendations to the Board relative to the physical facilities master plans for each campus in the University system and to periodically review approved campus master plans in order to recommend revisions, if necessary, to meet the needs of the University.

(3) Review proposals relative to naming of University improvements and facilities and make its recommendations to the Board.

(4) Review policies and make recommendations to the Board on matters pertaining to the use of University facilities and ensure an environment that is complementary to the educational mission of this institution.

d. Committee on Personnel

(1) Review and consider policies and practices relating to University personnel.

(2) Consider matters pertaining to collective bargaining.

e. Committee on Independent Audit

(1) Advise the Board regarding the Board’s responsibilities to oversee:

(a) the quality and integrity of the University’s compliance with legal, regulatory and policy requirements, financial reporting and financial statements, and internal controls related to risks;

(b) the function, disclosures, and performance of the University’s compliance, internal control, and risk management systems regarding ethics and compliance, risk, finance, and accounting, and the adequacy of such systems; and

(c) the independent certified public accountant’s qualification, independence and performance, as well as performance of the internal audit function.
(2) Review the annual internal audit plan and the extent to which it addresses high risk areas.

(3) Review the annual report of the internal audit department and discuss significant issues of internal controls with the Internal Auditor and management.

(4) Discuss the planned scope of the annual independent audit with the independent certified public accountants and review the results of the audit with the independent certified public accountants and management.

(5) Receive and review the annual certified financial reports with the independent certified public accountants and management.

(6) Recommend to the Board the certified public accountants to serve as the independent auditor, and their fees.

(7) Revise the scope of the annual audit, and approve any services other than audit and audit related services provided by the certified public accountants.

(8) Provide recommendations to the Board regarding approval of the internal audit mission statement, the committee’s charter, and other governance documents related to both internal and external compliance and auditing activities at the University.

(9) The independent audit committee shall be exempt from chapter 91 and part I of chapter 92 to the extent that the independent audit committee is engaging in discussions or proceedings arising from an investigation by the independent audit committee relating to potentially actionable civil or criminal conduct, whether or not the investigation is pending or outstanding, pursuant to HRS 304A-321(d).

(10) Any provision to the contrary notwithstanding, comply with requirements under HRS 304A-321, as it may be amended from time to time.

f. Committee on Intercollegiate Athletics

(1) Serve as a liaison between the Board and the respective campuses and their athletic departments.

(2) Advise the Board regarding its responsibility to oversee:
(a) the health, safety and academic progress of student-athletes;
(b) fiscal integrity and budgetary concerns;
(c) compliance with NCAA and conference requirements; and
(d) any event or situation that may draw unusual public interest to the athletics program, a particular team, student athlete, or department employee.

(3) Review annual reports on the academic standing and progress of student athletes, including, but not limited to, the Academic Progress Rate report.
(4) Recommend policies governing all aspects of Intercollegiate Athletics at the University.

g. Committee on Research and Innovation

(1) Evaluate and approve long range plans that establish the strategic goals and objectives for research, innovation, and technology transfer at the University.
(2) Review and make recommendations regarding investments, policies, and practices relating to University research, innovation and technology transfer programs.
(3) Review and make recommendations on proposals to establish or to terminate Organized Research Units (ORU) and research centers.
(4) Work in concert with Administration to establish performance goals and metrics to evaluate progress against the strategic goals and objectives.

3. Appointment of Committee Members. The chairperson and voting members of each standing committee shall be appointed by the Chairperson and shall serve for one year or until the appointment of their successors. The Chairperson shall be an ex-officio, voting member of all standing committees in accordance with Robert’s Rules of Order. All board members who are not voting members of a committee or committees shall be ex-officio, non voting members of such committees. The President, as chief executive officer of the University, shall assign a member of the University administrative staff to each standing committee who shall be the administrative liaison with the chairperson of the committee.
The Committee on Academic and Student Affairs shall include Regents from the four major islands.

Pursuant to HRS 304A-21, as may be amended from time to time, the independent audit committee shall consist of at least three members but not more than five members who shall be appointed by the chairperson of the board of regents, from among the members of the board of regents, except as provided herein. The chair of the independent audit committee shall be selected by and from among its members. The independent audit committee shall include one or more individuals with financial expertise. If no member of the board of regents has the requisite skills, the board of regents shall execute other arrangements, which may include the appointment of members of the general public who may possess the requisite financial expertise to the independent audit committee to ensure that the independent audit committee has the capacity to carry out its duties.

4. Meetings. Each standing committee shall schedule meetings as appropriate. The Committee on Academic and Student Affairs meetings shall be held at the various community college campuses, to the extent practicable.

5. Referrals to Committees. Each standing committee shall consider all matters referred to it by the Chairperson and shall make appropriate recommendations within a reasonable time to the Board.

6. Progress Reports. Each standing committee shall make progress reports to the Board periodically or when requested by the Chairperson.

7. Task Groups. Task groups may be established by the Chairperson upon authorization by the Board, and with such powers and duties as determined by the Board. The tenure of a specific task group shall expire at the completion of its assigned task.

E. New Board Member Orientation

New Board members shall be scheduled to receive an orientation within one month of the beginning of their term. The orientation shall include, among other things, an overview of the University system, BOR responsibilities, accreditation standards for Board governance, and BOR policies and practices. New Board members shall also be provided with a Reference Guide covering these and other topics.

ARTICLE III. Advisory Committee and Consultants

A. Creation. The Board may create an advisory committee, as necessary, which shall serve as advisory to the Board. The committee membership shall be appointed by the Chairperson, subject to approval by the Board. The tenure of the advisory committee shall expire at the completion of the assigned task.
B. Consultant Services. The Board may engage the services of consultants as it deems necessary.

ARTICLE IV. Meetings

A. Number and Place of Meetings. The Board shall meet not less than ten times annually (July 1, thru June 30) and may from time to time meet in each of the counties of Honolulu, Hawai‘i, Maui, and Kaua‘i. The Board shall at each meeting set the time and place for its next regular meeting.

B. Special Meetings. Special meetings may be called by:

1. The Chairperson;
2. The Secretary, upon request by a majority of the members of the Board; or
3. Any Board member, with the consent of the Chairperson.

C. Call for Committee Meetings. Standing committee meetings shall be called by the Secretary in consultation with the committee chairperson. In the event of a joint meeting, the Chairperson shall designate the presiding committee chairperson.

D. Public Notice of Meetings. All meetings of and public appearances before the Board and its standing committees shall comply with chapter 92, HRS, and shall be as set forth in the Rules of Practice and Procedure of the Board of Regents (Hawai‘i Administrative Rules, Title 20, Subtitle 1, Chapter 1).

ARTICLE V. Quorum

A majority of all voting members to which the Board or its standing committees are entitled shall constitute a quorum.

ARTICLE VI. Voting

Voting by the Board and its standing committees shall be as set forth in the Rules of Practice and Procedures of the Board of Regents (Hawai‘i Administrative Rules, Title 20, Subtitle 1, Chapter 1).

ARTICLE VII. Legal Counsel

A. The University General Counsel. The University General Counsel shall be designated as legal counsel for the Board. The University General Counsel or the University General Counsel’s representative(s), in the capacity of legal counsel for the Board, shall be present at all regular and special meetings and certain standing committee meetings of the Board.
B. Requests for Written Legal Opinions. Requests for any written legal opinion of the University General Counsel shall be made by the Chairperson or designee with the full knowledge of the Board. Whenever a legal opinion is rendered by the University General Counsel, such opinion shall be in writing and along with a copy of the written request for such opinion, distributed immediately to all Board members.

C. Conflicts. By policy and organizational structure, the University General Counsel serves the Board as well as the University administration. Understandably, there may be occasions when it becomes necessary to avoid a perception of conflict, or actual conflict, or to obtain specialized legal expertise. At such times, the Board may exercise its discretion in securing the services of independent legal counsel through the Secretary.

ARTICLE VIII. Robert’s Rules of Order

Robert’s Rules of Order shall apply in situations not covered by these bylaws, applicable statutes, or rules.

ARTICLE IX. Amendments

These bylaws may be amended only by two-thirds (2/3) vote of all the members to which the Board is entitled. Any proposed amendment to the bylaws shall be submitted in writing for consideration and vote by the members at a Board meeting.

ARTICLE X. Conflicts of Interest

A. Standard of Conduct. Members of the Board shall comply with the provisions of these bylaws and are subject to the standards of conduct and financial interest disclosure requirements of Chapter 84, HRS (State Ethics Code) and must act in accordance with Chapter 84, HRS.

B. Fiduciary Responsibility. Members of the Board serve a public interest role and thus have a clear obligation to conduct all affairs of the University in a manner consistent with this concept. Members of the Board are expected to place the welfare of the University above personal interests, the interests of family members, or others who may be personally involved in affairs affecting the University. All decisions of the Board shall be made solely on the basis of a desire to promote the best interests of the University and the public good.

C. Disclosures. In the event the Board must consider any matter for the University which also directly involves:
1. a regent or a member of the regent’s family (which shall be a spouse, parents, siblings and their spouses, children and their spouses, and any household member);

2. a public or private organization with which a regent is affiliated, as defined below; or

3. a regent’s personal financial interest as defined under chapter 84, HRS;

Any affected regent, at the first knowledge of the matter, shall fully disclose, as noted below, the precise nature of the interest or involvement.

For purposes of this article, an affiliation exists if a regent or a member of the regent’s family is an owner (which shall be an ownership interest valued at more than $5,000 or 10% or more ownership of the business), officer, director, trustee, partner, employee (which shall also include legal counsel, consultant, contractor, advisor, or representative) or agent of such organization.

All disclosures required under this article must be directed in writing to the Secretary who, together with the University General Counsel, shall be responsible for the administration of this bylaw.

Matters covered under this article shall be reported initially to the Chairperson for appropriate action. Should the Chairperson be the regent with a potential conflict, the matter shall be reported to the Vice Chairperson. Should both the Chairperson and the Vice Chairperson have a potential conflict, the matter shall be reported to the chairperson of a Board standing committee in the order as listed in Article II, Section D of the bylaws of the Board.

Information disclosed to the Secretary shall be held in confidence to the extent authorized by law.

This disclosure requirement shall not apply to any regent who declares a conflict of interest and recuses himself/herself from consideration of the matter before the Board.

D. Determination of Conflicts. Questions concerning possible conflicts of interest shall be directed to the Secretary. Board shall resolve the questions by majority vote at a Board meeting in compliance with Chapter 92, HRS. Where any matter covered by Chapter 84, HRS, is involved, the potential conflict shall be referred to the State Ethics Commission for disposition. Questions of potential conflict not covered by Chapter 84, HRS, may be referred to the University General Counsel for a legal opinion, except that questions of conflict under Section 78-4, HRS, shall be referred to the University General Counsel for a legal opinion.
Restraint on Participation. A member of the Board who has declared a conflict of interest and recused himself/herself or who has been found to have a conflict of interest in any matter before the Board shall refrain from participating in the consideration of the proposed matter. The regent may not vote on such matters before the Board and may not be present during the Board’s deliberation and at the time of vote.

E. Sanctions and Remedies. Any Board action favorable to a regent obtained in violation of this bylaw is voidable on behalf of the Board; provided that in any proceeding to void a Board action pursuant to this bylaw, the interests of third parties who may be damaged thereby shall be taken into account. Any proceeding to void a Board action shall be initiated within sixty (60) days after the determination of a violation under this bylaw. The Board may pursue all legal and equitable remedies and/or sanctions through the University’s legal counsel. Any Board action imposing a remedy or sanction under this section must be initiated within one year after the action of the Board that is affected by a violation.
Item IV.A.1. For Review and Approval: Annual review of committee charter

Part 2 of 2. Chapter 304A-321 statutory provision of the audit committee
including payment of principal and interest on any obligations incurred. [am L 2011, c 124, §3]

Revision Note

Only the subsection amended is compiled in this Supplement.

[§304A-118] Graduation pathway system. (a) The university shall provide guidance to students to increase the rate of on-time graduation. In providing such guidance, the university shall develop a graduation pathway system to direct students toward appropriate options to complete a major course of study, graduate within a reasonable period of time, and understand the dynamics of the local employment market.

(b) In developing the graduation pathway system, the university shall include elements such as structured, default pathways to graduation: academic maps with sequential scheduling of classes; intrusive advising; data on the dynamics of the local employment market, including the availability of employment; and other elements as appropriate to provide guidance to students toward timely graduation. [L 2015, c 104, §2]

[§304A-119] University of Hawaii; net-zero energy goal. (a) The university of Hawaii shall establish a collective goal of becoming net-zero with respect to energy use, producing as much energy as the system consumes across all campuses, by January 1, 2035.

(b) The University of Hawaii shall establish a benchmark for the amount and value of energy consumed during the 2014-2015 fiscal year, against which it shall measure its progress toward the net-zero energy goal set forth in subsection (a).

(c) The University of Hawaii shall make improvements that advance the net-zero energy goal set forth in subsection (a) a priority.

(d) The University of Hawaii shall submit an annual report to the legislature no later than twenty days before the convening of each regular session. The annual report shall include the following information:

(1) Overall progress toward the net-zero energy goal set forth in subsection (a);

(2) Plans and recommendations to advance the net-zero energy goal set forth in subsection (a). [L 2015, c 99, §2]

B. Agriculture

Note

Charcoal additives, soil nutrient enhancement research, phase 1. L 2007, c 266.
Industrial hemp remediation and biofuel crop research program; report to 2016 legislature (repealed July 1, 2016). L 2014, c 56.

[D.] Independent Audit Committee

[§304A-321] Independent audit committee; established; powers; duties. (a) There is established within the board of regents of the University of Hawaii an advisory body to be known as the independent audit committee.

(b) The independent audit committee shall consist of at least three members but not more than five members who shall be appointed by the chairperson of the board of regents, from among the members of the board of regents, ex-
cept as provided in this subsection. The chair of the independent audit committee shall be selected by and from among its members.

The independent audit committee shall include one or more individuals with financial expertise. If no member of the board of regents has the requisite skills, the board of regents shall execute other arrangements, which may include the appointment of members of the general public who possess the requisite financial expertise to the independent audit committee to ensure that the independent audit committee has the capacity to carry out its duties.

(c) The board of regents shall generally:

(1) Establish the charter of the independent audit committee and set forth its members' roles and responsibilities;

(2) Consider changes to the independent audit committee's charter that are necessary in response to new laws, regulations, and best practices; and

(3) Conduct an annual review of the independent audit committee's charter to reassess its adequacy and adopt any proposed and necessary changes to the charter.

(d) The independent audit committee shall be exempt from chapter 91 and part I of chapter 92 to the extent that the independent audit committee is engaging in discussions or proceedings arising from an investigation by the independent audit committee relating to potentially actionable civil or criminal conduct, whether or not the investigation is pending or outstanding.

(e) The independent audit committee shall undertake professional development to improve the financial expertise of the independent audit committee as a whole, including:

(1) Attendance at seminars and conferences;

(2) Attendance at educational sessions including special speakers; and

(3) The study of analytical tools for audit committees.

(f) The independent audit committee shall engage in operations relating to enterprise risk management including:

(1) Providing oversight of risk management, which shall include determining overall strategy and influencing the university's risk philosophy;

(2) Inquiring of the president of the University of Hawaii, the chief financial officer of the university, and external auditors about significant risks or exposures faced by the university;

(3) Assessing steps that the president of the University of Hawaii has taken or proposes to take to minimize those risks to the university and periodically reviewing compliance with those steps; and

(4) Reviewing with the general counsel of the University of Hawaii, external auditors, external counsel, and the chief financial officer of the university legal and regulatory matters that, in the opinion of the president of the University of Hawaii, may have a material impact upon the financial statements, related organization compliance policies, and programs and reports received from regulators.

(g) The independent audit committee shall hold meetings as needed to address matters on its agenda, not less frequently than twice per year. The independent audit committee may request the president of the University of Hawaii or others to attend its meetings or to provide pertinent information as necessary. The board of regents shall provide in the charter of the independent audit committee for the independent audit committee to take action between meetings by unanimous consent.

(h) The independent audit committee shall review its effectiveness annu-
ally and shall prepare, or oversee the preparation of, an annual report to the board of regents.

(i) The annual report of the independent audit committee shall address other matters affecting the management and organization of the University of Hawaii by engaging in functions, including:

(1) Reviewing with the president of the University of Hawaii and an external auditor retained pursuant to subsection (r) the effect of any regulatory and accounting initiatives and unique transactions, including relationships with legally separate entities, to determine whether the accounting for those transactions applied best practices;

(2) Reviewing significant related party transactions;

(3) Reviewing with the president of the University of Hawaii and the chief financial officer of the university, any interim financial reports or reports on internal control issued with respect to the university since the last meeting of the independent audit committee; and

(4) Reviewing with an external auditor who performs an audit the following:

(A) All critical accounting policies and practices used by the external auditor; provided that:

(i) All alternative treatments of financial information within generally accepted accounting principles have been discussed with the president of the University of Hawaii;

(ii) The ramifications of each alternative are discussed; and

(iii) The treatment preferred by the university is discussed;

(B) Any consultation with audit firms other than the external auditor, including the reasons for, and results of, the consultation; and

(C) Any other information relating to significant estimates and judgments.

(j) The independent audit committee shall also review with any external auditor and the chief financial officer of the university matters affecting internal control and an internal audit, including:

(1) The adequacy of the University of Hawaii's internal control, including computerized information system controls and security; and

(2) Any related significant findings and recommendations of the internal and external auditors, together with the responses of the president of the University of Hawaii.

(k) The independent audit committee shall also review matters affecting the accounting policies and procedures of the University of Hawaii by:

(1) Ensuring that accounting policies, procedures, and related controls are documented and reviewed with the independent audit committee;

(2) Reviewing accounting controls annually;

(3) Reviewing with the president of the University of Hawaii policies and procedures with respect to officers, key employees, and disqualified persons as defined under section 4958 of the Internal Revenue Code of 1986, as amended; and

(4) Inquiring of the president of the University of Hawaii and the chief financial officer regarding the financial health of the university.

(l) The independent audit committee shall review the University of Hawaii's antifraud programs and controls and aid in discovering and remedying incidences of fraud.
(m) Notwithstanding part V of chapter 378, the independent audit committee shall review:

1) Procedures for the receipt, retention, and treatment of complaints received by the University of Hawaii regarding accounting, internal accounting controls, auditing matters, or suspected fraud that may be submitted by any party internal or external to the university; and

2) As the independent audit committee deems necessary, complaints that may have been received, the current status of such complaints, and the resolution of such complaints, if any resolution has been reached; provided that any person who makes a complaint covered by this section shall be accorded the same protections as under part V of chapter 378.

(n) With regard to internal control and any internal audit, the independent audit committee shall also:

1) Review with any external auditor, the chief financial officer of the university, and the comptroller the audit scope and plan of the internal auditors;

2) Address the coordination of audit efforts to ensure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources; and

3) Discuss with the chief financial officer of the university and the external auditor opportunities for reliance by the external auditor on the audit activities of any internal audit.

(o) For internal audits, the independent audit committee shall review the following with the president of the University of Hawaii and the chief financial officer of the university:

1) Significant findings of internal audits conducted during the university’s previous and current fiscal year and the president’s responses;

2) Whether internal auditors have encountered difficulties in discharging their responsibilities in the course of their audits, such as any restrictions on the scope of their work or access to required information;

3) Any changes required in the scope of internal audits;

4) The budget and staffing of internal audit operations;

5) An audit plan to govern internal audits; and

6) The compliance of internal audits with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing.

(p) Internal auditors shall meet separately with any external auditor to coordinate audit plans to optimize the ability of the external auditor to rely upon the results of the internal audit team.

(q) The independent audit committee shall annually evaluate the performance of any internal audit, including:

1) The adequacy of the audit plan;

2) The management of the execution of the audit plan;

3) The adequacy of human and other resources available to execute the audit plan;

4) The ability of any external auditor to rely upon the internal audit work product in the annual audit performed by an external auditor retained pursuant to subsection (r); and

5) The nature of the findings or results of any internal audits.

(r) Subject to approval by the board of regents, the independent audit committee shall select one or more external auditors to be retained by the University of Hawaii. The independent audit committee shall:
(1) Approve an audit plan;
(2) Establish the audit fees of any external auditor;
(3) Pre-approve any non-audit services provided by the external auditor, including tax services, before such services are rendered;
(4) Review with the president of the University of Hawaii the significance of contracting out audit services; and
(5) Ensure that single audit obligations are incorporated into an annual audit plan.

(s) The independent audit committee shall review all material written communications between any external auditor and the president of the University of Hawaii, including any management letter or schedule of unadjusted differences.

(i) The independent audit committee shall annually evaluate any external auditor; provided that communications with the external auditor in the evaluation shall be done so as to maintain the open flow of communication between the external auditor and the independent audit committee.

(u) The independent audit committee shall review the following matters relating to any annual audit with the president of the University of Hawaii and any external auditor:

(1) The university’s annual financial statements and related footnotes;
(2) The external auditor’s audit of the financial statements and the external auditor’s report;
(3) The external auditor’s judgments about the quality of the university’s accounting principles as applied in the university’s financial reporting;
(4) Any significant changes required in the external auditor’s audit plan;
(5) Any serious difficulties or disputes with the president of the University of Hawaii encountered during the audit; and
(6) Matters to be discussed by the Statement on Auditing Standards No. 114, The Auditor's Communication with those Charged with Governance (AICPA, Professional Standards), related to the conduct of any annual audit.

(v) The independent audit committee may hire external auditors, legal counsel, or other consultants as necessary, to address any issues arising from:

(1) The execution of the whistleblower protection procedures subject to subsection (m);
(2) Any statutory or contractual procedures when engaging external resources; and
(3) The detection of fraud.

(w) The independent audit committee shall submit an annual report to the board of regents and the legislature no later than twenty days prior to the convening of each regular session of the legislature on matters that include the following:

(1) All instances of material weakness in internal control, including the responses of university management; and
(2) All instances of fraud, including the responses of university management. [L 2013, c 87, §5]

Note

Report to legislature (no later than 2016 session) regarding the university’s procurement of construction contracts and construction-related consultant services. L 2013, c 87, §6.
UNIVERSITY OF HAWAI‘I
Mānoa • Hilo • West O‘ahu • Community Colleges

OFFICE OF INTERNAL AUDIT

Audit Plan
For the Fiscal Year Ended June 30, 2018

For the Committee on Independent Audit of the Board of Regents
May 2017
Overview

The University of Hawai‘i (University) Office of Internal Audit (Internal Audit) has developed this audit plan for the fiscal year ended June 30, 2018 as required by the Charter of the Office of Internal Audit of the University of Hawai‘i (Charter). The primary purpose of the audit plan is to document Internal Audit’s role, objectives, and goals underlying its intent to make a contribution to the University’s continued success.

As set forth in its Charter, Internal Audit’s mission is to assist the University’s Board of Regents (BOR) and University Management (President, Senior Management Team, Chancellors and Vice Chancellors) in fulfilling their oversight, management, and operating responsibilities. This is accomplished through providing independent and objective assurance and consulting services conducted in a systematic and disciplined approach to evaluate, add value, and improve the University’s operations while simultaneously mitigating the University’s risk. Internal Audit services are described below:

Assurance Services
Assurance services may vary depending on the nature of the engagement, its objectives and type of assurance desired. Assurance services include the following:

- Financial audits and reviews – determine the fairness, accuracy, and reliability of financial information presented in accordance with established or stated criteria.
- Attestation engagement – examination, review, or agreed-upon procedures on a subject matter, or an assertion about a subject matter (including financial information).
- Operational reviews – evaluate an area, department, or functional operation for the purpose of evaluating efficiency and effectiveness.
- Compliance reviews – address adherence to laws, regulations, policies and procedures, and terms and conditions of contracts/agreements.
- Follow-up – evaluate the status of corrective actions on internal or external audit findings reported in a previously completed audit report.

Consultation and Investigation Services
Consultations are similar to operational reviews. The nature and scope of consultation services are to add value and improve the auditee’s governance, risk management, and control processes without Internal Audit assuming management responsibility. Investigations may relate to fraud, waste and/or abuse complaints reported to the BOR office, University management or the whistleblower hotline.

Internal Audit is also consulted on generally accepted accounting principles and its application, accounting and operational process analyses and related internal control matters. Internal Audit also provides guidance and consults with auditees in connection with their implementation of Internal Audit recommendations. Throughout the year, Internal Audit seeks opportunities to become involved in planning committees, policy and guidance development, and other University strategic efforts in order to promote internal controls, quality processes, and the alignment of resources in the planning and implementation stages.
Audit Plan Development and Objectives
As in prior years, the Audit Plan was developed using a risk-based approach and considered Internal Audit’s available resources. In connection with the development of the fiscal 2018 Audit Plan, the Director of Internal Audit met and consulted with the University President and University Vice President of Budget and Finance to discuss potential fiscal 2018 audit projects. Criteria used in selecting audit projects included providing coverage of higher risk departments/units/functions and areas of concern to the BOR and University management. The following were also considered in preparing Internal Audit’s Audit Plan:

- Periodic meetings and discussions with the Committee on Independent Audit (Audit Committee) Chair and Vice Chair.
- Observations and findings contained in historical reports issued by Internal Audit. Certain University departments and/or functions may be reviewed as a result of:
  - audit findings noted in departments and/or functions with similar operations and/or
  - unremediated audit findings.
- Review of the various Internal Control and Business Issues Reports issued by the University’s external auditors.
- Meetings and discussions with Accuity LLP (Accuity) with respect to sensitive audit areas.
- Regulatory compliance.

The University President and Senior Management also discuss sensitive and high risk areas with members of the BOR (including the Audit Committee). Internal Audit designs audit procedures for projects listed in the Audit Plan to assess the following:

- Risks are appropriately identified and managed.
- Information is accurate, reliable and timely.
- Employee actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- Operations are efficient and effective.
- Resources are acquired economically, used efficiently and adequately protected.
- Accountability systems are in place to ensure organizational and program missions, goals, plans and objectives are achieved.

This Audit Plan is a living document, requiring continual monitoring and revision as conditions warrant. Flexibility is an inherently accepted part of the Audit Plan to accommodate management requests and other unanticipated priorities that arise throughout the year. Accordingly, an Audit Plan approved by the Audit Committee may be supplemented with additional projects due to the sensitivity, high risk and/or media exposure associated with the additional project. In addition, projects may be deferred as a result of a project’s initially identified risk being resolved and/or mitigated prior to the commencement of work. All revisions to the approved Audit Plan require Audit Committee concurrence. Additionally, a few audit projects that commenced in 2017 are carried over for completion in fiscal 2018. The carryover projects were expected and in line with a normal audit process where audits commencing in the last few months of the fiscal year end are completed early in the following year.
Pursuant to the Bylaws of the BOR (Article II, Section D, 2.) and the Charter of the Audit Committee, the Audit Committee is responsible to review and approve the Audit Plan and significant changes to the Audit Plan. The Audit Committee is also responsible to evaluate the extent to which the Audit Plan addresses high risk areas. The ongoing support of the BOR, University Management, and other constituents in developing this plan and maximizing Internal Audit’s effectiveness is greatly appreciated.
Proposed Audit Engagements
July 1, 2017 to June 30, 2018

External Audits

Overview:
During June 2015, Accuity was re-engaged to provide external audit services to the University for the three year period ended June 30, 2017. The University has an option to extend the contract for an additional year. Accuity is scheduled to perform the following audits for the fiscal year ended June 30, 2017:

- Single Audit – University of Hawai‘i
  - Consolidated Financial Statements
  - Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- Intercollegiate Athletics – University of Hawai‘i at Mānoa (UHM Athletics)
  - NCAA Agreed-Upon Procedures

The University consistently issues its consolidated financial statements prior to the due date established by the State of Hawai‘i Comptroller for inclusion in the State of Hawai‘i’s Comprehensive Annual Financial Report.

Internal Audit will provide up to 1,000 hours of external audit assistance to Accuity to decrease external audit hours and the related audit fees. In addition to the 1,000 hours of external audit assistance, Internal Audit will perform the following in connection with the above noted audits:

- Technical accounting support and assistance in the preparation of the financial statements and related notes based on financial information provided by University personnel.
- Participate in meetings (planning, status, financial statement review, etc.) impacting the audits.
- Review and comment on draft reports.
- Additional procedures as requested by Accuity.

1. Single Audit (Uniform Guidance) – University of Hawai‘i

Federal regulations require that organizations (state/local governments and non-profits) expending federal awards in excess of $750,000 are subject to the Single Audit requirements of OMB Uniform Guidance. The University’s Schedule of Expenditures of Federal Awards for the year ended June 30, 2016 noted approximately $543 million in federal expenditures.

A Single Audit requires an examination by an independent certified public accountant of the financial records, financial statements, federal award transactions and expenditures, and internal control systems of the auditee. The Single Audit consists of financial statement and compliance audit components. The Single Audit reports are required to be submitted to the federal government within 9 months after the organization’s year-end (March 31 for the University).
The University is responsible for preparing the Management Discussion and Analysis, consolidated financial statements and related notes, supplementary information accompanying the consolidated financial statements, and the Schedule of Expenditures of Federal Awards (SEFA) and related notes. The University’s independent auditor, Accuity is required to audit the University’s consolidated financial statements and SEFA in accordance with Government Auditing Standards (Yellow Book) and the federal audit requirements of OMB Uniform Guidance.

**Type:** Financial, Compliance  
**Period under audit:** July 1, 2016 – June 30, 2017  
**Est. time of performance:** July 2017 – December 2017

2. **Intercollegiate Athletics – University of Hawai‘i at Mānoa**  
   UHM Athletics is subject to an annual agreed-upon procedures review pursuant to NCAA requirements. The NCAA constitution requires the following for Division I institutions:

   - Constitution 6.2.3. “All revenues, expenses and capital expenditures for or on behalf of a Division I member institution’s intercollegiate athletics programs, including those by any affiliated or outside organization, agency or group of individuals (two or more), shall be subject to the performance of certain annual agreed-upon procedures (in addition to any regular financial reporting policies and procedures of the institution). The agreed-upon procedures report should be prepared for the institution by a qualified independent accountant who is not a staff member of the institution and who is selected either by the institution’s chief executive or by an institutional administrator from outside the athletics department designated by the chief executive officer.”

   - Constitution 6.2.3.1. “The agreed-upon procedures report for one fiscal year shall be completed and presented to the chief executive on or before January 15 following the end of the institution’s fiscal year.”

   **Type:** Attestation (agreed-upon procedures)  
   **Period under audit:** July 1, 2016 – June 30, 2017  
   **Est. time of performance:** July 2017 – December 2017
Audit Committee Assistance

1. Whistleblower Hotline
   The University whistleblower hotline and associated website was launched on June 15, 2016. The hotline/website is accessible globally 24 hours/day, 365 days/year and is available to University employees and the general public for the reporting of violations of law, rules or regulations in a confidential and anonymous manner.
   
   Internal Audit and the Office of Risk Management have administrative roles with respect to the hotline and consult with campus personnel overseeing the investigation of claims received through the hotline. The Director of Internal Audit prepares and presents a “Whistleblower Hotline Tracking Report” at each Audit Committee meeting.

2. Audit Committee Reports
   Internal Audit will continue to assist the Audit Committee prepare the following reports required by Hawai‘i Revised Statutes §304A-321
   - Annual report to the BOR and the Hawai‘i State Legislature (Legislature), no later than twenty days prior to the convening of each regular session of the Legislature on matters that include the following:
     - All instances of material weakness in internal control, including the responses of University management (to these instances); and
     - All instances of fraud, including the responses of University management (to these instances).
   
   The December 2016 report submitted to the Legislature included documents prepared by Accuity noting that Accuity did not identify any matters that they considered to be material weaknesses in internal control over financial reporting and that they noted no instances of fraud or illegal acts.
   - Annual report to the BOR to evaluate the effectiveness of the Audit Committee.

Internal Audits

3. Accounts Receivable – Student accounts and Non-Student accounts
   During the three years ended June 30, 2016, accounts receivable (net of the allowance for uncollectible receivables) related to student tuition and fees increased annually by approximately $1.3 - $2.9 million or approximately 22% - 40% as noted below.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross</td>
<td>$35,611</td>
<td>$32,127</td>
<td>$28,287</td>
</tr>
<tr>
<td>Less: allowance for uncollectible receivables</td>
<td>(25,464)</td>
<td>(24,941)</td>
<td>(22,376)</td>
</tr>
<tr>
<td>Net (agrees to the audited financial statements)</td>
<td>$10,147</td>
<td>$7,186</td>
<td>$5,911</td>
</tr>
</tbody>
</table>
The increasing receivable balance negatively impacts the University’s liquidity and thus its ability to fund projects and pay creditors.

Senior management has also identified risks related to the timeliness and accuracy in the recordation and collection process of non-student accounts receivable balances. The recorded gross and net balance as of June 30, 2016 is $3 million and $1.5 million, respectively.

The objective of this audit is to review and analyze the process and policies related to originating, collecting and recording transactions impacting these accounts receivable balances. The desired result would be solutions to minimize year over year increases in the gross and uncollectible balances as well as increasing collections. In addition, Internal Audit will evaluate compliance with University policies including A8.731 “Delinquent Financial Obligations.” Internal Audit will consult with the University’s Director of Financial Management and Controller to identify campuses, schools or departments that may require an analysis of their accounts receivable practices, processes and procedures.

<table>
<thead>
<tr>
<th>Type:</th>
<th>Operational, Compliance, Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period under audit:</td>
<td>As of and for the year ended June 30, 2017</td>
</tr>
<tr>
<td>Est. time of performance:</td>
<td>January 2018 – March 2018</td>
</tr>
</tbody>
</table>

4. Travel Policy Compliance

Accuity’s Internal Control and Business Issues Report for the year ended June 30, 2016 identified instances where the “Travel Request” form and “Travel Completion Report” were not approved or submitted in a manner consistent with Administrative Procedures AP 8.851. According to AP 8.851, the “Travel Request” form states that “All travel must be approved prior to departure and before any expenses are incurred. For Intra-State travel, individual departments are allowed to use their discretion in the establishment of internal control requirements.” AP 8.851 also indicates that the “Travel Completion Report” must be submitted to the traveler’s business office within 21 calendar days from the end date of the trip.

Internal Audit was informed that reimbursements are generally received by the traveler approximately 34 days after the end date of the trip. Senior management believes there are opportunities to reduce the 34 day reimbursement period.

The objective of this audit is to evaluate the frequency and severity of policy non-compliance (University and Federal), identify trends in non-compliance and determine the impact of non-compliance on University operations and financial results. Evaluation emphasis should be allocated to non-compliance associated with travel advances. Internal Audit will also consult with the University’s Director of Disbursing and Payroll to identify additional travel policy areas warranting evaluation. The desired outcomes would include solutions to increase policy compliance and efficiencies in the processing and reimbursement of travel related expenses.

<table>
<thead>
<tr>
<th>Type:</th>
<th>Operational, Compliance, Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period under audit:</td>
<td>July 1, 2016 – June 30, 2017</td>
</tr>
<tr>
<td>Est. time of performance:</td>
<td>August 2017 – October 2017</td>
</tr>
</tbody>
</table>
5. **Check Disbursements less than $2,500**

During April 2013, Internal Audit presented a report reviewing certain internal controls and compliance over interim PCard procedures that were in place during the transition to the University’s new general ledger system (KFS). Internal Audit reported that there was a limited use of PCards compared to purchase orders, indicating a resistance to using PCards. The previous University Vice President for Budget and Finance/Chief Finance Officer, determined that the use of purchase orders in place of PCards increased efficiencies and cost (the cost of processing a single purchase order was over $100) to the University. The Audit Committee recommended that the University revise its Purchasing Card (PCard) policy to mandate PCard usage for purchases under $1,000.

During fiscal 2014, University management explored various options to enhance the usage of PCards. On September 15, 2014, the University implemented a new PCard module within KFS and new software from the University’s credit card provider system to further enhance the efficiency of processing and recording PCard transactions. These enhancements further automated and streamlined the process of acquiring goods and services with a PCard. Additionally, a new PCard policy and procedure (Administrative Procedure AP 8.266) was implemented designating the PCard as the preferred method of purchase for goods and services less than $2,500. Purchases less than $2,500 utilizing a purchase order requires written justification to indicate why a PCard was not used.

The objective of this audit is to verify University policy compliance and assess efficient and effective use of resources with respect to purchases less than $2,500. Internal Audit will collaborate with the Director of Disbursing and Payroll to analyze the volume and frequency of checks processed for purchases less than $2,500 to verify policy compliance and to determine whether opportunities exists for increased efficiencies and effectiveness with respect to purchases less than $2,500.

<table>
<thead>
<tr>
<th>Type:</th>
<th>Operational, Compliance, Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period under audit:</td>
<td>July 1, 2016 – June 30, 2017</td>
</tr>
<tr>
<td>Est. time of performance:</td>
<td>September 2017 – November 2017</td>
</tr>
</tbody>
</table>

6. **Business Office – Cash Collections**

Each University campus has various cash collection points (business office, school, department, etc.) that are responsible for the collection and deposit of cash and credit card receipts. Cash collected may relate to tuition and fees, fines, housing and meals, tickets (theater, sport events, etc.), parking, etc. From an audit and business perspective, cash is a highly liquid asset and thus has a high risk of misappropriation. In addition, almost all business transactions are ultimately settled in cash. Due to the numerous cash collection points and the related high risk of misappropriation, Internal Audit will evaluate the policies, procedures and related controls over cash collections.

The objective of this audit is to determine and evaluate 1) if adequate internal controls have been implemented to safeguard cash collection activities; 2) the existence of proper segregation of
duties; and 3) if the cash collection procedures and practices at various cash collection points comply with University policies, such as Administrative Procedures AP 8.701, “Receipting and Depositing of Funds Received by the University.” Internal Audit will consult with the University’s Treasury Department to determine the cash collection points to evaluate during the fiscal year ended June 30, 2018. The results of the fiscal 2018 evaluations may require additional audits in subsequent fiscal years.

Type: Operational, Compliance, Financial
Period under audit: As of December 2017
Est. time of performance: December 2017 – April 2018

7. UHM Student Fees for Professional Programs
Professional program fees are assessed to undergraduate students enrolled in certain professional programs at four-year and community college campuses. The President or President’s designee has the authority to revise the fee amount. Professional program fees are charged to students in addition to mandatory student fees such as the campus center operations and recreation fee, student health fee, etc. According to Board of Regents Policy RP 6.203 “Fees,” professional fees may be assessed to students enrolled in select undergraduate professional programs that have high costs in comparison to other instructional programs with the same tuition. Revenues from fees are earmarked to ensure programs have the equipment, supplies, and services available to meet accreditation standards. The students are generally assessed the professional fee once each semester during enrollment in the program. Professional fees are to be reviewed annually by the campus.

The following is a listing of fees (per semester) assessed to UHM undergraduate students enrolled in the following professional programs:

<table>
<thead>
<tr>
<th>Program</th>
<th>Commencement of Fee</th>
<th>Fee prior to current fee</th>
<th>Current Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Academic Yr.</td>
<td>Amount</td>
<td>Revised in academic yr.</td>
</tr>
<tr>
<td>Business</td>
<td>2006-2007</td>
<td>$200</td>
<td>2009-2010</td>
</tr>
<tr>
<td>Engineering</td>
<td>2009-2010</td>
<td>$400</td>
<td>2012-2013</td>
</tr>
<tr>
<td>Nursing</td>
<td>2000-2001</td>
<td>$500</td>
<td>2006-2007</td>
</tr>
<tr>
<td>Dental Hygiene</td>
<td>2000-2001</td>
<td>$500</td>
<td>No revisions</td>
</tr>
<tr>
<td>Architecture</td>
<td>2006-2007</td>
<td>$200</td>
<td>2009-2010</td>
</tr>
</tbody>
</table>

Historically, there has been concern by University constituents regarding the accountability, controls and transparency of how student fees are collected and the criteria for determining how the fees are spent and implemented. Accordingly, the objective of this audit is to evaluate the methodology of determining the professional fee amount charged in addition to evaluating the adequacy, appropriateness and usage of these fees by the respective professional program. Additionally, compliance with RP 6.203 will be assessed.

Type: Operational, Compliance, Financial
Period under audit: Three years ended June 30, 2017
Est. time of performance: December 2017 - April 2018
Recurring:

Internal Audit provides audit services to University units to reduce their burden of incurring audit fees for services provided by external auditors. The following audits result from constitution requirements and agreements with third-parties.

8. Associated Students of the University of Hawai‘i at Mānoa

The Constitution of Associated Students of the University of Hawai‘i at Mānoa (ASUH) requires that an annual audit be performed of ASUH’s financial statements. Senate Resolution 07-10 stipulates that the audit be performed no more than once every ten years by an external certified public accounting firm. Accuity audited ASUH’s financial statements for the year ended June 30, 2008. The type or scope of audit is not defined in the ASUH Constitution or Senate Resolution. During fiscal year 2013, an ASUH resolution 04-13 was issued requiring internal fiscal reviews during fiscal years 2014 and 2017 and operational audits during fiscal years 2012, 2013, 2015, 2016, 2018, and 2019. Accordingly, Internal Audit will perform a financial statement review in conformity with AICPA standards on ASUH’s financial statements for the year ended June 30, 2017.

Type: Financial
Period: July 1, 2016 – June 30, 2017
Est. time of performance: September 2017 – November 2017

9. Sales Audit of the H-Zone

The UHM Athletics Department opened its 1,465-square foot "H-Zone" store at the Ward Centre in Kaka‘ako on July 1, 2014. The UHM Athletics Department has decided not to renew the H-Zone lease agreement (termination date of June 30, 2017). The lease agreement requires a sales audit through lease termination date. Accordingly, Internal Audit will perform an examination of the H-Zone at Ward Centre’s Schedule of Gross Sales for the six-month period ended June 30, 2017 in accordance with the attestation standards established by the American Institute of Certified Public Accountants.

Type: Financial (sales audit)
Period under audit: January 1, 2017 – June 30, 2017
Est. time of performance: July 2017 – August 2017

Follow-up:

The following engagements relate to the performance of follow-up reviews to evaluate the status of corrective action of audit findings reported in reports issued in the prior year.
10. Corrective Action – Auditee Status

Internal Audit performs follow-up reviews to evaluate the status of corrective action on audit findings reported in prior year audit reports. An assessment of the implementation of corrective action for historical Internal Audit projects will be performed during fiscal 2018. The report will document Internal Audit’s prior year recommendations and the procedures performed to assess corrective action implementation. Follow-up reviews in connection with fiscal 2017 audits are anticipated to include the following:

- UHM Student Housing Services
- UHH Student Housing
- University of Hawai‘i Press
- ASUH (see no. 8 above)

Type: Financial, Operational, Compliance  
Period under audit: Through December 31, 2017  
Est. time of performance: February 2018 – April 2018

In connection with several follow up reviews performed during fiscal 2017, Internal Audit determined that the implementation of a number of corrective actions were either in process or pending the occurrence of certain events. Accordingly, Internal Audit will perform additional reviews to assess the status of corrective action implementation for the following historical audits.

- UHM Athletics Equipment and Apparel  
- UHM Commuter Services

Type: Financial, Operational, Compliance  
Period under audit: Through October 31, 2017  
Est. time of performance: October 2017 – December 2017

Carryover Internal Audits:

11. University of Hawai‘i – Capital Improvement Projects and Repairs and Maintenance

Historical evaluations and reviews of the University of Hawai‘i at Mānoa (UHM) Office of Facilities and Grounds (OFG) (nka Office of Planning and Facilities or P&F) by the Association of Higher Education Facilities Officers (fka Association of Physical Plant Administrators or APPA), Accuity, and Internal Audit have identified areas for improvement. The most recent APPA and Internal Audit reviews were performed during 2011 and 2013 respectively. Accordingly, the objective of this audit is to evaluate the processes and procedures implemented by the University with respect to managing and monitoring the timing and costs associated with Capital Improvement Projects as well as managing the timing of service provided on Repair and Maintenance projects.
Based on work performed to date, Internal Audit noted that initiatives to improve the effectiveness and efficiencies in the construction procurement process and project management process commenced during fiscal 2017. Process improvements include the establishment of written goals and objectives. Improvements with respect to Repair and Maintenance projects have also been initiated and are ongoing.

Type: Operational, Compliance, Financial
Period under audit: As of June 30, 2016 through the end of fieldwork

12. University of Hawai‘i at Mānoa Outreach College

The University of Hawai‘i at Mānoa Outreach College (Outreach College) develops and implements year-round programs. Outreach College programs include: 1) Credit Programs, 2) Summer Session, 3) Professional Programs, 4) Community Programs and 5) International Programs. Credit Programs offer UHM credit courses that are primarily offered online, through interactive video and in the evening. Summer Session offers approximately 1,200 UHM credit courses during the summer months (May – August) to current, visiting, entering and high school students. Professional Programs provides courses for professional, personal and career development, personal enrichment and community interest. Community Programs provides cultural and aesthetic education, such as dance, drama, literary, film and music events. International Programs include non-credit offerings in the area of second language acquisition, seminars, and special classes for foreign students. The objective of this project is to review historical Outreach College financial statements and its related processes and controls in addition to evaluating financial and operational risks and opportunities.

Based on work performed to date, Outreach College’s significant annual revenues and expenses for the three years ended June 30, 2016 consisted of the following:

- Tuition and fees earned and collected on behalf of various UHM colleges, schools and departments (Units) ranged from approximately $28 million - $32 million.
- Administrative fees charged to Units for services provided by Outreach College ranged from approximately $7 million - $9 million.
- Payroll ranged from approximately $11 million - $13 million.

Additionally, Internal Audit noted that Outreach College reconciles their internal database management system to Banner and KFS.

Type: Operational, Financial
Period under audit: Three years ended June 30, 2016 with select information updated through the end of fieldwork
13. Evaluation of Corrective Action Status

As noted previously, Internal Audit performs follow-up reviews to evaluate the status of corrective action on audit findings reported in prior year audit reports. Follow-up reviews in process and that will be completed during fiscal 2018 include the following:

- Kapiʻolani Community College Chancellor’s Office Accounts at the University of Hawaiʻi Foundation
- University Purchasing Card Program

Audit fieldwork with respect to these follow-up reviews are substantially complete and the related reports are currently in the drafting process.

Type: Financial, Operational, Compliance
Period under audit: Through May 2017
<table>
<thead>
<tr>
<th>Standards as they related to Internal Audit Reports</th>
<th>Internal Audit Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1110.A1 – Organizational Independence</strong>   &lt;br&gt;The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications.</td>
<td>• All Internal Audit activities are discussed with the AC. &lt;br&gt;• See “Authority” and “Reporting” sections of the IA Charter (Charter). &lt;br&gt;• Internal Audit has not encountered any interference from auditees.</td>
</tr>
<tr>
<td><strong>2400 – Communicating Results</strong>   &lt;br&gt;Internal auditors must communicate the results of engagements.</td>
<td>• Audit reports are prepared for each engagement and presented to the AC.</td>
</tr>
<tr>
<td><strong>2410 – Criteria for Communicating</strong>   &lt;br&gt;Communications must include the engagement’s objectives, scope, and results.</td>
<td>• Audit reports are prepared for each engagement and presented to the AC. &lt;br&gt;• Reports include engagement objectives, scope and results. &lt;br&gt;• Auditees provide comments on draft reports. &lt;br&gt;• Auditees also provide written corrective action responses.</td>
</tr>
<tr>
<td><strong>2410.A1 – Final communication of engagement results must include applicable conclusions, as well as applicable recommendations and/or action plans.</strong> Where appropriate, the internal auditors’ opinion should be provided. An opinion must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.</td>
<td>• Audit reports are prepared for each engagement and presented to the AC. &lt;br&gt;• Auditees are allowed to review and provide comments on draft reports and revised draft reports. &lt;br&gt;• Auditees also provide written corrective action responses. &lt;br&gt;• All IA reports include conclusion statements supported by appropriate evidentiary information. &lt;br&gt;• Director participates in all engagement exit conferences.</td>
</tr>
<tr>
<td><strong>2410.A2 – Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.</strong></td>
<td>• Audit reports are prepared for each engagement and presented to the AC. &lt;br&gt;• Auditees are allowed to review and provide comments on draft reports and revised draft reports. &lt;br&gt;• Auditees also provide written corrective action responses. &lt;br&gt;• Director participates in all engagement exit conferences.</td>
</tr>
<tr>
<td><strong>2410.A3 – When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.</strong></td>
<td>• Audit Reports are open to the public pursuant to State of Hawai‘i law. &lt;br&gt;• All workpapers are secured in IA.</td>
</tr>
<tr>
<td><strong>2410.C1 – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.</strong></td>
<td>• The Charter requires that the AC approve all engagements. &lt;br&gt;• IA personnel are in constant and frequent communication with auditees.</td>
</tr>
<tr>
<td><strong>2420 – Quality of Communications</strong>   &lt;br&gt;Communications must be accurate, objective, clear, concise, constructive, complete, and timely.</td>
<td>• Audit reports are prepared for each engagement and presented to the AC. &lt;br&gt;• Auditees are allowed to review and provide comments on draft reports, revised draft reports, and provide written corrective action responses. &lt;br&gt;• Director participates in all engagement exit conferences. &lt;br&gt;• Director approves and signs all audit reports.</td>
</tr>
</tbody>
</table>
### Standards as they related to Internal Audit Reports

<table>
<thead>
<tr>
<th>2421 – Errors and Omissions</th>
<th>Internal Audit Comments</th>
</tr>
</thead>
</table>
| If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication. | • Auditees are allowed to review and provide comments on draft and revised draft reports.  
• AC Chair and Vice Chair also review report prior to distribution to AC members.  
• Accordingly, the risk of significant report errors or omissions is low. However, if significant report errors or omissions are detected subsequent to report issuance, IA will reissue the report and gather all distributed reports containing the error or omission. No reports have been reissued to date. |

<table>
<thead>
<tr>
<th>2430 – Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicating that engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing” is appropriate only if supported by the results of the quality assurance and improvement program.</td>
<td>• Conformance with IIA Standards are not written in IA reports.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2431 – Engagement Disclosure of Nonconformance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>When nonconformance with the Code of Ethics or the Standards impacts a specific engagement, communication of the results must disclose the:</td>
<td>• Charter and standard audit procedures require conformance with the Code of Ethics and Standards to the extent practicable.</td>
</tr>
</tbody>
</table>
| • Principle(s) or rule(s) of conduct of the Code of Ethics or the Standard(s) with which full conformance was not achieved.  
• Reason(s) for nonconformance.  
• Impact of nonconformance on the engagement and the communicated engagement results. | |

<table>
<thead>
<tr>
<th>2440 – Disseminating Results</th>
<th></th>
</tr>
</thead>
</table>
| The chief audit executive must communicate results to the appropriate parties. | • Auditees are allowed to review and provide comments on draft and revised draft reports.  
• AC Chair and Vice Chair also review report prior to distribution to AC members. |

<table>
<thead>
<tr>
<th>2440.A1 – The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.</th>
<th></th>
</tr>
</thead>
</table>
| | • Auditees are allowed to review and provide comments on draft and revised draft reports.  
• AC Chair and Vice Chair also review report prior to distribution to AC members.  
• University President and Senior Management attend AC meetings reviewing and accepting IA reports. |

<table>
<thead>
<tr>
<th>2440.A2 – If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the chief audit executive must:</th>
<th></th>
</tr>
</thead>
</table>
| • Assess the potential risk to the organization.  
• Consult with senior management and/or legal counsel as appropriate.  
• Control dissemination by restricting the use of the results. | • IA reports are public record pursuant to State of Hawai‘i statute. |

<table>
<thead>
<tr>
<th>2440.C1 – The chief audit executive is responsible for communicating the final results of consulting engagements to clients.</th>
<th></th>
</tr>
</thead>
</table>
| | • Audit reports are prepared for each engagement and presented to the AC.  
• Director participates in all engagement exit conferences. |

<table>
<thead>
<tr>
<th>2440.C2 – During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the board.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Audit reports are prepared for each engagement and presented to the AC.</td>
</tr>
</tbody>
</table>
### Standards as they related to Internal Audit Reports

<table>
<thead>
<tr>
<th>Standards as they related to Internal Audit Reports</th>
<th>Internal Audit Comments</th>
</tr>
</thead>
</table>
| **2450 – Overall Opinions**<br>When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the organization; and the expectations of senior management, the board, and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. | • All IA reports include conclusion statements supported by appropriate evidentiary information.  
• Auditees are allowed to review and provide comments on draft and revised draft reports.  
• AC Chair and Vice Chair also review report prior to distribution to AC members.  
• University President and Senior Management attend AC meetings reviewing and accepting IA reports. |
| **2500 – Monitoring Progress**<br>The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management. | • Follow-up reviews are performed and reports are issued for engagements requiring corrective actions. |
| **2500.A1 –** The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. | • Follow-up reviews are performed and reports are issued for engagements requiring corrective actions. |
| **2500.C1 –** The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client. | • Follow-up reviews are performed and reports are issued for engagements requiring corrective actions. |
Committee on Independent Audit
Annual Report
For the Fiscal Year Ended June 30, 2017

Summary
This Annual Report is prepared pursuant to the provisions of Hawai‘i Revised Statutes (HRS) §304A-321, Independent Audit Committee. Similar to the fiscal year ended June 30, 2016 Annual Report, the June 30, 2017 Annual Report is organized by the following sections:

1. Committee on Independent Audit (Audit Committee) Charter
2. Role of the Audit Committee
3. Membership
4. Meetings

The Audit Committee has fulfilled its responsibilities pursuant to the Bylaws of the Board of Regents of the University of Hawai‘i (BOR Bylaws) and HRS §304A-321. Collectively, BOR Bylaws (Article II.D.2.e) and HRS §304A-321 functions as the Audit Committee’s Charter. This Annual Report includes and is complemented and supported by the “Audit Results” report prepared by the University of Hawai‘i (University or UH) Office of Internal Audit (Internal Audit) that summarizes Internal Audit’s activities during the fiscal year ended June 30, 2017.

Committee on Independent Audit (Audit Committee) Charter
The duties and responsibilities of the Audit Committee are documented in HRS §304A-321 and BOR Bylaws. The Audit Committee’s duties and responsibilities include the following:

1. Undertake professional development to improve the financial expertise of the Audit Committee.
2. Provide oversight relating to enterprise risk management.
3. Hold meetings at least twice per year.
4. Review the Audit Committee’s effectiveness and prepare or oversee the preparation of an annual report to the BOR.
5. Review the procedures for the receipt, retention, and treatment of complaints received by the University regarding accounting, internal accounting controls, auditing matters, or suspected fraud that may be submitted by any internal or external party.
6. Review (1) significant findings of internal audits and auditee responses, (2) whether internal auditors have encountered difficulties in the course of their audits, (3) changes in the scope of internal audits, (4) the internal audit budget and staffing, (5) the annual internal audit plan, and (6) the annual report of the internal audit department.
7. Review the following with management and the external auditor: (1) UH’s annual financial statements and related footnotes, (2) all reports certified by the external auditor, (3) the external auditor’s judgments about the quality of UH’s accounting principles, (4) any significant changes required in the external auditor’s audit plan, (5) any difficulties or disputes encountered during the audit, and (6) matters pursuant to Statement of Auditing Standards No. 114 (critical accounting policies and practices, consultations with audit firms other than the external auditor, and any other information relating to significant estimates and judgments).
8. Review with the external auditor matters affecting internal control including (1) the adequacy of UH’s internal control, including computerized information system controls and security and (2) any related significant findings and recommendations of the internal and external auditors, together with the responses of UH.
9. Annually evaluate the external auditor and the internal audit function.
10. Recommend to the BOR, the external auditor to be retained by UH and their fees.
11. Submit an annual report to the BOR and the legislature no later than 20 days prior to the convening of each regular session of the legislature on matters that include (1) all instances of material weaknesses in internal control, including the responses of UH management and (2) all instances of fraud, including the responses of UH management.
12. Internal auditors shall meet separately with any external auditor to coordinate audit plans to optimize the ability of the external auditor to rely upon the results of an internal audit team.
13. Perform such other functions as assigned by the BOR and/or its bylaws.

**Role of the Audit Committee**

The Audit Committee members are appointed by the BOR Chair and serve for one year or until the appointment of successors. The Audit Committee Chair is selected by the members of the Audit Committee.

Pursuant to the BOR Bylaws, the Audit Committee has the authority to conduct or authorize investigations into any matter within its scope of responsibility with unrestricted and timely access to all University functions, books, records, information systems, data, personnel, and property as necessary to carry out its duties.

**Membership**

The Audit Committee must consist of at least three members but not more than five members. During the fiscal year ended June 30, 2017, membership of the Audit Committee consisted of the following Regents:

1. Randy Moore, Chair
2. Michael McEnerney, Vice Chair
3. Wayne Higaki
4. David Iha
5. Jeffrey Portnoy

**Meetings**

The Audit Committee is required to meet at least twice per year. During fiscal year 2017, the Audit Committee held seven meetings. For purposes of ensuring that these meetings addressed the duties and responsibilities of the Audit Committee as documented in HRS §304A-321 and BOR Bylaws, Chair Moore prepared an Audit Committee Workplan and Schedule of Audit Committee Meeting Agenda. The Audit Committee Workplan documented the provisions of HRS §304A-321 and the planned actions to comply with these provisions. The Schedule of Audit Committee Meeting Agenda documents the anticipated timing for the performance of the planned actions.

In addition to Audit Committee members, other BOR members attending fiscal year 2017 meetings included BOR Chair Sullivan and Regents Acoba, Bal, Higa, Kudo, Mizuno, Putnam, Tagorda, Wilson, and Yuen. Meeting attendees also included University executive management (President, Vice Presidents, Chancellors of various campuses, etc.), the Director of Internal Audit, and personnel from the University’s external auditors (Accuity, LLP or Accuity). Other attendees consisted of
University personnel from a University campus/department/function associated with an Audit Committee meeting agenda topic or matter.

The following summarizes the significant matters and topics discussed at Audit Committee meetings held during fiscal year 2017. These topics and matters noted below conformed to the Schedule of Audit Committee Meeting Agenda.

**August 4, 2016:**
1. Internal Audit’s fiscal year 2017 Audit Plan was reviewed, discussed and accepted.
2. The Director of Internal Audit presented the fiscal year 2016 Audit Committee Annual Audit Report. This report was reviewed, discussed and accepted by the Audit Committee.
3. The Director of Internal Audit provided a status update and general information with respect to the Whistleblower Program.
4. The Audit Committee reviewed and accepted Internal Audit’s report in connection with their review of the Purchasing Card Program.

**August 18, 2016:**
1. BOR Vice Chair Moore was selected to serve as the Chair of the Audit Committee.

**October 6, 2016:**
1. The Audit Committee reviewed and accepted Internal Audit’s report in connection with their review of UHM Student Housing Services.
2. The Director of Risk Management provided a status update of the Enterprise Risk Management Program.
3. Professional development session provided by Accuity.
4. The Director of Internal Audit presented the Whistleblower Hotline Tracking Report.
5. Chair Moore discussed the memo prepared by the Director of Internal Audit documenting the coordination of work between the Office of Internal Audit and Accuity.
6. The Director of Internal Audit discussed the matrix documenting the status of audit projects included in the fiscal year 2017 Audit Plan.

**December 15, 2016:**
1. The Audit Committee reviewed and accepted the following reports presented by Accuity:
   c. UHM Athletics Department NCAA Agreed-Upon Procedures (AUP) Report for the year ended June 30, 2016
   d. UHM Athletics Department Internal Control and Business Issues Report for the year ended June 30, 2016
2. Accuity discussed their professional responsibilities and required communications pursuant to Statement on Auditing Standards No. 114.
3. Professional development session provided by Accuity.
4. Chair Moore discussed the Annual Report on Material Weakness and Fraud prepared by the Director of Internal Audit pursuant to HRS §304A-321. The report noted no material weaknesses or fraud.
February 9, 2017:
1. The Audit Committee reviewed and accepted the UHM Athletics Department Agreed-Upon Procedures report for the 2016 Football Season attendance presented by Accuity.
2. The Audit Committee reviewed and accepted the following reports prepared and presented by Internal Audit:
   a. Sales audit of the H-Zone for the year ended December 31, 2016
   b. Operational and compliance review of scholarship, registered independent organization, and study abroad scholarship awards of the Associated Students of the University of Hawai‘i at Mānoa (ASUH)
   c. Operational and financial review of University of Hawai‘i at Hilo Student Housing
   d. Evaluation of corrective action status of UHM Athletics equipment and apparel
3. The UHM Interim Vice Chancellor for Students and UHM Student Housing Services management provided a corrective action status update in response to Internal Audit’s report on UHM Student Housing Services presented at the October 6, 2016 meeting.
4. The Director of Internal Audit presented an updated Whistleblower Hotline Tracking Report.
5. Professional development session provided by Accuity.

April 6, 2017:
1. The Audit Committee reviewed and accepted the following reports prepared and presented by Internal Audit:
   a. Review and compliance evaluation of the Community College Financial and Operational Oversight of Revenue Generating Programs policy
   b. Evaluation of corrective action status of Commuter Services
   c. Operational and financial review of the University of Hawai‘i Press
2. The Director of Internal Audit presented an updated Whistleblower Hotline Tracking Report inclusive of an additional case description column.
3. The Vice President for Administration presented an update of the Enterprise Risk Management Program.
4. Professional development session provided by Accuity.

May 17, 2017:
1. The Audit Committee is expected to review and accept the following prepared and presented by Internal Audit:
   a. Proposed fiscal year 2018 Audit Plan
   b. Matrix comparing Office of Internal Audit reports with the Institute of Internal Auditor’s International Standards for the Professional Practice of Internal Auditing
   c. Fiscal year 2017 Annual Report of the Committee on Independent Audit
   d. Fiscal year 2017 Audit Results of the Office of Internal Audit
2. The Director of Internal Audit is expected to present an updated Whistleblower Hotline Tracking Report.
UNIVERSITY OF HAWAIʻI
Mānoa • Hilo • West Oʻahu • Community Colleges

OFFICE OF INTERNAL AUDIT

Audit Results
For the Fiscal Year Ended June 30, 2017

For the Committee on Independent Audit of the Board of Regents
May 2017
Executive Summary

Introduction
The Office of Internal Audit (Internal Audit) prepares this Audit Results (or Annual Report) report to summarize their activities and accomplishments for the fiscal year ended June 30, 2017. The Bylaws of the Committee on Independent Audit of the Board of Regents (Audit Committee) require that the Audit Committee review this report. Additionally, the preparation of this report assists the Audit Committee review the internal audit function of the University of Hawai‘i (University) as required by Hawai‘i Revised Statutes (HRS) §304A-321, Independent Audit Committee. Pursuant to the Charter of the Office of Internal Audit of the University of Hawai‘i (Internal Audit Charter), an annual audit plan is developed and submitted to the Audit Committee for review and approval. A copy of the Internal Audit Charter is incorporated into this report at Exhibit 2. The fiscal year 2017 Audit Plan was approved by the Audit Committee on August 4, 2016.

Overview of fiscal 2017 audit engagements
Exhibit 1 summarizes the audit objective(s), audit scope, observations, findings, conclusions and status of the engagements included in the approved 2017 Audit Plan. The status, observations, findings and recommendations of these engagements were discussed with the Audit Committee Chair and Vice Chair continuously and throughout fiscal 2017. The following table categorizes the 20 engagements listed in the 2017 Audit Plan.

<table>
<thead>
<tr>
<th>Fiscal 2017 engagements:</th>
<th>Completed: report reviewed and accepted</th>
<th>Completed: report for information</th>
<th>In Process</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Completed</td>
<td>Substantially complete</td>
<td>Fieldwork ongoing</td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>6</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Audit committee assistance</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Follow-up</td>
<td>3</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>External assistance</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

The 20th engagement was a placeholder for a “to be determined” engagement on behalf of UHM Athletics. However, UHM Athletics did not identify additional engagements during fiscal 2017. The audit committee assistance engagements related to the Whistleblower Hotline Program and related tracking reports, the annual report to the Hawai‘i State Legislature noting no instances of material weaknesses and the Audit Committee’s annual report evaluating their effectiveness. Substantial audit work has been completed with respect to the four (4) in-process engagements. The in-process engagements are anticipated to be completed during the first quarter of fiscal 2018. A significant accomplishment during fiscal year 2017 was the establishment and monitoring of the Whistleblower Hotline.

With respect to the completed engagements, Unit management concurred with all observations/findings and conclusions. Internal Audit produced recommendations ranging from 4 – 14 in connection with each engagement to mitigate identified operational, financial and compliance
risks. Unit management have implemented or are in the process of implementing corrective action pursuant to these recommendations. Regarding the follow-up audits, Internal Audit verified implementation of corrective action for seven (7) recommendations and also verified that Unit management was in-process of implementing corrective action of all remaining recommendations (approximately 10).

Conclusion
In connection with the fiscal 2017 audit engagements, Internal Audit did not identify conditions that we believe are material weaknesses. Common recommendations included in fiscal 2017 audit reports included the performance of periodic budget to actual analyses, comparison of financial and operational information warehoused in subsidiary management information systems to periodic financial reports and the University’s general ledger (KFS), and monitoring outstanding accounts receivable balances.

Internal Audit recognizes the importance of building and sustaining effective relationships among the Audit Committee, University management and the external auditor. These relationships provide efficiencies and enhancements in the University’s risk assessment and management processes and in the performance of internal and external audits. Accordingly, Internal Audit appreciates and thanks University management and staff for their cooperation and responsiveness in connection with the engagements summarized in Exhibit 1. Further, we thank the Audit Committee for their continued support of Internal Audit. Please call Glenn Shizumura at 956-7318 with any questions or comments with respect to the contents of this report.
Audit Resources & Competencies

Internal Audit’s staffing at the commencement of the fiscal year ended June 30, 2017 consisted of its Director and four full-time staff auditors. In late July 2016, a full-time staff auditor resigned to pursue a career in the private sector. Internal Audit’s professionals have a substantial number of years of auditing and accounting experience within both the University environment and the private sector. Collectively, professionals have approximately 30 years of audit experience at international public accounting firms. Professional designations include Certified Public Accountant and Certified Internal Auditor.

Internal Audit also employs University students majoring in accounting to provide the students with the opportunity to experience auditing from an internal audit perspective in addition to an external audit perspective. Assistance on Internal Audit projects includes research and preparing working papers documenting the results of their research, verifying the mathematical accuracy of schedules and financial statements, obtaining and analyzing financial information from the University’s general ledger, reviewing the contents of electronic and manual audit files for completeness, etc. Student auditor tasks may also include research on new or recently revised accounting and auditing literature. The work product of this research is an oral presentation and PowerPoint slide presentation to Internal Audit staff and student auditors. External audit assistance consists of assisting full-time staff perform audit procedures that can be relied upon by the University’s external auditors (Accuity, LLP or Accuity). Audit experience gained through their employment at Internal Audit has benefited and assisted student auditors obtain internship and/or full-time employment opportunities with international and local accounting firms.

Internal Audit employed a total of eight students during the year ended June 30, 2017. During this period, three – six students were employed at any point in time. Employment fluctuations result from student internships at downtown accounting firms and graduation. Internal Audit encourages these internships and reserves the student auditor position for the student upon the completion of their internship.

The administrative functions of the office are handled by a full-time Administrative Assistant and student auditors. Administrative duties consist primarily of the following:

- Provide information technology support.
- Manage the storage, back-up and security of Internal Audit’s electronic files.
- Prepare and issue fiscal related documentation for procuring goods and processing payments.
- Coordinate work orders and auxiliary services for the office.
- Maintain office supplies and equipment, including routine security maintenance on computers.
- File and archive internal and external audit reports.
- Manage office information flow.
- Prepare monthly and year-to-date financial reports to track and monitor Internal Audit expenses.
- Compare and analyze current year-to-date expenses to budget and prior year expenses.
The Office of Internal Audit reports functionally to the University of Hawai‘i Board of Regents through its Committee on Independent Audit.

Office of Internal Audit
Organization Chart
July 1, 2016 – June 30, 2017

University of Hawai‘i
Board of Regents

The Office of Internal Audit reports administratively to the Vice President for Budget and Finance/Chief Financial Officer.

Office of Internal Audit
Director
Glenn Shizumura
Internal Auditors
Sheri Ching
Bryce Iwata
David Sakamoto
Kristin Dong (departed 7/2016)
VACANT

Vice President for Budget and Finance/Chief Financial Officer

Administrative Assistant

Student Assistants

DRAFT
### Profile of the Office of Internal Audit

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Professional Designation</th>
<th>Academic Qualification</th>
<th>Work Experience</th>
<th>Industry Expertise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glenn Shizumura</td>
<td>Director</td>
<td>Certified Public Accountant (CPA) – Hawai’i 1990</td>
<td>Bachelor of Business Administration (BBA)</td>
<td>23 years, Ernst &amp; Young – Executive Director/Principal; Industry expertise – public sector, real estate, retail, insurance and not-for-profit</td>
<td>8 years Director of Internal Audit/University of Hawai’i</td>
</tr>
<tr>
<td>Sheri Ching</td>
<td>Internal Auditor</td>
<td>CPA – Hawai’i 2003</td>
<td>BBA/Masters in Accounting (MAcc)</td>
<td>4 years Public Accounting/PricewaterhouseCoopers – Industry expertise – public sector, not-for-profit and hospitality</td>
<td>5 years Financial Accounting/Kyo-ya Hotels &amp; Resorts; 9 years Internal Audit/University of Hawai’i</td>
</tr>
<tr>
<td>David Sakamoto</td>
<td>Internal Auditor</td>
<td>Certified Internal Auditor - 2008</td>
<td>BBA</td>
<td>17 years General Accounting and Business/University of Hawai’i; 13 years Internal Audit/University of Hawai’i</td>
<td></td>
</tr>
<tr>
<td>Bryce Iwata</td>
<td>Internal Auditor</td>
<td>n/a</td>
<td>BBA/MAcc</td>
<td>4 years Public Accounting/Deloitte; 1 year Financial Accounting/Bishop Insurance Agency; 9 years Internal Audit/University of Hawai’i</td>
<td></td>
</tr>
<tr>
<td>Kristin Dong</td>
<td>Internal Auditor</td>
<td>CPA</td>
<td>BBA</td>
<td>4 years Public Accounting/Moss Adams; PKF Hawai’i; 2 years Internal Audit/University of Hawai’i</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** Kristin Dong (departed July 2016)
Internal Audit Activity and Results

Audit Plan
Internal Audit’s fiscal 2017 Audit Plan was approved by the Audit Committee during its meeting held on August 4, 2016. The Audit Plan was developed using a risk-based approach and considered Internal Audit’s available resources. Criteria used in selecting audit projects included providing coverage of higher risk departments/units/functions and areas of concern to the Board of Regents (BOR) and University management. The following are considered in preparing Internal Audit’s Audit Plan:

- Periodic meetings and discussions with the Audit Committee Chair and Vice Chair.
- Meetings and discussions with certain members of University management.
- Observations and findings contained in historical reports issued by Internal Audit. Certain University departments and/or functions may be reviewed as a result of:
  - audit findings noted in departments and/or functions with similar operations and/or
  - unremediated audit findings.
- Review of the various University Internal Control and Business Issues Reports issued by the University’s external auditors.
- Meetings and discussions with Accuity with respect to sensitive audit areas.
- Regulatory compliance.

A recent area of audit emphasis for the Audit Committee has been the operations of revenue generating units of the University. Accordingly, recent Audit Plans have included audits of revenue generating units.

The following are the types of engagements (including examples of fiscal 2017 engagements) generally performed by Internal Audit:

- **Financial audits and reviews** – determine the fairness, accuracy, and reliability of financial information presented in accordance with established or stated criteria. An example was the required sales audit of the H-Zone pursuant to the University’s lease agreement. Internal Audit performing these services precluded the need for UHM Athletics to engage an external audit firm to provide financial audit services.

- **Attestation engagement** – examination, review, or agreed-upon procedures on a subject matter, or an assertion about a subject matter (including financial information). An example was the review of ASUH’s policies, procedures and practices related to scholarship, registered independent organization, and study abroad scholarship awards. The ASUH Constitution requires ASUH to obtain an annual audit. Similar to the H-Zone audit, the performance of this engagement by Internal Audit precluded the need to engage an external audit firm.

- **Operational reviews** – evaluate an area, department, or functional operation with the objective of evaluating efficiency and effectiveness. Examples of operational review projects include reviews of revenue generating units such as the University of Hawai‘i at Hilo Student Housing and the University of Hawai‘i Press.
● **Compliance reviews** – assess the adherence to laws, regulations, policies and procedures. A compliance review may also include assessing compliance with the terms and conditions of contracts/agreements.

● **Follow-up audits** – performed to identify and evaluate management actions implemented in response to a prior audit. Follow-up audits are generally performed during the year following the issuance of the report to assess if management actions have been effectively implemented or if senior management has accepted the risk of not taking action.

Internal Audit consults with University personnel when questions arise with respect to generally accepted accounting principles and its application, accounting and operational process analyses and related internal control matters. Internal Audit also provides guidance and collaborates with auditees in connection with their implementation of Internal Audit recommendations. In addition, Internal Audit may perform and participate in investigation projects as a result of complaints to the BOR office and/or University management.

In addition to the services previously described, Internal Audit provides a maximum of 1,000 hours of external audit assistance to Accuity. External audit assistance provided by Internal Audit has significantly reduced Accuity’s audit fees charged to the University. Assistance provided by Internal Audit during fiscal 2017 included the following:

- Prepared audit schedules and audited certain accounts related to the Consolidated Financial Statements and University of Hawai‘i at Mānoa Intercollegiate Athletics agreed-upon procedures pursuant to NCAA regulations. Audit procedures performed by Internal Audit were used and relied upon by Accuity to reduce their extent of audit work.
- Reviewed the University’s Consolidated Financial Statements for the fiscal year ended June 30, 2016. Accuity’s report date was December 15, 2016.
- Reviewed the separate agreed-upon procedures audit (required pursuant to NCAA regulations) of UHM Athletics for the fiscal year ended June 30, 2016. Accuity’s report date was December 15, 2016.
- Attended and participated in all audit status meetings with Accuity and Financial Management Office personnel.

The University’s Consolidated Financial Statements were completed and issued prior to the date requested by the Department of Accounting and General Services of the State of Hawai‘i for incorporation into the State of Hawai‘i’s Comprehensive Annual Financial Report.

The Director of Internal Audit and Audit Committee Chair and Vice Chair had numerous conversations and met prior to each Audit Committee meeting and throughout fiscal 2017 to discuss various University topics and matters including the following:

- status of external and internal audit engagements;
- questions and comments on reports drafted by Internal Audit or external auditors;
- findings, observations, recommendations and risks identified in connection with projects performed by Internal Audit;
- Whistleblower Hotline matters;
Audit Phases

Internal Audit’s audit process commences with the above described Audit Plan. Summarized below are the typical audit phases utilized by Internal Audit in connection with each audit project. An overarching Internal Audit objective is frequent and constant communication with Unit personnel on an ongoing basis. Ongoing and effective communication is critical in validating potential audit issues/findings as well as determining feasible recommendations.

1. Preliminary review:
   Internal Audit gathers and reviews information to obtain a preliminary understanding of the operation, activity or process that will be audited. A preliminary assessment of risks relevant to the audit is conducted.

2. Notification:
   The Director of Internal Audit contacts appropriate University management regarding an audit project(s) that will impact their Unit. The audit purpose and objective, scope, time period covered by the audit, etc. are also discussed.

3. Initial meeting:
   An initial meeting is scheduled to establish the tone for the audit and to discuss the audit’s scope, objectives, timing and expectations. Internal Audit will also request the auditee to describe their Unit’s operations that will be impacted by the audit as well as available resources (personnel, facilities, systems, etc.) and any other issues or concerns.

4. Planning:
   Written documentation of relevant processes and controls is requested and analyzed. Internal Audit will perform a walk-through to confirm the documented processes and controls. Subsequent to the completion of the preliminary risk assessment, an audit plan and program are developed to assist in the performance of an efficient and effective audit. Internal Audit has developed a quality assurance checklist to utilize on all engagements to ensure compliance with applicable professional authoritative literature and Internal Audit’s in-house policies.

5. Fieldwork:
   Fieldwork consists of gathering evidence and analyzing and evaluating that evidence pursuant to the audit program. Audit procedures are performed such that the most significant and high risk audit risk areas are completed first. Internal Audit utilizes Microsoft One Note to manage and electronically file audit documentation and workpapers. All engagement documentation and workpapers are reviewed by the designated supervisor(s).

6. Report draft:
   The drafting of the audit report commences during the performance of fieldwork. Internal Audit schedules a meeting with Unit management to discuss the form and content of the draft report and provides a copy of the draft report concurrently with or subsequent to this meeting. From a
timing perspective, Internal Audit generally provides the preliminary draft report to the auditee at least four (4) weeks prior to the next scheduled Audit Committee meeting. The auditee is requested to provide draft report comments by an agreed upon due date of receiving the initial draft report. Internal Audit incorporates relevant and appropriate comments received by the auditee into the report draft. A revised draft report is generally distributed to the auditee within one business day.

7. Report distribution to the Audit Committee Chair, Vice Chair and BOR Office:
Subsequent to incorporating auditee comments into the draft report, the report draft will be distributed to the Audit Committee Chair and Vice Chair for review and comment. Subsequent to review by the Audit Committee Chair and Vice Chair, the report draft will be forwarded to the BOR Office for distribution to Audit Committee members prior to the Audit Committee meeting. The report draft will be presented by the Director of Internal Audit at the Audit Committee meeting.

8. Management response:
Unit management is generally requested to provide a written response to Internal Audit’s report. The Director of Internal Audit discusses the written response with the Audit Committee Chair and Vice Chair prior to distribution to Audit Committee members. Unit management personnel are requested to attend the Audit Committee meeting to respond to possible Audit Committee member questions and comments.

9. Final report distribution:
Subsequent to the Audit Committee’s review and acceptance of the draft report, Internal Audit finalizes and distributes printed and electronic copies of the report to Unit management and appropriate senior management personnel of the University.

10. Follow-up:
Within approximately one year of audit report issuance, Internal Audit will perform a follow-up audit to assess the implementation of Internal Audit’s recommendations and Unit corrective action.

**Time Allocation**
Similar to other professionals in accounting and auditing, Internal Audit tracks time spent on each project and task. The following chart summarizes the time allocation for the fiscal year ended June 30, 2017 (actual time through April 28th and estimate to complete through June 30th):
Administrative time primarily includes various human resource related functions (e.g., performance of employee evaluations, student hiring, etc.) and office management functions (e.g., review of current year-to-date expenses to budget and prior year expenses, engagement scheduling, etc.). Training time includes the reading of various professional organization periodicals (Association of College and University Auditors, National Association of College and University Business Officers, Journal of Accountancy, etc.) and participating in webinars and on-line courses relating to emerging accounting, auditing and operational issues primarily affecting governmental entities and higher education institutions.

The following table and chart compares Internal Audit’s allocation of total time for the fiscal years ended June 30, 2017, 2016, and 2015:

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30,</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>76%</td>
<td>73%</td>
<td>74%</td>
</tr>
<tr>
<td>Administrative</td>
<td>5%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Training</td>
<td>3%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Holiday</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Leave</td>
<td>11%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Direct Time

Direct time represents services directly benefiting the University. The following chart summarizes the allocation of direct time by engagement type for the fiscal year ended June 30, 2017:

Allocation of Direct Time

- Operational and compliance: 53%
- Financial audits and reviews: 23%
- Other: 10%
- Attestation: 7%
- Follow-up: 3%
- Consultation and investigation: 4%
Other time represents audit related functions, such as preparing for and attending Audit Committee meetings and Audit Committee planning meetings, as well as the preparation of documents for the Audit Committee.

The following table and chart compares Internal Audit’s allocation of direct time for the fiscal years ended June 30, 2017, 2016, and 2015:

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Operational &amp; Compliance</td>
<td>53%</td>
</tr>
<tr>
<td>Financial Audits &amp; Reviews</td>
<td>23%</td>
</tr>
<tr>
<td>Follow-up</td>
<td>3%</td>
</tr>
<tr>
<td>Attestation</td>
<td>7%</td>
</tr>
<tr>
<td>Consultation &amp; Investigations</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

![Chart comparing allocation of direct time for fiscal years 2017, 2016, and 2015]
## Office of Internal Audit
### Summary of Audit Engagements
#### Fiscal Year Ended June 30, 2017

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Primary Objective(s)/Audit Scope</th>
<th>Findings/Conclusions &amp; Comments</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXTERNAL AUDIT ASSISTANCE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 1. University of Hawai‘i (Consolidated) financial statements | Audits pursuant to federal requirements.  
- Provide audit assistance under the direction of Accuity, LLP (Accuity).  
- Provide support and assistance in connection with all audit reports.  
- Participate in periodic status meetings with Accuity and Financial Management Office personnel.  
- Review and provide comments on draft reports. | Accuity’s report noted:  
- Unmodified audit opinion.  
- No material weaknesses in internal controls over financial reporting. | Complete.  
Accepted by the Audit Committee on December 15, 2016. |
| 2. University of Hawai‘i (Uniform Guidance) Reports | | | |
|  | | | Complete.  
Accepted by the Audit Committee on December 15, 2016. |
| 3. UHM Athletics agreed-upon procedures (AUP) report | AUP pursuant to NCAA regulations.  
- Provide AUP assistance under the direction of Accuity.  
- Provide support and assistance in connection with the AUP report.  
- Review and provide comments on draft report. | Accuity’s report noted no exceptions. | Complete.  
Accepted by the Audit Committee on December 15, 2016. |
| **AUDIT COMMITTEE ASSISTANCE** | | | |
| 4. Whistleblower Hotline | The University whistleblower hotline and associated website was launched on June 15, 2016. The Audit Committee will be apprised of the type, nature, status, etc. of hotline reports received during their periodic meetings. | Most frequently reported complaints relate to human resource matters. Administrators continue to oversee the resolution of reported cases. | Continuous.  
# Office of Internal Audit  
**Summary of Audit Engagements**  
**Fiscal Year Ended June 30, 2017**

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</table>
| 5. Audit Committee Reports – Annual Report to the Board of Regents (BOR) and Hawaiʻi State Legislature  
- Type: Audit Committee Assistance  
- Period: July 1, 2015 – June 30, 2016 | Assisting the Audit Committee prepare an annual report to the Board of Regents (BOR) and Hawaiʻi 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 Hawaii State Legislature dated December 19, 2016 noted no instances of material weaknesses in internal controls over financial reporting and no instances of fraud or illegal acts. | Complete.  
- Discussed at December 15, 2016 Audit Committee meeting. |
| 6. Audit Committee Reports – Annual Report to the BOR  
- Type: Audit Committee Assistance  
- Period: July 1, 2016 – June 30, 2017 | 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 notes that the Audit Committee fulfilled its HRS §304A-321 and Charter responsibilities for the fiscal year ended June 30, 2017. | Complete.  
- To be presented at the May 2017 Audit Committee meeting. |
## Office of Internal Audit
### Summary of Audit Engagements
**Fiscal Year Ended June 30, 2017**

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<tr>
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</tr>
</thead>
</table>
| **7. University of Hawai‘i at Mānoa (UHM) Student Housing Services** | Review and analyze financial information and the related processes and controls to assess operational issues. | - Prepare an annual budget and analyze budgeted to actual results on a periodic basis (monthly, quarterly, semester) during the fiscal year.  
- Prepare financial reports and budget to actual analysis by property.  
- Compare operational and financial data from subsidiary information systems to financial reports and KFS.  
- Revise processes to mitigate the risk of originating additional uncollectible receivables.  
- Automate the process of corresponding with current residents re: unpaid balances.  
- For conference housing, enforce or modify full payment policy and/or obtain credit card information prior to check-in.  
- Upgrade or install separate utility meters by property and food service facility.  
- Ensure that all agreements are renegotiated timely and comply with UH policies. | Management response letter dated September 29, 2016 agreed with all findings and recommendations.  
The expected date of addressing all findings and recommendations is August 2017. | UHM Student Housing provided a management response update dated January 13, 2017 noting that implementation of the majority of recommendations were in process.  
An evaluation of corrective action status will be performed during fiscal year 2018 by Internal Audit. | **Complete.**  
- Audit report and original management response accepted by the Audit Committee on October 6, 2016.  
- Management response update (dtd: 1/13/17) provided to the Audit Committee on February 9, 2017. |
Office of Internal Audit  
Summary of Audit Engagements  
Fiscal Year Ended June 30, 2017

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<tr>
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</tr>
</thead>
</table>
| 7. UHM Student Housing Services (cont’d) | | • Develop standards and expectations for custodial maintenance service to be provided by in-house staff.  
• Document acquisition date, location and condition of furniture to estimate a furniture replacement schedule.  
• Develop a plan to identify, prioritize and manage deferred and preventative maintenance, renovation/upgrade and capital development projects.  
• Evaluate the recordation of capital expenditures to ensure the information is useful and available to mgmt. and is in conformity with GAAP.  
• Submit the required annual reports to the BOR.  
• Consult with tax personnel the tax treatment of free housing provided to certain full-time and student employees. | | | | | |
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>8. University of Hawai‘i at Hilo Student Housing</td>
<td>Review and analyze financial information and the related processes and controls to assess operational issues.</td>
<td>Develop and implement a plan to remediate the low occupancy at Hale ‘Alahonua.</td>
<td>Management response letter dated January 27, 2017 agreed with all findings and recommendations. The expected date of addressing all findings and recommendations ranged from February 2017 – June 2018.</td>
<td>An evaluation of corrective action status will be performed during fiscal year 2018 by Internal Audit.</td>
<td>Complete.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase communication and collaboration with UHM Student Housing to assess best practices and strengths in areas such as conference housing eligibility, service provider contract terms and the taxability of housing and meals provided to employees.</td>
<td></td>
<td></td>
<td>Accepted by the Audit Committee on February 9, 2017.</td>
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<tr>
<td></td>
<td></td>
<td>Analyze the worksheet comparing quarterly forecasted to actual revenues to expenses.</td>
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<td></td>
<td>Consult with the Financial Mgmt. Office to obtain complete and accurate capital asset information.</td>
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<tr>
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<td></td>
<td>Compare operational and financial data from subsidiary information systems to financial reports and KFS.</td>
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<td>Obtain credit card information from conference groups prior to check-in.</td>
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<tr>
<td></td>
<td></td>
<td>Automate the process of emailing residents re: unpaid balances.</td>
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</tbody>
</table>
### Office of Internal Audit
#### Summary of Audit Engagements
**Fiscal Year Ended June 30, 2017**

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</table>
| 8. University of Hawai‘i at Hilo Student Housing (cont’d) | | • Ensure that all agreements with third party service providers are renegotiated timely and comply with UH policies.  
• Submit the required annual reports to the BOR.  
• Consult with tax personnel the tax treatment of free housing and meals provided to certain full-time and student employees. | | | |
| 9. Associated Students of the University of Hawai‘i at Mānoa (ASUH) | Type: Attestation  
Period: July 1, 2015 – June 30, 2016 | Perform an operational review related to the following:  
• Scholarships  
• Registered Independent Organization (RIO) awards  
• Study Abroad Scholarships | • ASUH personnel complied with written ASUH and University policies and procedures.  
• Internal controls were operating as intended.  
• Instances of non-compliance were noted regarding the monitoring of RIO award Post Activity Report submissions and the verification of Hawaii resident status for Study Abroad Scholarships.  
• Amounts expended were within ASUH approved budgeted amounts. | Management agreed with the four (4) findings and has implemented corrective action.  
Corrective action was deemed appropriate and reasonable by Internal Audit. | Internal Audit validated the implementation of corrective action related to the current year findings. | Complete.  
Accepted by the Audit Committee on February 9, 2017. |
## Exhibit 1

### Office of Internal Audit

**Summary of Audit Engagements**

**Fiscal Year Ended June 30, 2017**

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Primary Objective(s)/Audit Scope</th>
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<th>Status</th>
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</thead>
<tbody>
<tr>
<td><strong>10. Sales Audit of the H-Zone</strong>&lt;br&gt;• Type: Financial&lt;br&gt;• Period: January 1, 2016 – December 31, 2016</td>
<td>Perform a sales audit of the H-Zone’s (located at Ward Center) Schedule of Gross Sales in accordance with the lease agreement.</td>
<td>• Issuance of an unmodified report in accordance with AICPA standards.&lt;br&gt;• For the year ended 12/31/16:&lt;br&gt;  ➢ Gross sales: $818,000&lt;br&gt;  ➢ Percentage rent incurred: $8,800 (total rent incurred: $63,000)&lt;br&gt;• No findings/recommendations.</td>
<td>N/A</td>
<td>N/A</td>
<td>• Complete.&lt;br&gt;• Accepted by the Audit Committee on February 9, 2017.</td>
</tr>
<tr>
<td><strong>11. University of Hawai‘i Press</strong>&lt;br&gt;• Type: Operational, Financial&lt;br&gt;• Period under audit: Three years ended June 30, 2016</td>
<td>Review and analyze financial information and the related processes and controls to assess operational issues.</td>
<td>• Establish formal guidelines and/or bylaws for the Editorial Board to improve Press’ publishing process.&lt;br&gt;• Compare and analyze budgeted financial info. to actual financial results on a periodic basis.&lt;br&gt;• Establish gross margins by book (title) and journal and measure actual results against budget.&lt;br&gt;• Resolve and reduce the unapplied credit memo balances.&lt;br&gt;• Enhance and improve the inventory management process given that there were approximately 500,000 books valued at $0 as of 6/30/16.&lt;br&gt;• Evaluate the inventory write-down methodology to validate if annual write-down percentages and the resulting inventory value is reasonable when compared to actual backlist book sales in subsequent years.</td>
<td>Management agreed with all findings and recommendations and will implement recommendations from June 2017 – December 2017.</td>
<td>An evaluation of corrective action status will be performed during fiscal year 2018 by Internal Audit.</td>
<td>• Complete.&lt;br&gt;• Accepted by the Audit Committee on April 6, 2017.</td>
</tr>
<tr>
<td>Engagement</td>
<td>Primary Objective(s)/Audit Scope</td>
<td>Condensed Findings/Conclusions &amp; Comments</td>
<td>Management Response/Action Plan</td>
<td>Implementation Status</td>
<td>Status</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
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<td>-----------------------------------------------------------------------</td>
</tr>
<tr>
<td>12. University of Hawai‘i – Capital Improvement Projects and Repairs and Maintenance</td>
<td>Historical evaluations and reviews of the University of Hawai‘i at Mānoa Office of Facilities and Grounds operations performed by APPA, Accuity, and Internal Audit have identified areas for improvement. Internal Audit will review the CIP Procurement process, the project/construction management process, repair and maintenance/work order process and inventory control process.</td>
<td>Preliminary:  - Initiatives to improve the effectiveness and efficiencies in the construction procurement process and project management process commenced during fiscal 2017.  - Process improvements include the establishment of written goals and objectives.  - Previous recommendations to review outstanding work orders to ensure the accuracy and completeness of the work order database is ongoing.</td>
<td>N/A</td>
<td>N/A</td>
<td>• Fieldwork is ongoing but substantially complete.  &lt;br&gt;• Currently drafting report.</td>
</tr>
<tr>
<td>13. University of Hawai‘i at Mānoa Outreach College</td>
<td>The University of Hawai‘i at Mānoa Outreach College (Outreach College) develops and implements year-round programs. Project objective is to review historical Outreach College financial statements and its related processes and controls in addition to evaluating financial and operational risks and opportunities.</td>
<td>Preliminary:  - Outreach College manages the following on behalf of various UHM colleges, schools and departments: 1) Credit Programs, 2) Summer Session, 3) International Programs, 4) Professional Programs, and 5) Community Programs.  &lt;br&gt;For the three years ended June 30, 2016:  - Annual tuition and fees recorded ranged from $28M - $32M.  - Annual administrative fees charged for services provided by Outreach College ranged from $7M - $9M.</td>
<td>N/A</td>
<td>N/A</td>
<td>• Fieldwork currently in progress.</td>
</tr>
</tbody>
</table>
### Exhibit 1

**Office of Internal Audit**  
**Summary of Audit Engagements**  
**Fiscal Year Ended June 30, 2017**

<table>
<thead>
<tr>
<th>Engagement</th>
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<th>Management Response/Action Plan</th>
<th>Implementation Status</th>
<th>Status</th>
</tr>
</thead>
</table>
| 13. University of Hawai‘i at Mānoa Outreach College (cont’d) | | - Annual payroll expense ranges from approx. $11M - $13M.  
- Outreach College reconciles their internal database management system to Banner and the University’s general ledger (KFS). | | | |

**FOLLOW-UP**

| 14. Evaluation of Corrective Action Status – ASUH | Assess the implementation status of corrective action. | Four (4) findings and recommendations identified in the prior year.  
- Update incorporated into current year ASUH report (see no. 9 above). | All four (4) recommendations have been implemented. | Internal Audit validated the implementation of corrective action. | Complete.  
- Accepted by the Audit Committee on February 9, 2017. |

| 15. Evaluation of Corrective Action Status – UHM Athletics Equipment and Apparel | Assess the implementation status of corrective action. | Seven (7) findings and recommendations identified in the prior year.  
- Updated policies and procedures should be completed as soon as possible | One (1) of seven (7) recommendations have been implemented as of January 2017.  
- Candidate for the Head Equipment Manager position is pending approval. | Five (5) recommendations are assigned to the Head Equipment Manager.  
- Equipment and apparel inventory software purchased and in the process of implementation. | Complete.  
- Accepted by the Audit Committee on February 9, 2017. |
### Exhibit 1

**Office of Internal Audit**

**Summary of Audit Engagements**

**Fiscal Year Ended June 30, 2017**

<table>
<thead>
<tr>
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<th>Management Response/Action Plan</th>
<th>Implementation Status</th>
<th>Status</th>
</tr>
</thead>
</table>
| **16. Evaluation of Corrective Action Status – UHM Commuter Services**  
  - Type: Follow-up  
  - Period: As of April 2017 | Assess the implementation status of corrective action. | Six (6) findings and recommendations identified in the prior year. | Two (2) of six (6) recommendations have been implemented as of April 2017. | • Three (3) recommendations will be implemented by June 30, 2017.  
• Remaining (1) recommendation to be implemented by the Fall 2017 semester. | Complete.  
• Accepted by the Audit Committee on April 6, 2017. |
| **17. Evaluation of Corrective Action Status – University Purchasing Card Program**  
  - Type: Follow-up  
  - Period: As of May 2017 | Assess the implementation status of corrective action. | Three (3) findings and recommendations identified in the prior year. | Management has informed Internal Audit that identified risks noted in the prior year have been addressed. | Internal Audit in the process of validating management assertions regarding the status of corrective action. | • Fieldwork is ongoing but substantially complete.  
• Currently drafting report. |
| **18. Evaluation of Corrective Action Status – KCC Chancellor’s Office Accounts at UHF**  
  - Type: Follow-up  
  - Period: As of May 2017 | Assess the implementation status of corrective action. | Four (4) findings and recommendations identified in the prior year. | Management has informed Internal Audit that all recommendations have been implemented. | Discussions with management and UHF are ongoing to validate recommendation implementation. | Fieldwork currently in progress. |
Exhibit 1
Office of Internal Audit
Summary of Audit Engagements
Fiscal Year Ended June 30, 2017

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Primary Objective(s)/Audit Scope</th>
<th>Condensed Findings/Conclusions &amp; Comments</th>
<th>Management Response/Action Plan</th>
<th>Implementation Status</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unit Requested Assistance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The University of Hawai‘i at Mānoa Athletics Department and the Community College System Office of the Associate Vice President for Administrative Affairs (OAVPAA) may request that Internal Audit provide services to certain aspects of their operations. However, the University of Hawai‘i at Mānoa Athletics Department and the Community College System Office has not yet identified the nature, timing and extent of these services. Any requested services will be presented to the Audit Committee for approval prior to Internal Audit commencing audit work.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>19. University of Hawai‘i at Mānoa Athletics Department</strong></td>
<td>Audit areas may include ticket office operations, booster club operations, sport camp operations, etc.</td>
<td>Consultation with senior management of UHM Athletics did not identify additional areas to audit during fiscal 2017.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>• Type: Operational, Compliance, Financial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Period under audit: TBD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>20. Community College System</strong></td>
<td>Audit areas may include evaluating select Community College operations for compliance with the Community College’s Financial and Operational Oversight of Revenue Generating Programs policy (RGP policy).</td>
<td>• Internal Audit historical reports included seven (7) – sixteen (16) recommendations in each audit report issued in connection with certain revenue generating programs at Kapi‘olani (Culinary Arts Program and Office of Continuing Education and Training) and Leeward Community Colleges (Culinary Arts Program). • The Community College OAVPAA issued a RGP policy. • The RGP policy was deemed reasonable and practicable.</td>
<td>The RGP policy is applicable to all Community College campuses to mitigate the risks identified in historical audit reports.</td>
<td>• Evaluation conducted at LCC verified policy implementation and compliance. • Internal Audit may assess compliance with the RGP policy at other Community College campuses during fiscal year 2018.</td>
<td>• Complete. • Accepted by the Audit Committee on April 6, 2017.</td>
</tr>
</tbody>
</table>
Charter of the
Office of Internal Audit
University of Hawai‘i

Mission
The mission of the University of Hawai‘i (University) Office of Internal Audit is to assist the University’s Board of Regents and University Management (President, Senior Management Team, Council of Chancellors) in fulfilling their oversight, management, and operating responsibilities. This is accomplished through providing independent and objective assurance and consulting services conducted in a systematic and disciplined approach to evaluate, add value, and improve the University’s operations.

Organization
The Office of Internal Audit reports directly to the Committee on Independent Audit (Committee) of the Board of Regents and is supported administratively by the Vice President for Budget and Finance/Chief Financial Officer (CFO).

Authority
The Office of Internal Audit functions under the authority of the Committee and is authorized to:

- have unrestricted and timely access to University functions, books, records, information systems, data, personnel, and property as required to accomplish its mission.
- review and evaluate compliance with policies, procedures, statutes, and regulations of any University activity, program or function.
- have unrestricted access to the Committee.
- obtain the necessary assistance of personnel within the University, as well as specialists from outside the University to assist in providing its assurance and consulting services.
- allocate resources of the office, set frequencies and determine the scope of work for all assurance and consulting services.

Responsibilities
The Office of Internal Audit has a responsibility to:

- obtain input from the Committee and University Management regarding significant risks or exposures facing the University.
- discuss the adequacy of the University’s internal controls over financial reporting, including computerized information system controls and security with the Committee and the CFO.
- review and discuss the following with the Committee and the CFO, as it relates to engagements performed by external auditors:
  - audited financial statements and related footnotes;
  - reports as required pursuant to the requirements of Government Auditing Standards and Federal audit requirements (OMB Circular A-133 and Uniform Guidance);
  - other reports promulgated by the American Institute of Certified Public Accountants (AICPA), such as reports on agreed upon procedures;
  - remediation plans to address audit findings and internal control deficiencies.
Charter of the
Office of Internal Audit
University of Hawai‘i

- develop the annual external and internal audit plans and submit the plans to the Committee for review and approval.
- implement the approved annual audit plan, including, as appropriate, any special tasks or projects requested by the Committee and/or University Management based on risk or control concerns.
- provide the Committee with a periodic status on the scope, progress, results of projects included in the internal audit plan, as well as the progress and results of the external audit plan.
- perform requested consulting services to assist the Board of Regents and/or University Management in meeting their responsibilities to the University.
- assist in the investigation of alleged fraudulent activities within the University, if any, as appropriate, and notify the Committee, the Vice President for Legal Affairs/University General Counsel and the CFO of its findings and results.
- with respect to external auditors, the Director of the Office of Internal Audit shall:
  - coordinate all audit activities related to the University;
  - foster a cooperative working relationship;
  - reduce the incidence of duplication of effort; and
  - promote appropriate sharing of information.

Professional Standards and Ethics
The Office of Internal Audit has adopted the following:

Principles

- Integrity
  The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
- Objectivity
  Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- Confidentiality
  Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- Competency
  Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services.
Exhibit 2

Charter of the
Office of Internal Audit
University of Hawai‘i

Rules of Conduct

Integrity
- Perform work with honesty, diligence, and responsibility.
- Observe the law and make disclosures expected by the law and the profession of internal audit.
- Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession or to the University.
- Respect and contribute to the legitimate and ethical objectives of the University.

Objectivity
- Not participate in any activity or relationship that may impair or be presumed to impair an unbiased assessment. Participation includes those activities or relationships that may be in conflict with the interests of the University.
- Not accept anything that may impair or be presumed to impair professional judgment.
- Disclose all material facts known, that if not disclosed, may distort the reporting activities under review.

Confidentiality
- Exercise prudence in the use and protection of information acquired during the performance of duties.
- Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the University.

Competency
- Engage only in services for which auditors possess sufficient knowledge, skills, and experience.
- Continually improve the proficiency, effectiveness, and quality of services.

Reporting
The Office of Internal Audit will communicate and distribute the results of services provided by external audit organizations and the Office of Internal Audit to appropriate University personnel. This includes:

External Audits
- Receive and distribute external auditor reports to the Committee, the auditee, appropriate members of University Management and others as directed by the Committee.
- Gather and follow up on comments and questions raised by the Committee, the auditee, University Management and other University personnel regarding external reports.
- Communicate the comments and questions to the external auditors.
- Provide responses to the Committee, the auditee, University Management and other personnel regarding their comments and questions.
Charter of the
Office of Internal Audit
University of Hawai‘i

- Review proposed corrective action responses related to findings and recommendations prepared by University Management and other University personnel.

**Internal Audits**
- Provide periodic summary reports to the Committee Chairperson documenting the results of the procedures performed with respect to projects performed by the Office of Internal Audit pursuant to the internal audit plan.
- At the discretion of the Committee’s Chairperson, provide final reports and other information to the Committee Chairperson and other members of the Committee and Board of Regents.
- Distribute draft reports to the auditee for review and comments.
- Review proposed corrective action responses related to findings and recommendations prepared by the auditee and if applicable, University Management.
- Distribute final reports to the auditee and members of University Management as appropriate.
<table>
<thead>
<tr>
<th>Case #</th>
<th>Campus</th>
<th>Classification</th>
<th>Submitted by</th>
<th>Date Opened</th>
<th>Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>127</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>05/02/17</td>
<td>x</td>
<td>Hiring policy</td>
</tr>
<tr>
<td>126</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>05/02/17</td>
<td>x</td>
<td>Hiring policy</td>
</tr>
<tr>
<td>125</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>05/01/17</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>124</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>04/27/17</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>123</td>
<td>UH - Hilo</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>04/20/17</td>
<td>x</td>
<td>Procurement of goods/services.</td>
</tr>
<tr>
<td>122</td>
<td>UH - Manoa</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>04/14/17</td>
<td>x</td>
<td>Bird in dorm room.</td>
</tr>
<tr>
<td>121</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>04/13/17</td>
<td>x</td>
<td>Title IX</td>
</tr>
<tr>
<td>120</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>04/12/17</td>
<td>x</td>
<td>Title IX</td>
</tr>
<tr>
<td>119</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>04/11/17</td>
<td>x</td>
<td>Former employee has campus keys. Reviewed by administration and resolved.</td>
</tr>
<tr>
<td>118</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>04/11/17</td>
<td>x</td>
<td>Former employee on campus. Reviewed by administration and resolved.</td>
</tr>
<tr>
<td>117</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>04/05/17</td>
<td>x</td>
<td>Culinary operations. Matter resolved.</td>
</tr>
<tr>
<td>116</td>
<td>Community Colleges</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>03/24/17</td>
<td>x</td>
<td>Casual hiring policy. No violation.</td>
</tr>
<tr>
<td>115</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>03/21/17</td>
<td>x</td>
<td>Hiring policy investigated. No violation.</td>
</tr>
<tr>
<td>114</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>03/20/17</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>113</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>03/20/17</td>
<td>x</td>
<td>Academic grievance.</td>
</tr>
<tr>
<td>112</td>
<td>Community Colleges</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>03/15/17</td>
<td>x</td>
<td>Vague allegation. Addtl info. requested. None rec'd.</td>
</tr>
<tr>
<td>111</td>
<td>UH - Manoa</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>03/14/17</td>
<td>x</td>
<td>Academic grievance.</td>
</tr>
<tr>
<td>110</td>
<td>UH - Manoa</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>03/11/17</td>
<td>x</td>
<td>Casual hiring policy. Addtl info. requested. None rec'd.</td>
</tr>
<tr>
<td>109</td>
<td>UH - Hilo</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>03/10/17</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>108</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>03/09/17</td>
<td>x</td>
<td>Health center hours of operation. Signage at health center updated.</td>
</tr>
<tr>
<td>107</td>
<td>UH - West Oahu</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>03/03/17</td>
<td>x</td>
<td>Former employee loitering on campus. Reviewed by administration and resolved.</td>
</tr>
<tr>
<td>106</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>03/02/17</td>
<td>x</td>
<td>Employee grievance investigated. No violation.</td>
</tr>
<tr>
<td>105</td>
<td>System</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>03/01/17</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>104</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>02/28/17</td>
<td>x</td>
<td>Free speech. Reviewed by administration and resolved.</td>
</tr>
<tr>
<td>103</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>02/17/17</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>102</td>
<td>UH - Hilo</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>02/17/17</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>101</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>02/16/17</td>
<td>x</td>
<td>Inappropriate use of e-mail allegation investigated. No violation.</td>
</tr>
<tr>
<td>100</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>02/16/17</td>
<td>x</td>
<td>Policy violation allegation investigated. No violation.</td>
</tr>
<tr>
<td>99</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>02/16/17</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>98</td>
<td>UH - Manoa</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>02/15/17</td>
<td>x</td>
<td>Improper paint disposal allegation investigated. No violation.</td>
</tr>
<tr>
<td>97</td>
<td>Community Colleges</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>02/15/17</td>
<td>x</td>
<td>Improper use of parking pass. Forwarded to appropriate dept.</td>
</tr>
<tr>
<td>96</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>02/13/17</td>
<td>x</td>
<td>Inappropriate use of parking pass. Forwarded to appropriate dept.</td>
</tr>
<tr>
<td>95</td>
<td>UH - Manoa</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>02/10/17</td>
<td>x</td>
<td>HR matter investigated. No violation.</td>
</tr>
<tr>
<td>94</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>02/10/17</td>
<td>x</td>
<td>Addtl info. requested from reporter. Addtl info not provided.</td>
</tr>
<tr>
<td>93</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>02/10/17</td>
<td>x</td>
<td>HR matter investigated. No violation.</td>
</tr>
<tr>
<td>92</td>
<td>Community Colleges</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>02/10/17</td>
<td>x</td>
<td>Service animals. Investigated and resolved.</td>
</tr>
<tr>
<td>91</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>02/10/17</td>
<td>x</td>
<td>Outdated policies allegation reviewed and resolved.</td>
</tr>
<tr>
<td>90</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>02/09/17</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
</tbody>
</table>
## University of Hawaii
### Whistleblower Tracking Report
#### June 15, 2016 - May 5, 2017

<table>
<thead>
<tr>
<th>Case #</th>
<th>Campus</th>
<th>Classification</th>
<th>Submitted by</th>
<th>Date Opened</th>
<th>Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>89</td>
<td>UH - Manoa</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>02/08/17</td>
<td>x</td>
<td>Academic grievance.</td>
</tr>
<tr>
<td>88</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>02/06/17</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>87</td>
<td>UH - Hilo</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>02/05/17</td>
<td>x</td>
<td>Academic grievance.</td>
</tr>
<tr>
<td>86</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>01/26/17</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>85</td>
<td>Community Colleges</td>
<td>Campus maintenance</td>
<td>Non-employee</td>
<td>01/20/17</td>
<td>x</td>
<td>Classroom condition</td>
</tr>
<tr>
<td>84</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>01/17/17</td>
<td>x</td>
<td>HR allegation forwarded to departmental personnel.</td>
</tr>
<tr>
<td>83</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>01/17/17</td>
<td>x</td>
<td>Free speech. Reviewed by administration and resolved.</td>
</tr>
<tr>
<td>82</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>01/15/17</td>
<td>x</td>
<td>Financial aid. Reviewed by administration and resolved.</td>
</tr>
<tr>
<td>81</td>
<td>UH - Hilo</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>01/11/17</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>80</td>
<td>UH - Manoa</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>01/11/17</td>
<td>x</td>
<td>Academic grievance.</td>
</tr>
<tr>
<td>79</td>
<td>Community Colleges</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>01/10/17</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>78</td>
<td>UH - Manoa</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>01/09/17</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>77</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>01/09/17</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>76</td>
<td>UH - Hilo</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>01/08/17</td>
<td>x</td>
<td>Federal regulation non-compliance. Reviewed by administration and resolved.</td>
</tr>
<tr>
<td>75</td>
<td>UH - Hilo</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>01/08/17</td>
<td>x</td>
<td>Former employee loitering on campus. Reviewed by administration and resolved.</td>
</tr>
<tr>
<td>74</td>
<td>Community Colleges</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>01/06/17</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>73</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>01/05/17</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>72</td>
<td>UH - Hilo</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>12/26/16</td>
<td>x</td>
<td>Compliance with UHF policies. Reviewed by administration and resolved.</td>
</tr>
<tr>
<td>71</td>
<td>UH - Hilo</td>
<td>Employee misconduct</td>
<td>Employee</td>
<td>12/26/16</td>
<td>x</td>
<td>Addtl info. requested from reporter. Addtl info not provided.</td>
</tr>
<tr>
<td>70</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>12/25/16</td>
<td>x</td>
<td>Use of handicap parking pass</td>
</tr>
<tr>
<td>69</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>12/23/16</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>68</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>12/15/16</td>
<td>x</td>
<td>Legend withdrawn by reporter</td>
</tr>
<tr>
<td>67</td>
<td>UH - Manoa</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>12/08/16</td>
<td>x</td>
<td>Use of handicap parking pass</td>
</tr>
<tr>
<td>66</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>11/17/16</td>
<td>x</td>
<td>Addtl info. requested from reporter. Addtl info not provided.</td>
</tr>
<tr>
<td>65</td>
<td>UH - Hilo</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>11/09/16</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>64</td>
<td>UH - Manoa</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>11/09/16</td>
<td>x</td>
<td>No-smoking policy</td>
</tr>
<tr>
<td>63</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>10/30/16</td>
<td>x</td>
<td>Addtl info. requested from reporter. Addtl info not provided.</td>
</tr>
<tr>
<td>62</td>
<td>UH - Hilo</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>10/28/16</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>61</td>
<td>Community Colleges</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>10/26/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>60</td>
<td>Community Colleges</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>10/24/16</td>
<td>x</td>
<td>Addtl info. requested from reporter. Addtl info not provided.</td>
</tr>
<tr>
<td>59</td>
<td>Community Colleges</td>
<td>Employee misconduct</td>
<td>Employee</td>
<td>10/24/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>58</td>
<td>Community Colleges</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>10/21/16</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>57</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>10/21/16</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>56</td>
<td>Community Colleges</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>10/21/16</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>55</td>
<td>Community Colleges</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>10/21/16</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>54</td>
<td>UH - Hilo</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>10/20/16</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>53</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>10/19/16</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>52</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>10/18/16</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
</tbody>
</table>
## University of Hawaii

**Whistleblower Tracking Report**

**June 15, 2016 - May 5, 2017**

<table>
<thead>
<tr>
<th>Case #</th>
<th>Campus</th>
<th>Classification</th>
<th>Submitted by</th>
<th>Date Opened</th>
<th>Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>51</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>10/16/16</td>
<td>x</td>
<td>Addtl info. requested from reporter. Addtl info not provided.</td>
</tr>
<tr>
<td>50</td>
<td>UH - Hilo</td>
<td>Employee misconduct</td>
<td>Non-employee</td>
<td>10/12/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>49</td>
<td>UH - Manoa</td>
<td>Hazardous condition</td>
<td>Employee</td>
<td>09/20/16</td>
<td>x</td>
<td>Cluttered stairwell</td>
</tr>
<tr>
<td>48</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>09/20/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>47</td>
<td>Community Colleges</td>
<td>No violation alleged</td>
<td>Non-employee</td>
<td>09/01/16</td>
<td>x</td>
<td>Addtl info. requested from reporter. Addtl info not provided.</td>
</tr>
<tr>
<td>46</td>
<td>UH - Hilo</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>08/29/16</td>
<td>x</td>
<td>Free speech. Reviewed by administration and resolved.</td>
</tr>
<tr>
<td>45</td>
<td>UH - Hilo</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>08/27/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>44</td>
<td>UH - Manoa</td>
<td>Student misconduct</td>
<td>Non-employee</td>
<td>08/24/16</td>
<td>x</td>
<td>Alcohol complaint</td>
</tr>
<tr>
<td>43</td>
<td>Community Colleges</td>
<td>Employee misconduct</td>
<td>Employee</td>
<td>08/24/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>42</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>08/22/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>41</td>
<td>UH - Manoa</td>
<td>Employee misconduct</td>
<td>Employee</td>
<td>08/19/16</td>
<td>x</td>
<td>Addtl info. requested from reporter. Addtl info not provided.</td>
</tr>
<tr>
<td>40</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>08/18/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>39</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>08/17/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>38</td>
<td>UH - Manoa</td>
<td>Employee misconduct</td>
<td>Non-employee</td>
<td>08/16/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>37</td>
<td>UH - Manoa</td>
<td>Violation of University policy.</td>
<td>Non-employee</td>
<td>08/08/16</td>
<td>x</td>
<td>Allegation withdrawn by reporter</td>
</tr>
<tr>
<td>36</td>
<td>System</td>
<td>Violation of University policy.</td>
<td>Employee</td>
<td>08/04/16</td>
<td>x</td>
<td>Addtl info. requested from reporter. Addtl info not provided.</td>
</tr>
<tr>
<td>35</td>
<td>System</td>
<td>Violation of University policy.</td>
<td>Employee</td>
<td>07/27/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>34</td>
<td>UH - Manoa</td>
<td>Violation of University policy.</td>
<td>Employee</td>
<td>07/19/16</td>
<td>x</td>
<td>Use of general funds. Reviewed by administration and resolved.</td>
</tr>
<tr>
<td>33</td>
<td>Community Colleges</td>
<td>Campus maintenance</td>
<td>Employee</td>
<td>07/14/16</td>
<td>x</td>
<td>Addtl info. requested from reporter. Addtl info not provided.</td>
</tr>
<tr>
<td>32</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>07/14/16</td>
<td>x</td>
<td>Parking safety allegation reviewed by administration. No violation.</td>
</tr>
<tr>
<td>31</td>
<td>System</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>07/12/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>30</td>
<td>UH - Manoa</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>07/11/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>29</td>
<td>UH - Manoa</td>
<td>Student misconduct</td>
<td>Non-employee</td>
<td>07/11/16</td>
<td>x</td>
<td>Title IX</td>
</tr>
<tr>
<td>28</td>
<td>UH - Hilo</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>07/05/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>27</td>
<td>UH - Hilo</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>07/01/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>26</td>
<td>UH - Manoa</td>
<td>Campus maintenance</td>
<td>Employee</td>
<td>06/30/16</td>
<td>x</td>
<td>Dirty parking facility</td>
</tr>
<tr>
<td>25</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>06/27/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>24</td>
<td>UH - West Oahu</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>06/21/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>23</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>06/19/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>22</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>06/17/16</td>
<td>x</td>
<td>HR matter under investigation</td>
</tr>
<tr>
<td>21</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>06/16/16</td>
<td>x</td>
<td>HR matter under investigation</td>
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<tr>
<td>20</td>
<td>UH - Manoa</td>
<td>Hazardous condition</td>
<td>Employee</td>
<td>06/16/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>19</td>
<td>UH - Manoa</td>
<td>Violation of University policy.</td>
<td>Employee</td>
<td>06/16/16</td>
<td>x</td>
<td>Allegation does not involve the University</td>
</tr>
<tr>
<td>18</td>
<td>UH - Hilo</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>06/16/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>17</td>
<td>System</td>
<td>Violation of University policy.</td>
<td>Employee</td>
<td>06/16/16</td>
<td>x</td>
<td>Addtl info. requested from reporter. Addtl info not provided.</td>
</tr>
<tr>
<td>16</td>
<td>UH - Manoa</td>
<td>Violation of University policy.</td>
<td>Employee</td>
<td>06/15/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>15</td>
<td>Community Colleges</td>
<td>Employee misconduct</td>
<td>Employee</td>
<td>06/15/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>14</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Employee</td>
<td>06/15/16</td>
<td>x</td>
<td>Allegation was previously reported, resolved and closed.</td>
</tr>
<tr>
<td>13</td>
<td>Community Colleges</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>06/15/16</td>
<td>x</td>
<td>Information request.</td>
</tr>
<tr>
<td>Case #</td>
<td>Campus</td>
<td>Classification</td>
<td>Submitted by</td>
<td>Date Opened</td>
<td>Status</td>
<td>Description</td>
</tr>
<tr>
<td>-------</td>
<td>-----------------------</td>
<td>------------------------------------</td>
<td>--------------</td>
<td>-------------</td>
<td>--------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>12</td>
<td>UH - Manoa</td>
<td>No violation alleged</td>
<td>Employee</td>
<td>06/15/16</td>
<td>x</td>
<td>Addtl info. requested from reporter. Addtl info not provided.</td>
</tr>
<tr>
<td>11</td>
<td>Community Colleges</td>
<td>Violation of University policy</td>
<td>Non-employee</td>
<td>06/15/16</td>
<td>x</td>
<td>HR allegation reviewed and resolved</td>
</tr>
<tr>
<td>10</td>
<td>UH - Manoa</td>
<td>Hazardous condition</td>
<td>Employee</td>
<td>06/15/16</td>
<td>x</td>
<td>Mold. Resolved by Work Coord Ctr and Envir Hlth &amp; Safety Office</td>
</tr>
</tbody>
</table>

Cases #1 - #9 were test/pilot cases entered by administrators to familiarize themselves with the system.
Item IV.B.2. For Information: Enterprise Risk Management Report

Verbal Report
Item IV.C.1. Committee Self-evaluation

Part 1 of 2. Matrix/crosswalk of Chapter 304A-321 with audit committee activities
<table>
<thead>
<tr>
<th>Section</th>
<th>Requirement</th>
<th>Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>b</td>
<td>Committee shall have 3-5 members appointed by the BOR chair from among the BOR members, at least one of whom has financial expertise. The committee shall elect its chair from among its members. If no BOR member has financial expertise, the BOR shall execute “other arrangements” so that financial expertise is available to the committee.</td>
<td>5-member committee appointed by BOR chair in July 2016, committee elected its chair, committee has two members with financial expertise.</td>
</tr>
<tr>
<td>c(1)</td>
<td>BOR shall establish the charter of the committee and set forth its members’ roles and responsibilities</td>
<td>Committee charter is set forth in board bylaws, Article II(D)(2)(e).</td>
</tr>
<tr>
<td>c(2)</td>
<td>BOR shall consider changes to the committee’s charter that are necessary in response to new laws, regulations, and best practices.</td>
<td>Committee will review its charter in October 2016 and advise the board of any changes.</td>
</tr>
<tr>
<td>c(3)</td>
<td>BOR shall conduct an annual review of the committee’s charter to reassess its adequacy and adopt any proposed and necessary changes to the charter.</td>
<td>Board will review the committee’s charter in October 2016.</td>
</tr>
<tr>
<td>d</td>
<td>Committee is exempt from Chapter 91 (administrative procedures) and part I of Chapter 92 (“sunshine”), HRS to the extent the committee is engaging in discussions or proceedings arising from an investigation by the committee relating to potentially actionable civil or criminal conduct.</td>
<td>No committee or BOR response is necessary</td>
</tr>
<tr>
<td>e</td>
<td>The committee shall undertake professional development to improve the financial expertise of the committee as a whole, including (1) attendance at seminars and conferences, (2) attendance at educational sessions including special speakers, and (3) the study of analytical tools for audit committees.</td>
<td>Committee will include the study of the AICPA’s audit committee toolkit for government organizations at its regular meetings and will encourage members to attend relevant seminars and conferences as they are available.</td>
</tr>
<tr>
<td>f</td>
<td>The committee shall engage in operations relating to enterprise risk management including (1) providing oversight of risk management, which shall include determining overall strategy and influencing the university’s risk philosophy, (2) inquiring of the president of UH, the CFO of UH, and external auditors about significant risks or exposures faced by UH, (3) assessing steps that the president of UH has taken or proposes to take to minimize those risks to UH and periodically reviewing compliance with those steps, and (4) reviewing with the general counsel of UH, external auditors, external counsel, and the CFO of UH legal and regulatory matters that, in the opinion of the president, may have a material impact upon the financial statements, related organization compliance policies, and programs and reports received from regulators.</td>
<td>Committee will review the status of UH’s risk management programs and practices at its regular meetings.</td>
</tr>
<tr>
<td>g</td>
<td>The committee shall hold meetings as needed, not less frequently than twice per year. The committee may request the president or others to attend its meetings or to provide pertinent information as necessary. The BOR shall provide in the committee charter for the committee to take action between meetings by unanimous consent.</td>
<td>Committee plans to meet in August, October, December, February, April, and May/June and to ask the president, internal auditor and others to attend as appropriate. Committee will not propose to the board an amendment of its charter (board bylaws that set forth the committee’s duties) to provide for action by unanimous consent between meetings until an exemption from Chapter 92 (“sunshine”) for such action is provided by statute.</td>
</tr>
</tbody>
</table>
Chapter 304A-321 – 2016-17 independent audit committee work plan

<table>
<thead>
<tr>
<th>h</th>
<th>The committee shall review its effectiveness annually and shall prepare or oversee the preparation of an annual report to the BOR.</th>
<th>Committee will do this at its first meeting of the fiscal year for the year just ended.</th>
</tr>
</thead>
<tbody>
<tr>
<td>i</td>
<td>The committee’s annual report shall address other matters affecting the management and organization of UH by engaging in functions including:</td>
<td></td>
</tr>
<tr>
<td>i(1)</td>
<td>reviewing with the president and the external auditor the effect of any regulatory and accounting initiatives and unique transactions, including relationships with legally separate entities, to determine whether the accounting for those transactions applied best practices,</td>
<td>Committee will do this at its December meeting when it reviews the annual audited financial statements with the external auditors.</td>
</tr>
<tr>
<td>i(2)</td>
<td>reviewing significant related party transactions,</td>
<td>Same as response to i(2) above.</td>
</tr>
<tr>
<td>i(3)</td>
<td>reviewing with the president and the CFO any interim financial reports or reports on internal controls issued with respect to UH since the last committee meeting, and</td>
<td>UH does not prepare interim GAAP-basis financial reports; committee will review reports on internal controls with the president and CFO as such reports are issued.</td>
</tr>
<tr>
<td>i(4)</td>
<td>reviewing with the external auditor (A) all critical accounting policies and practices used by the external auditor, provided that (i) all alternative treatments of financial information within generally accepted accounting principles have been discussed with the president of UH, (ii) the ramifications of each alternative are discussed, and (iii) the treatment preferred by UH is discussed; (B) any consultation with audit firms other than the external auditor, including the reasons for, and results of, the consultation, and (C) any other information relating to significant estimates and judgments.</td>
<td>Same as response to i(2) above.</td>
</tr>
<tr>
<td>j</td>
<td>The committee shall review with any external auditor and the CFO of UH matters affecting internal control and an internal audit, including (1) the adequacy of UH’s internal control, including computerized information system controls and security and (2) any related significant findings and recommendations of the internal and external auditors, together with the responses of the president of UH.</td>
<td>Same as response to i(2) above.</td>
</tr>
<tr>
<td>k</td>
<td>The committee shall review matters affecting the accounting policies and procedures of UH by (1) ensuring that accounting policies, procedures, and related controls are documented and reviewed with the committee, (2) reviewing accounting controls annually, (3) reviewing with the president of UH policies and procedures with respect to officers, key employees, and disqualified persons as defined under section 4958 of the Internal Revenue Code, and (4) inquiring of the president of UH and CFO regarding the financial health of UH.</td>
<td>Same as response to i(2) above.</td>
</tr>
<tr>
<td>l</td>
<td>The committee shall review UH’s antifraud programs and controls and aid in discovering and remedying instances of fraud.</td>
<td>Same as response to i(2) above.</td>
</tr>
<tr>
<td>m</td>
<td>The committee shall review (1) procedures for the receipt, retention, and treatment of complaints received by UH regarding accounting, internal accounting controls, auditing matters, or suspected fraud that may be submitted by any party internal or external to UH and (2) as the committee deems necessary, complaints that may have been received, the current status of such complaints, and the resolution of such complaints, if any resolution has been reached.</td>
<td>Committee will review the status of whistleblower complaints on these matters at its regular meetings.</td>
</tr>
<tr>
<td>n</td>
<td>With regard to internal control and any internal audit, the</td>
<td>Committee will do part (1) at its</td>
</tr>
</tbody>
</table>

2
<table>
<thead>
<tr>
<th>O</th>
<th>The committee shall annually evaluate the performance of any internal audit, including (1) the adequacy of the audit plan, (2) the management of the execution of the audit plan, (3) the adequacy of human and other resources available to execute the audit plan, (4) the ability of any external auditor to rely upon the internal audit work product in the annual audit performed by an external auditor, and (5) the nature of the findings or results of any internal audits. Committee will do these in the course of its reviews of the audit plan, staffing, budget, and results, as set forth above.</th>
</tr>
</thead>
<tbody>
<tr>
<td>P</td>
<td>Internal auditors shall meet separately with any external auditor to coordinate audit plans to optimize the ability of the external auditor to rely upon the results of an internal audit team. Committee will confirm in October that this meeting has taken or will take place.</td>
</tr>
<tr>
<td>Q</td>
<td>The committee shall annually evaluate any external auditor; provided that communications with the external auditor in the evaluation shall be done so as to maintain the open flow of communication between the external auditor and the committee. Committee will do this in February, following the procedures in the AICPA toolkit referenced above.</td>
</tr>
<tr>
<td>R</td>
<td>Subject to approval by the BOR, the committee shall select one or more external auditors to be retained by UH. The committee shall (1) approve an audit plan, (2) establish the audit fees of any external auditor, (3) pre-approve any non-audit services provided by the external auditor, including tax services, before such services are rendered, (4) review with the president the significance of contracting out audit services, and (5) ensure that the single audit obligations are incorporated into an annual audit plan. Committee will do this as the contract(s) with external auditors expire and will pre-approve non-audit services provided by the external auditor as such services are proposed and before they are rendered.</td>
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<td>S</td>
<td>The committee shall review all material written communications between any external auditor and the president, including any management letter or schedule of unadjusted differences. Committee will do this in December.</td>
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<td>T</td>
<td>The committee shall annually evaluate any external auditor, provided that communications with the external auditor in the evaluation shall be done so as to maintain the open flow of communication between the external auditor and the committee. Committee will do this in February, following the procedures in the AICPA toolkit referenced above.</td>
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<td></td>
<td>any annual audit with the president and the external auditor: (1) UH’s annual financial statements and related footnotes, (2) the external auditor’s audit of the financial statements and the external auditor’s report, (3) the external auditor’s judgments about the quality of UH’s accounting principles and applied in its financial reporting, (4) any significant changes required in the external auditor’s audit plan, (5) any serious difficulties or disputes with the president encountered during the audit, and (6) matters to be discussed by the Statement of Auditing Standards No. 114 – The Auditor’s Communication with those Charged with Governance (AICPA, Professional Standards), related to the conduct of any annual audit.</td>
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<td>v</td>
<td>The committee may hire external auditors, legal counsel, or other consultants as necessary to address any issues arising from: (1) the execution of the whistleblower protection procedures subject to subsection (m), (2) any statutory or contractual procedures when engaging external resources, and (3) the detection of fraud.</td>
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<td>w</td>
<td>The committee shall submit an annual report to the BOR and the legislature no later than 20 days prior to the convening of each regular session of the legislature on matters that include (1) all instances of material weaknesses in internal control, including the responses of UH management and (2) all instances of fraud, including the responses of UH management.</td>
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</table>
Schedule of committee agendas in response to the requirements of Chapter 304A-321, HRS: [bracketed items are not specifically required by statute].

<table>
<thead>
<tr>
<th>Month</th>
<th>HRS §304A-321 section addressed</th>
<th>Agenda</th>
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<tbody>
<tr>
<td>July b</td>
<td></td>
<td>• Elect chair</td>
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</table>
| August |        | • Review and accept the annual report of the office of internal audit  
• Review committee’s effectiveness [not done in Aug 2016]  
• Review and approve the annual report of the committee to the BOR and legislature.  
• Review and approve the internal audit workplan and staffing for the current year, with comment by the external auditor [not commented by external auditor this year; hereafter this item will be addressed in the May/June meeting for the upcoming year.]  
• Review any internal audits [p-card].  
• Review report on whistleblower hotline  
• Review status of risk management programs and practices [not done in Aug 2016] |
| September (f h m o) | Chapter 304A-321 requirements covered by this agenda:  
Review risk mgt programs and practices  
Review committee effectiveness and approve annual committee report to the BOR.  
Review the status of whistleblower complaints.  
If any internal audits are presented, review them with the president and CFO in accordance with §304A-321(o).  
Review the staffing of the office of the internal auditor in conjunction with the review and approval of the internal audit workplan [to be addressed in the May/June meeting hereafter in conjunction with the review of the budget for the upcoming year]. |
| October |        | • Professional development:  
• Review board bylaws re independent audit committee  
• Review Chapter 3041-321 and this matrix  
• Review AICPA toolkit chapters 1 (audit committee member roles and responsibilities) and 2 (audit committee charter)  
• Review “Discussions to Expect from the External Audits” (background for discussion in December)  
• Review report on whistleblower hotline  
• Review status of risk management programs and practices  
• Review status report on internal audit workplan for the current year  
• Review any internal audits  
• Review internal and external auditors’ report on coordination of audit plans; address the coordination of audit efforts to ensure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources, and discuss with the CFO and the external auditor opportunities for reliance by the external auditor on the audit activities of any internal audit. |
| c(2) & (3) e f g m n(2) & (3) | Chapter 304A-321 requirements covered by this agenda:  
Review Chapter 304A-321 and committee charter.  
Professional development.  
Review risk mgt programs and practices  
Propose amendment to bylaws to permit committee to act by unanimous consent.  
Review the status of whistleblower complaints.  
With regard to internal control and any internal audit and with the external auditor and CFO, address the coordination of audit efforts to ensure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources, and
discuss with the CFO and the external auditor opportunities for reliance by the external auditor on the audit activities of any internal audit. If any internal audits are presented, review them with the president and CFO in accordance with §304A-321(o). Confirm the internal and external auditors have met to coordinate audit plans to optimize the ability of the external auditor to rely upon the results of an internal audit team.

| December | Professional development  
- Review AICPA toolkit Chapters 8 (internal control), 9 (fraud), 10 (whistleblower policy), 12 (audit committee executive session), 13 (independent auditor communications)  
- Review with external auditor and approve external audit of FY 2015-16 and required communications from external auditor  
  - Review UH accounting policies and practices.  
  - Accounting for transactions with UHF, RCUH and other related entities.  
  - Significant related party transactions.  
  - Significant estimates and judgements  
  - Internal controls  
  - Security of computerized information system  
  - Anti-fraud programs and controls  
- Meet in executive session with the external auditor  
- Review report on whistleblower hotline  
- Review status of risk management programs and practices  
- Review status report on internal audit workplan for the current year  
- Review any internal audits  
- Review and approve the annual report to the BOR and legislature on matters that include (1) all instances of material weaknesses in internal control, including the responses of UH management and (2) all instances of fraud, including the responses of UH management.  
| Chapter 304A-321 requirements covered by this agenda:  
- Professional development.  
- Review risk mgt programs and practices  
- Review significant related party transactions.  
- Review with the president and CFO any reports on internal controls.  
- Review with the external auditor (A) all critical accounting policies and practices used by the external auditor, provided that (i) all alternative treatment of financial info within GAAP have been discussed with the president, (ii) the ramifications of each alternative are discussed, and (iii) the treatment preferred by UH is discussed; (B) any consultation with audit firms other than the external auditor, including the reasons therefor, and (C) any other information relating to significant estimates and judgements.  
- Review with the external auditor and CFO matters affecting internal control and an internal audit, including (1) the adequacy of UH’s internal control, including computerized information system controls and security and (2) any related significant findings and recommendations of the internal and external auditors, together with the responses of the president.  
- Review matters affecting the accounting policies and procedures of UH by (1) ensuring that accounting policies, procedures, and related controls are documented and reviewed with the committee, (2) reviewing accounting controls annually, (3) reviewing with the president policies and procedures with respect to officers, key employees, and disqualified persons as defined under section 4958 of the IRC, and (4) inquiring of the president and CFO regarding the financial health of UH.  
- Review UH’s antifraud programs and controls and aid in discovering and remedying instances of fraud.  
- Review the status of whistleblower complaints.  

6
### February

- **Professional development**
  - AICPA toolkit chapter 16 (evaluating the independent auditor), 20 (OMB A-133 audits)
  - Review International Standards for the Professional Practice of Internal Auditing
- Review with external auditor the OMB A-133 single audit report.
- Evaluate the external auditor
- Review report on whistleblower hotline
- Review status of risk management programs and practices
- Review status report on internal audit workplan for the current year
- Review any internal audits

### Chapter 304A-321 requirements covered by this agenda:
- Professional development.
- Review risk mgt programs and practices
- Review the status of whistleblower complaints.
- If any internal audits are presented, review them with the president and CFO in accordance with §304A-321(o).
- Review the compliance of internal audits with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing.
- Evaluate the external auditor.

### April

- **Professional development**:
  - AICPA toolkit chapter 15 (evaluating the internal audit function), 17 (committee self-evaluation), 18 and 19 (enterprise risk management)
- Review status of risk management programs and practices
- Review report on whistleblower hotline
- Review status report on internal audit workplan for the current year
- Review any internal audits

### Chapter 304A-321 requirements covered by this agenda:
- Professional development.
- Review risk mgt programs and practices
- Review the status of whistleblower complaints.
- If any internal audits are presented, review them with the president and CFO in accordance with §304A-321(o).

### May/June

- Review status of risk management programs and practices
- Review report on whistleblower hotline
- Review status report on internal audit workplan for the current year
- Review any internal audits
- Review and recommend approval of the FY 2017-18 internal audit budget
| f | Chapter 304A-321 requirements covered by this agenda: |
| m | Review risk mgmt programs and practices |
| n (1) | Review the status of whistleblower complaints. |
| o | With regard to internal control and any internal audit, review with the external auditor, the CFO, and the comptroller the audit scope and plan of the internal auditors. |
| q | If any internal audits are presented, review them with the president and CFO in accordance with §304A-321(o). |
|   | Review the compliance of internal audits with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing at its May/June meeting; |
|   | Review the adequacy of the budget and staff for the office of the internal auditor |
Item IV.C.1. Committee Self-evaluation

Part 2 of 2. Questionnaire from AICPA toolkit
**Chapter 17: Conducting an Audit Committee Self-Evaluation: Questions to Consider**

**Overview:** The audit committee should conduct an annual self-evaluation to determine its performance and effectiveness. Audit committee members should answer a series of questions independently to complete their self-evaluations. The entire audit committee should discuss the answers and plan for further action as appropriate prior to kicking off the next audit committee year.

**Instructions for using this tool:** The sample questions included in this tool are only a starting point to evaluating the performance and effectiveness of the audit committee. These questions should be completed anonymously by each audit committee member prior to the audit committee meeting, and the entire committee should discuss the responses.

<table>
<thead>
<tr>
<th>Audit Committee Self-Evaluation</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Does the committee have a charter that covers all standard best practices? Has the charter been reviewed annually?</td>
<td>☐</td>
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<td>For a listing of standard best practices for an audit committee charter, see chapter 2, “Audit Committee Charter Matrix,” in this toolkit.</td>
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<td>2. Is the audit committee charter used to guide the committee’s efforts and agenda? Have all elements of the committee’s responsibilities as delineated in the audit committee charter been covered throughout the fiscal year?</td>
<td>☐</td>
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<td>3. Are the members educated appropriately on the entity, its organizational structures, governance and internal control environment, and current hot topics, as well as the entity’s risk profile?</td>
<td>☐</td>
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<tr>
<td>Audit Committee Self-Evaluation</td>
<td>Yes</td>
<td>No</td>
<td>N/A</td>
<td>Comments</td>
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<td>4. Are the members independent?</td>
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<td>5. Is there a sufficient mix of necessary skill sets and knowledge among the committee members, including acumen around financial reporting, risk assessments, internal controls, and systems?</td>
<td>☐</td>
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<td>6. Do the committee members convey the appropriate tone at the top?</td>
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<td>7. Do committee members participate in some form of continuing education to stay abreast of changes in the relevant financial accounting and reporting, regulatory, and ethics areas?</td>
<td>☐</td>
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<td>8. Are the committee’s meeting packages complete and given to committee members with enough lead time? Do the packages include the right information to allow meaningful discussion?</td>
<td>☐</td>
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<td>9. Are the committee meetings well organized, efficient, effective, and of the appropriate length? Do they occur often enough to allow discussion of issues that are relevant to and consistent with the committee’s responsibilities?</td>
<td>☐</td>
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<td>10. Do the minutes and reports to the full board reflect the significant activities, actions, and recommendations of the committee?</td>
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<tr>
<td>Audit Committee Self-Evaluation</td>
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<td>Comments</td>
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<td>11. Does the committee have open access to management, internal audit, and independent auditors? Do committee members have open, honest, and effective communication with management, the internal auditors, and the independent auditors? Is the committee able to challenge management, the internal auditors, and the independent auditors with its own view on issues as appropriate?</td>
<td>☐</td>
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<td>12. Are differences of opinion on issues resolved to the satisfaction of the entire committee?</td>
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<td>13. Is the committee cognizant of the line between oversight and management, and does it endeavor to respect that line?</td>
<td>☐</td>
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<tr>
<td>14. Does the committee have a clear definition of the services the independent auditors are allowed to perform in order to maintain independence? Does the committee approve all allowed services of the independent auditors in advance?</td>
<td>☐</td>
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<td>15. Does the committee review the independent auditors’ reports to ensure the auditors maintain their independence? Does the committee review the reports at least annually?</td>
<td>☐</td>
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<td>16. Is the committee aware of the last time the independent audit firm or lead partner was rotated and is the committee considering a future rotation?</td>
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<tr>
<td>Audit Committee Self-Evaluation</td>
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<td>17. Does the committee engage in the hiring and evaluation of the chief audit executive (CAE)? Does the committee provide feedback to the CAE? Does the committee do its part to ensure the quality and objectivity of the internal audit team?</td>
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<td>18. Does the committee receive the appropriate level of information to evaluate the soundness of the entity’s internal control environment?</td>
<td>☐</td>
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<td>19. Does the committee engage outside experts as appropriate?</td>
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<td>20. Does the committee conduct executive sessions in a manner that offers a safe haven to the individual? During executive sessions, does the committee ask tough and necessary questions, evaluate the answers, and pursue issues that might arise to a satisfactory resolution?</td>
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<td>21. Do the committee members challenge the chair as appropriate?</td>
<td>☐</td>
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<td>22. Does the committee receive constructive 360-degree feedback from management, internal and independent auditors, and peer groups?</td>
<td>☐</td>
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<td>23. Are the entity’s overall governance and internal controls, including financial reporting processes, stronger as a result of management’s interactions with the committee?</td>
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<td>Other Comments, Further Questions</td>
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