

Notice of Meeting

UNIVERSITY OF HAWAI'I BOARD OF REGENTS COMMITTEE ON INDEPENDENT AUDIT

Members: Regents McEnerney (Chair), Higaki (Vice-Chair), Acoba, Portnoy, and Shinsato

Date: Thursday, October 4, 2018

Time: 9:45 a.m.

Place: University of Hawai'i at Mānoa
Information Technology Building
1st Floor Conference Room 105A/B
2520 Correa Road
Honolulu, Hawai'i 96822

AGENDA

I. Call Meeting to Order

II. Approval of Minutes of the August 2, 2018 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. Written testimony may be submitted via US mail, email at bor@hawaii.edu, or facsimile at 956-5156. Individuals submitting written testimony are not automatically signed up for oral testimony. 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. Oral testimony is limited to three (3) minutes. All written testimony submitted are public documents. Therefore, any testimony that is submitted verbally or in writing, electronically or in person, for use in the public meeting process is public information and will be posted on the board's website.

IV. Agenda Items

A. For Review & Acceptance:

1. Acceptance of the Office of Internal Audit Report on the University of Hawai'i Review of Student Accounts Receivable and Management Response
2. Acceptance of the Office of Internal Audit Report on the UH Mānoa Review of Student Fees for Professional Programs and Management Response

B. For Information & Discussion:

1. Whistleblower Report
2. Enterprise Risk Management Update

V. Adjournment

UNIVERSITY OF HAWAI‘I
REVIEW OF STUDENT ACCOUNTS RECEIVABLE

June 2018



University of Hawai'i
Office of Internal Audit



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SYSTEM

June 20, 2018

To the University of Hawai'i Board of Regents
and

University of Hawai'i Vice President of Budget and Finance / Chief Financial Officer (CFO)

The University of Hawai'i's (University) gross student accounts receivable balance has increased from approximately \$16 million as of June 30, 2011 to greater than \$35 million as of June 30, 2017. The related estimated for uncollectible student accounts receivable balances has increased from approximately \$6 million to \$28 million over this same period. The increasing student accounts receivable balance negatively impacts the University's liquidity and thus its ability to pay creditors, create new programs and improve the overall level of service to students. Internal Audit reviewed and analyzed the processes and procedures related to originating, recording, collecting, reserving and writing off student accounts receivable balances to determine the potential causes of the increasing balance and identify improvements to reduce the balance or manage future increases. Implementing policies, procedures or practices to moderate the increase in gross student accounts receivables may have a negative effect on the University's objective of increasing enrollment, but will improve the University's overall financial condition.

Administrative Procedure (AP) 8.731, "Student Accounts Receivable and Delinquent Financial Obligations", provides policies related to student accounts receivables, including the consequences for non-paying students. Internal Audit noted that a number of these policies are not complied with consistently across the University and identified Banner student information system deficiencies allowing non-paying students to circumvent automated controls in order to complete class registration for the next semester or avoid having their class registration cancelled. Internal Audit also noted that withdrawn financial aid accounts for a substantial (approximately \$8.4 million as of June 30, 2017) portion of the overall student accounts receivable balance. Accordingly, the University should consider delaying payment of excess student financial aid until after the start of the semester to prevent additional increases resulting from withdrawn financial aid. Internal Audit believes compliance with AP 8.731 and process control (manual and automated) improvements may moderate or decrease the student accounts receivable balances on a prospective basis.

Lastly, Internal Audit noted the origination of student accounts receivable from various systems not interfaced with the University's student information system (Banner) or general ledger (the Quali Financial System). Thus, Internal Audit believes the University should consider investigating the cost benefit of implementing a centralized billing system that can be integrated with Banner that includes attributes such as monthly notifications (e-mail and text) of charges, receivables and payments. A centralized billing system will consolidate outstanding student accounts receivable balances and thus simplify and clarify the student's payment on outstanding accounts and accordingly may increase collection of outstanding student financial obligations.

Sincerely,

Glenn Shizumura
Director

University of Hawai‘i
Review of Student Accounts Receivable
June 2018

I. Background / Objectives

University of Hawai‘i (University) Administrative Procedure (AP) 8.731, “Student Accounts Receivable and Delinquent Financial Obligations”, defines student accounts receivable as receivables for charges associated with tuition, fees, housing and meal charges, etc. posted to a student’s account in the student information system. Historical audit projects performed by the Office of Internal Audit (Internal Audit) identified risks associated with increasing student accounts receivable balances. **Table 1** presents the University’s total accounts receivable balances as of June 30, 2011 through 2017 in addition to the increasing student accounts receivable balances for the same period:

Table 1: Total Accounts Receivable and Student Accounts Receivable

	June 30, (in 000’s)						
	2017	2016	2015	2014	2013	2012	2011
<u>Total Accounts Receivable*</u>							
Gross	\$108,727	\$115,191	\$116,724	\$115,645	\$119,858	\$99,856	\$108,795
Allowance for							
D/A	<u>(30,457)</u>	<u>(28,278)</u>	<u>(29,005)</u>	<u>(26,344)</u>	<u>(23,749)</u>	<u>(20,994)</u>	<u>(12,206)</u>
Net	<u>\$ 78,270</u>	<u>\$ 86,913</u>	<u>\$ 87,719</u>	<u>\$ 89,301</u>	<u>\$ 96,109</u>	<u>\$78,862</u>	<u>\$ 96,589</u>
<u>Student Accounts Receivable</u>							
Gross	\$ 35,023	\$ 35,611	\$ 32,127	\$ 28,287	\$ 23,270	\$ 20,011	\$ 15,821
Allowance for							
D/A	<u>(27,673)</u>	<u>(25,464)</u>	<u>(24,941)</u>	<u>(22,376)</u>	<u>(11,677)</u>	<u>(8,879)</u>	<u>(6,396)</u>
Net	<u>\$ 7,350</u>	<u>\$ 10,147</u>	<u>\$ 7,186</u>	<u>\$ 5,911</u>	<u>\$ 11,593</u>	<u>\$ 11,132</u>	<u>\$ 9,425</u>

Source: The Kualii Financial System (KFS) and the University of Hawai‘i’s audited financial statements.

*Total accounts receivable is comprised of U.S. government, State and local government, private agencies, students, and other receivables

Increasing gross student accounts receivable has a negative impact on the University’s financial resources available to make payments, create new programs and improve the overall level of service to students. Furthermore, increasing uncollectible receivable balances may lead to future write-offs. The University has an objective of increasing enrollment. Implementing policies, procedures or practices to slow or stop the increase in gross student accounts receivables may have a negative effect on the University’s objective of increasing enrollment, but will improve the University’s overall financial condition.

Per AP 8.731, a student account is delinquent if payment (or the establishment of a payment plan) for tuition and fees are not received by a published date on the academic registration calendar or if other financial obligations (parking, meals, etc.) are not received by a date stated in other notifications (henceforth referred to as ‘delinquent financial obligations’ or ‘delinquent accounts’). AP 8.731 provides guidelines for the recording, reporting, notifying, appealing, collection, and write-off of student accounts receivable, as well as the available sanctions that may be imposed on delinquent financial obligations.

As a result of the year over year increases in the gross student accounts receivable and related allowance for doubtful accounts balances, the objective of this audit is to review and analyze the policies, processes and procedures related to originating, recording, collecting, reserving and writing off student accounts receivable balances. University financial management personnel had also requested that Internal Audit review the timeliness and accuracy of the recordation and collection process of non-student accounts receivable balances

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(approximately \$1 million net as of June 30, 2017). However, according to the University’s Director of Financial Management and Controller, these non-student accounts receivable balances are being managed and monitored by a separate project being carried out by the Financial Management Office. Accordingly, a review of non-student accounts receivable balances is not included in the scope of this audit.

II. Work Performed

The University’s Financial Management Office provided Internal Audit with a schedule listing student accounts receivable balances by campus. Internal Audit reviewed and analyzed this schedule in addition to reviewing policies, processes and procedures for:

1. originating,
2. recording,
3. collecting,
4. reserving and
5. writing off student accounts receivable balances.

Internal Audit also evaluated compliance with University student accounts receivable policies. Finally, Internal Audit researched other higher education institutions within the Pac-12, Mountain West and Big West conferences (collectively called ‘comparable universities’ henceforth) to determine leading practices in regards to managing student accounts receivable.

III. Observations and Testing

A. Gross Student Accounts Receivable by Category

Gross student accounts receivable is comprised of various unpaid student charges, including but not limited to tuition/fees and scholarships (relating to student charges paid via scholarship, student financial aid, etc.), on-campus housing including meal plans, campus parking and withdrawn financial aid (disbursed financial aid to a student no longer eligible for financial aid that must be repaid to the University). Internal Audit obtained student accounts receivable financial information by category for the three years ended June 30, 2017 from the Financial Management Office for the purposes of identifying current trends. As discussed later in this report, the majority of student accounts receivables are initially recorded in Banner (the University’s student information system) then input into KFS daily via a Banner to KFS interface. For purposes of this report, student accounts receivable balances originating in Banner and recorded in KFS will be defined as KFS-Banner account balances. Other student accounts receivable associated with courses (e.g., non-credit) offered by the University’s community colleges are initially recorded in the Destiny One (Destiny) system prior to recordation in KFS via an automated interface. Additional student accounts receivable associated with courses offered through the University of Hawai‘i at Mānoa’s (UHM) Outreach College are recorded in other systems prior to manual recordation in KFS. Internal Audit was informed that student accounts receivable also originate from other systems (music department, library system, etc.) that are not interfaced with Banner thus also requiring manual recordation in KFS. The KFS-Banner student accounts receivable balances by category for the years ended June 30, 2017, 2016 and 2015 were as follows (see Appendices A, B and C for gross student accounts receivable balances by campus and category):

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Table 2: Gross KFS-Banner Student Accounts Receivable by Category

	Gross Student Accounts Receivable at June 30, (in 000's)		
	2017	2016	2015
Tuition and fees	\$24,218	\$23,307	\$21,530
Housing	1,992	1,629	1,436
Withdrawn financial aid	8,362	8,264	7,580
Direct federal student loans*	-	2,237	1,313
Other	199	113	134
Total	34,771	35,550	31,993
Gross Student A/R per Table 1	35,023	35,611	32,127
Difference	\$ (252)	\$ (61)	\$ (134)

**Represents direct loans to students from the federal government. These amounts were owed to the University from the federal government. According to the Director of the General Accounting Office (General Accounting), delays in receiving these payments were identified as an issue after fiscal year 2016 and procedures were implemented to resolve the issue for fiscal year 2017.*

Internal Audit noted that the totals for gross student accounts receivable in **Table 2** are not consistent with **Table 1** due to the following reconciling items:

- For the year ended June 30, 2017, certain student accounts receivables were recorded by the community colleges in the Destiny system (approximately \$193,000). Previously, these student accounts receivables were classified as “Other” accounts receivable.
- There are known variances between Banner and KFS (see **Table 5** later in this report).

Internal Audit determined that the KFS-Banner student accounts receivable information, though inconsistent with total student accounts receivable recorded in KFS, was useful in regards to gaining an overall view of the composition of gross student accounts receivable for purposes of analysis. Internal Audit noted that based on **Table 2** the majority of gross student accounts receivable is due to tuition and fees. However, another significant portion can be attributed to withdrawn financial aid, which is discussed in section **III.C.1.c. Financial Aid** later in this report.

B. Student Accounts Receivable by Campus

Per KFS, the student accounts receivable balances by University campus for the years ended June 30, 2017, 2016 and 2015 were as follows:

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Table 3: Student Accounts Receivable by Campus (per KFS)

Campus	Student Accounts Receivable at June 30, (in 000's)								
	2017			2016			2015		
	Gross	Allow.	Net	Gross	Allow.	Net	Gross	Allow.	Net
UHM	\$ 22,743	\$ (18,542)	\$ 4,201	\$ 22,630	\$ (16,103)	\$ 6,527	\$ 19,494	\$ (15,184)	\$ 4,310
LCC	2,294	(1,620)	674	2,135	(1,658)	477	2,010	(1,406)	604
KCC	2,219	(1,518)	701	2,072	(1,701)	371	2,115	(1,451)	664
UHH	2,048	(1,547)	501	3,536	(1,528)	2,008	3,144	(2,674)	470
HI CC	1,428	(1,129)	299	1,231	(1,105)	126	1,235	(1,073)	162
Maui	1,166	(996)	170	1,131	(1,053)	78	1,193	(1,014)	179
Hon. CC	1,104	(906)	198	1,020	(916)	104	1,197	(959)	238
UHWO	965	(607)	358	849	(557)	292	686	(342)	344
WCC	739	(540)	199	719	(586)	133	723	(549)	174
Kaua‘i	317	(268)	49	288	(257)	31	330	(289)	41
Total	\$ 35,023	\$ (27,673)	\$ 7,350	\$ 35,611	\$ (25,464)	\$ 10,147	\$ 32,127	\$ (24,941)	\$ 7,186

Internal Audit noted that the gross student accounts receivable and the related allowance for doubtful accounts has been relatively stable during the three years ended June 30, 2017. However, the gross student accounts receivable balance as a percentage of gross total accounts receivable has increased from 15% as of June 30, 2011 to 32% as of June 30, 2017. In addition, the allowance for doubtful accounts associated with student accounts receivable is 91% of the University’s allowance for doubtful accounts associated with all accounts receivable as of June 30, 2017.

C. Significant Student Accounts Receivable Processes

1. Origination of Student Accounts Receivable

a. Student registration process:

University students complete class registration using the Student Tracking and Reporting (STAR) system which is a University-designed guided class registration system that has been gradually rolled out across all University campuses, with systemwide implementation completed during the Fall 2017 semester. Current and incoming students use STAR for class registration, review prior grades and pay their tuition and fees via an interface to the University’s payment services provider, Touchnet, a global payments company.

Internal Audit noted that STAR provides information to assist students in selecting classes for purposes of continuing on track to graduation. STAR does not require the payment of tuition and fees after the student selects his or her classes and completes the class registration process. Students subsequently receive an e-mail from STAR confirming the classes selected and completion of the class registration process. However, this e-mail does not provide guidance with respect to payment requirements and deadlines. Accordingly, students generally pay tuition and fees subsequent to class registration.

b. Significant class registration dates:

For each semester, each University campus publishes an academic/registration calendar listing significant class registration and payment dates. The exact dates vary by year, semester and campus, but can be summarized as follows:

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Table 4: Example Class Registration Calendar

Number of Days Relative to Start of Semester (based on UHM Spring 2018 class registration calendar)	Event
30 to 50 days before start of semester (first day of instruction)	Class registration for continuing students (student accounts receivable and related revenue recognized in KFS)
30 to 36 days before start of semester	Class registration for incoming students (student accounts receivable and related revenue recognized in KFS)
30 days before start of semester (first payment deadline)	Tuition and fees payment (or sign up for payment plan) deadline for registered students (unpaid amounts are considered delinquent financial obligations after this date)
26 to 30 days before start of semester	Class registration system moratorium and class registrations may be cancelled for non-payment
25 days before start of semester to 10 days after start of semester (continued registration period)	Continued class registration (or re-registration for students whose class registration was cancelled) (Class registration after the start of semester incur a \$30 late registration fee)
10 days after start of semester (second payment deadline)	Last day for class registration. Tuition and fees payment (or sign up for payment plan) deadline for students that completed class registration during continued registration period. Last day for 100 percent tuition refund.
20 days after start of semester	Last day for 50% tuition refund

Per UHM’s Spring 2018 class registration calendar, Internal Audit noted December 8, 2017 as the first payment deadline for tuition and fees for the Spring 2018 semester. AP 8.731 requires the cancellation of class registration to be imposed as a sanction to students for non-payment of tuition and fees provided no properly filed appeal is in process. The Banner system is programmed with an automated control to cancel students’ class registration at the first payment deadline if tuition and fees have not been paid (see **Table 6** for a description of practices to circumvent the Banner system automated control). However, some campuses have recently circumvented this automated control and “opted out” of canceling class registration for non-payment of tuition and fees. Internal Audit was informed that West O‘ahu, UH Hilo, Maui College and Leeward Community College all opted out of the class registration cancellation for unpaid student accounts during the Spring 2018 semester, a practice that was inconsistent with other University campuses and AP 8.731. Furthermore, Internal Audit noted that upon reaching the second payment deadline, none of the University campuses cancel class registration for unpaid student accounts, a practice that Internal Audit believes may contribute to increasing the University’s gross student accounts receivable balance over time. Furthermore, students that have not made payment (or signed up for a payment plan) and do not have class registration cancelled may negatively impact other students’ ability to select courses and remain on track to their expected graduation date.

c. Financial Aid:

Financial Aid Services is responsible for reviewing and approving student requests for federal and nonfederal (State of Hawai‘i or private/alternative loans) financial aid, as well as administering scholarship and grant funds awarded to students. Financial aid awarded to students that qualify for federal or nonfederal financial aid prior to or at the commencement of a Semester (includes fall, spring and summer session) but are determined to be

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ineligible during the Semester may increase student accounts receivable. Ineligibility generally results from students withdrawing from the University or decreasing their course load to part-time status.

When a student completes and receives confirmation of class registration via STAR, student accounts receivable is recorded in Banner for students that have applied for or been approved for financial aid. Approximately ten days prior to the beginning of each Semester, approved financial aid amounts are applied to the student accounts receivable balance in Banner. In some cases, the amount of the approved financial aid exceeds the student’s accounts receivable balance (tuition, fees, student housing, etc.) in Banner. The excess financial aid is disbursed to the student to be used for other costs of attendance (e.g., books, off-campus housing, food, etc.).

On a specific date after the commencement of each Semester and with the assistance of University faculty, Financial Aid Services determines whether students that have received financial aid continue to be eligible for financial aid. For example, a student that has received financial aid based on their status as a fulltime student must continue to maintain sufficient credits to be considered a fulltime student. Students who are determined to be no longer eligible for financial aid (due to withdrawal from the University, not meeting the required course load, etc.), must repay the University the financial aid previously received since the University reimburses the respective federal aid (or nonfederal) program. Therefore, the total amount of the ineligible financial aid is recorded to the student’s Banner account as an owed balance and recorded to KFS as student accounts receivable. As of June 30, 2017, Internal Audit noted that approximately \$8.4 million of the University’s gross student accounts receivable recorded in Banner was due to financial aid awarded to eligible students that later became ineligible subsequent to the commencement of the Semester (see **Table 2**).

d. Student housing:

As of June 30, 2017, student accounts receivable related to student housing (including meals) was approximately \$2 million (see **Table 2**). The monitoring and collection of student accounts receivable related to student housing is the responsibility of the UHM or UHH Student Housing Office. However, as student housing receivables are also included in each student’s overall financial information in Banner, financial obligation notices sent by the Cashier’s Office also include student housing financial obligations. As such, the Student Housing Office must coordinate its collection activities around those of the Cashier’s Office. For those students not on a payment plan, the Student Housing Office sends various notices of payment due dates, past due reminders, and for delinquent accounts, notice of termination with a final due date for students to make full payment of amounts owed. If payment is not received by the final due date, the student’s housing contract will be terminated. For those students on a payment plan, notices of outstanding and delinquent financial obligations will be sent by the Cashier’s Office.

Internal Audit was informed that the Banner system includes a payment prioritization system that applies payments to the various categories (e.g., tuition, fees, student housing, etc.) of student accounts receivable in a specific order. For example, if a student has delinquent financial obligations for tuition and student housing, any payments will be applied to tuition first, even if the student requested that a payment be applied to outstanding student housing balances. According to the UHM Interim Director of Student Housing, this has caused confusion amongst students who believe they’ve paid for their student housing only to have the payment applied to a different financial obligation.

e. Conclusions and recommendations:

The gross student accounts receivable balances have remained stable as of June 30, 2017, 2016 and 2015 but is more than double the gross student accounts receivable balance as of June 30, 2011. The estimated uncollectible balances range from 72% - 79% of the gross receivable balances as of June 30, 2017, 2016 and 2015. Internal Audit believes campuses not complying with University policy regarding cancelling class registration for students with unpaid tuition and fee balances increases the gross and uncollectible student accounts receivable balances. In addition, non-compliance with this policy may negatively impact other students’ ability to select courses and

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remain on track to their expected graduation date. Other causes for the significant student accounts receivable balance may include the lack of clarity regarding tuition payment deadlines at the time of class registration and the timing of payment of excess student financial aid. As such, Internal Audit recommends the following for management consideration:

- Enforce compliance of University policy regarding the cancellation of class registration for students that do not pay tuition and fees or register for the payment plan by stated deadlines.
- Enhance the STAR class registration process by including in the class registration confirmation e-mail the following:
 - Link to payment system
 - Payment deadlines
 - Consequences for not paying within required timeframe
- Delay payment of excess student financial aid until after the start of the Semester (once eligibility has been confirmed) to alleviate the process of collecting financial aid from students who are determined to be ineligible subsequent to the start of the Semester
- Due to the origination of student accounts receivable from various systems not interfaced with Banner or KFS, consider investigating the cost benefit of implementing a centralized billing system that can be integrated with Banner. This centralized billing system should include attributes such as monthly notifications (e-mail and text) of charges, receivables and payments. The notification should include a link to the student’s account such that the student (and parent/guardian provided access from the student) is informed of the source (description, date and amount) of charges and the manner in which payments were applied to such charges with any unpaid charge resulting in an accounts receivable balance. A centralized billing system will consolidate outstanding student accounts receivable balances and thus simplify and clarify the student’s payment on outstanding accounts. For example, student access to this information or alternatively disclosing the Banner payment prioritization system on the University’s website should avoid confusion amongst students who believe they’ve paid for their student housing only to have the payment applied to a different financial obligation.

2. Recordation of Student Accounts Receivable

a. *Banner/KFS recordation:*

The accounts receivable module of Banner records student charges, receivables and payments. Banner interfaces with both STAR (real-time) and KFS (daily). Student class registration payments may be made via the STAR interface (credit card) or at the Cashier’s Office (cash or check). The Cashier’s Office also accepts checks through the mail.

Student accounts receivable related to tuition and fees and the associated revenues are recorded in Banner at the time of class registration although revenues have not yet been earned as the University has not provided the related service. Thus, for fiscal year-end financial reporting purposes, Internal Audit was informed that the University calculates and records adjustments to accounts receivable, revenues and unearned revenues to conform to accounting principles generally accepted in the United States (GAAP). Per review of the adjustment analysis prepared by the Banner Accounts Receivable Specialist (Banner AR Specialist of the Bursar’s Office) in connection with the University’s financial statements for the year ended June 30, 2017, Internal Audit noted that adjustments were recorded to accounts receivable, revenues and unearned revenues. However, the methodology for calculating the adjustments was unclear and documentation supporting the accuracy and completeness of the adjustments was unavailable. According to the Director of General Accounting, a detailed review of the adjustment for accounts receivable, revenues and unearned revenues is not performed by General Accounting prior to KFS recordation at fiscal year end for financial statement reporting purposes.

Other student accounts receivable (i.e., housing charges, parking fines, etc.) are recorded as charged by the respective University unit. Banner transactions are batched and transmitted daily for recordation to KFS. Three

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automated error identification processes and related reports (e.g., invalid information, expired accounts, mismatched entries, etc.) are processed by Banner to detect discrepancies and errors prior to transmission to KFS. On a daily basis, the Banner AR Specialist is responsible for reviewing and resolving errors contained in three Banner error reports to ensure Banner information can be completely and accurately transmitted to KFS. Internal Audit noted that in addition to the three Banner error reports, there are three additional KFS error reports that must be reviewed and addressed by the Banner AR Specialist. According to the Banner AR Specialist, resolving identified errors is a manual and time-consuming process. In addition, Internal Audit was informed that the absence of robust documentation providing guidance for resolving identified errors negatively impacted the timeliness of resolving these errors. Accordingly, the Banner AR Specialist is developing a manual documenting error resolution procedures to increase the effectiveness and efficiency in resolving errors identified prospectively. Finally, there is no automated procedure that streamlines the analysis and tracking of the errors contained in these six error reports to resolution.

b. Banner to KFS comparison:

According to the Director of Financial Management/Controller, a comparison of the student accounts receivable amounts recorded in Banner to the amounts recorded in KFS has not historically been performed, as any variances were expected to be insignificant. However, to determine if the Banner system supports the completeness and accuracy of the student accounts receivable amounts recorded in KFS, Internal Audit requested that FMO compare and reconcile the student accounts receivable balance recorded in KFS to Banner (excluding year-end adjustments for financial statement purposes). FMO completed the comparison, a condensed summary of which is as follows:

Table 5: Banner to KFS Student Accounts Receivable Comparison

	June 30, (in 000's)	
	2017	2016
Gross student accounts receivable:		
Banner	\$ 34,771	\$ 35,550
KFS	35,023	35,611
Difference	(252)	(61)
Destiny accounts receivable	193	-
Total difference	\$ (59)	\$ (61)

The noted differences between KFS and Banner are currently under review by FMO. Comparing and reconciling KFS to Banner periodically is a practice that Internal Audit believes is critical to ensuring and validating the completeness and accuracy of the student accounts receivable information recorded to KFS.

c. Sanctions for delinquent financial obligations:

When a delinquent financial obligation is identified, University policy (AP 8.731) requires the University to mail a standard letter to the last known address of the student requesting immediate payment. AP 8.731 does not require that an e-mail be sent to the student’s University e-mail address. The letter includes information on the sanctions the University may impose if the obligation is not paid within 15 days from the date of the notice, as well as the process for appealing if the student does not believe the delinquent financial obligation has been properly assessed. Furthermore, AP 8.731 states that in addition to the cancellation of class registration as noted in the prior section, other sanctions may be imposed, including:

- denial of further class registration
- revocation of all rights and privileges conferred by the act of class registration
- denial of transcripts, diplomas and other entitlements

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These sanctions are applied to delinquent accounts by placing a “financial hold” on the student’s account. Internal Audit noted that the University offers a payment plan to provide students greater financial flexibility with respect to tuition and fee payments. For those students enrolled in a payment plan, a delinquent financial obligation is deemed to exist when a scheduled payment is not made by the payment plan’s stated due date.

In practice, Internal Audit noted that students with delinquent financial obligations continue to have electronic access to grades and uncertified transcripts (printable summary of academic progress) via the STAR system, which lessens the severity of the imposed sanctions. Furthermore, according to personnel within the Cashier’s Office, students and University personnel have the ability to circumvent the current controls in Banner thereby allowing financial holds to be temporarily lifted (i.e., the student is able to complete class registration for the next Semester) or the prevention of class registration cancellation. Internal Audit believes the ability to circumvent these controls represents Banner process deficiencies. A summary of these process deficiencies is provided below:

Table 6: Banner Process Deficiencies

Activity Performed	Financial Hold Temporarily Removed	Prevents Class Registration Cancellation
A nominal (e.g., \$5) payment is made on a student’s account after class registration.	No	Yes
Submitting a full student account payment with a check that is subsequently not honored by the bank due to insufficient funds (NSF check).	Yes	Yes
A financial hold is manually lifted by University personnel.	Yes	No
A special “Do not purge” hold is manually placed on a student’s account.	No	Yes

In the cases with a “Yes” in the “Financial Hold Temporarily Removed” column, the financial hold will generally be reinstated by the Cashier’s Office on the date that the removed temporary hold expires (For example, if a financial hold is manually lifted on August 1st with an expiration date of August 7th, the financial hold will be reinstated on August 7th) or when the NSF check is not honored. A financial hold can be manually lifted (or a special “Do not purge” hold can be placed) by any personnel within the Cashier’s Office and authorized personnel within each campus’s business office(s). The special “Do-not-purge” hold is primarily used for students applying for or who have been approved but not yet received financial aid to ensure their class registration is not cancelled. The “Do-not-purge hold” is also be used to assist a student with an unpaid account from having their class registration cancelled. Enhancing Banner’s automated controls to mitigate these deficiencies and establishing policies governing manual overrides to financial holds will increase the effectiveness of the sanctions imposed by the University. Additionally, denying electronic access to grades and uncertified transcripts for students with delinquent financial obligations may improve the rate of collections, which is discussed in more detail in the following section, “Collections of Delinquent Financial Obligations”.

d. Conclusions and recommendations:

Internal Audit noted that student accounts receivable, revenues and unearned revenues may not be properly reflected in KFS at fiscal year-end, resolution of errors identified in Banner and KFS error reports is a highly manual process, discrepancies between the student accounts receivables recorded in Banner and KFS, and Banner

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process deficiencies designed to enforce sanctions on students with delinquent accounts. As such, Internal Audit recommends the following for management consideration:

- In consultation with the Banner AR Specialist, General Accounting should evaluate student accounts receivable and revenue year-end adjustments for completeness and accuracy to ensure that revenues recorded in KFS at year-end are earned and conform with GAAP.
- Determine process improvements, both automated (e.g., system checking of information at the time of entry for validity) and manual, to reduce the volume of Banner and KFS discrepancies and errors requiring resolution. These process improvements may include:
 - Integrating all errors into a single report
 - Tracking/monitoring errors to resolution
 - Periodic reporting to management on the backlog, if any, of unresolved errors
 - Continuing to develop a written manual that provides guidance with respect to resolving errors identified by each of the error reports
- In consultation with the Bursar's Office, General Accounting should periodically (at least annually) compare the student accounts receivable amounts recorded in KFS to Banner and investigate the cause of discrepancies.
- Enhance Banner system automated controls to ensure financial holds are not removed from a student's account for insignificant payments or prematurely (i.e., due to a nominal payment or payment with a check from an account with insufficient funds). Also, revise AP 8.731 to determine under what conditions and by which personnel financial holds can be manually lifted from student accounts (or do-not-purge holds placed).
- Determine the feasibility of enhancing the STAR to Banner interface such that students with delinquent financial obligations will have limited electronic access to grades and uncertified transcripts (no access to grades earned during semesters with outstanding financial obligations).
- Revise AP 8.731 to require that delinquent financial obligation notifications be sent to the student's University e-mail address in addition to their last known mailing address (Note: Implementation of the centralized billing system and the corresponding monthly notifications noted in the prior section would negate this recommendation).

3. Collections of Delinquent Financial Obligations

a. *Collection procedures:*

AP 8.731 requires the following procedures to collect delinquent financial obligations:

- report the financial obligation to credit bureau organizations
- setoff against the student's Hawai'i state income tax refund or other sums due to the student from the State (amounts owed to the University of \$25 and greater)
- initiate legal action to recover the amount which is owed, including appropriate interest, court costs and attorneys' fees
- use the services of University personnel to collect delinquent financial obligations
- transcripts, diplomas, grades, credits and other entitlements shall not be conferred by the expiration of any statute of limitations in all cases of delinquent financial obligations
- contract the services of a collection agency, whose fees will be added to the amount owed

Finally, the policy requires that a second (final) notice be mailed to students with a delinquent financial obligation by the end of the Semester. However, Internal Audit was informed by personnel in the Cashier's Office that the final notice is not mailed until several months after the end of the Semester. An automated Banner report downloaded by the Cashier's Office subsequently identifies obligations that remain overdue for forwarding to a collection agency.

Once the services of a collection agency are employed, University personnel cease all collection activities. When a delinquent financial obligation is sent to a collection agency, the student's account balance (as the student is

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responsible for paying any fees) is increased (charged) by the estimated amount that the University would owe the collection agency. This collection agency fee (usually between 20% and 30% of the student accounts receivable balance) is recorded in Banner under the assumption that the collection agency will be 100% successful in its collection efforts. According to the Director of General Accounting, this collection agency fee recorded in Banner is not posted to KFS. The collection agency will cease its collection efforts if unable to collect all or a part of the delinquent account after a year. Once the delinquent account is returned to the University, Internal Audit was informed that the Cashier’s Office will reverse uncollected collection agency fees included in the student’s account balance in Banner.

According to the Bursar, there has historically been no review conducted to evaluate the performance of the various collection agencies employed by the University. However, the Bursar implemented a monthly review process in December 2017 to monitor the collection efforts of the collection agencies. Internal Audit obtained three monthly collection agency reviews performed by the Bursar and noted monthly collections remitted to the University between \$50,000 and \$100,000 (including related collection agency fees) out of student accounts receivable sent to collection agencies of between \$4 million and \$7 million.

b. Collection rates:

The collection rates (%) noted in **Table 7** below reflects the student accounts receivables collected by both the University and collection agencies as a percentage of the student accounts receivables originating from the previous year. For example, during the year ended June 30, 2017, the University collected 66 percent (\$9.1 million) of student accounts receivable that originated (\$13.8 million) during the fiscal year ended June 30, 2016. The overall collection rate is calculated by dividing current fiscal year collections (\$11.7m for fiscal 2017) by the previous fiscal year end’s gross accounts receivable balance (\$35.6m at June 30, 2016). For the three years ended June 30, 2017, the University achieved the following collection rates (percentage of prior student accounts receivable collected in each respective year) and amounts (including related collection agency fees) on outstanding student accounts receivable balances:

Table 7: Student Accounts Receivable Collection Rates

Student accounts receivable outstanding	Student Accounts Receivable Collection Rates (%) and Amounts Collected (\$000s) for the years ending June 30,							
	2017		2016		2015		2014	
	%	\$	%	\$	%	\$	%	\$
Less than one year	66	\$ 9,126	67	\$ 9,298	66	\$ 8,781	30	\$ 1,874
One to two years	19	863	12	565	14	615	(1)	(57)
Two to three years	26	1,018	27	1,005	31	1,241	1	27
Three to four years	8	229	12	333	28	984	21	505
Four to five years	8	193	10	245	11	221	3	38
Five to six years	6	144	8	129	6	68	1	9
Six to seven years	6	89	4	44	5	33	3	17
Seven to eight years	4	34	4	22	3	15	2	7
Nine to ten years	3	17	2	10	5	14	1	5
Greater than ten years	2	35	3	25	5	32	2	7
Totals		<u>\$11,748</u>		<u>\$11,676</u>		<u>\$12,004</u>		<u>\$ 2,432</u>
Overall collection rate (current yr. collections of prior yr. A/R balance)	34		36		40		13	

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Internal Audit noted an improvement in overall collection rates from 2014 to 2015, but a subsequent decrease in overall collection rates over the last three years. In addition, the collection rate for student accounts receivable in the one to two years range has improved since the year ended June 30, 2014. According to the Bursar, the collection rate improvement subsequent to June 30, 2014 may be due to the hiring of a collections specialist within the UHM Cashier’s Office who phones and e-mails currently registered students to collect outstanding balances as these balances are more likely to be collected. Based on the above table, this effort appears to have improved collection rates for the first three years subsequent to the origination of the outstanding accounts receivable. On the other hand, collection rates decline substantially after three years. According to the Bursar, the University ceases collection attempts after two years (approximately three years after origination), once accounts are returned by the collection agency. Any future collections are likely the result of students’ independent efforts to pay down their balances or State of Hawai‘i (State) income tax offsets.

c. Testing:

Internal Audit obtained a detailed listing of student accounts receivable in Banner from the Bursar for the year ended June 30, 2017 and selected a sample of 20 delinquent financial obligations across all campuses to test compliance with AP 8.731. Internal Audit determined the unreconciled amounts noted in Internal Audit’s analysis of **Table 5** would not negatively impact our testing of the detailed listing provided by the Bursar. Internal Audit noted the following:

- There was evidence of a financial hold applied to all 20 delinquent accounts (prevents the student from completing class registration for future Semesters, obtaining certified transcripts, etc.)
- For 18 of the 20 accounts, there was evidence of an initial, second and final notice of delinquent financial obligation sent to the student. For the two other accounts, there was evidence of an initial notice, but no second or final notice as the student had settled all financial obligations.
- For 17 of the 20 accounts, there was evidence that each delinquent financial obligation had been transferred to a collection agency. For the two accounts noted previously, collection agency services were not applicable as the students had completed payment. However, the additional delinquent account was not sent to a collection agency. According to the Bursar, this was an error by the Cashier’s Office.

Internal Audit also noted evidence of contact by University personnel and the student via phone and/or e-mail for five of the 20 delinquent accounts. Phone correspondence is not required by University policy, but according to the Bursar is used by the collections specialist to improve the collection rates on accounts receivable for currently registered University students.

d. Conclusions and recommendations:

The collection rate for student accounts receivables originating one to two years prior to collection has improved during the three years ended June 30, 2017. Accordingly, the gross student accounts receivable balances as of June 30, 2017, 2016 and 2015 have remained relatively stable. However, the collection amounts have not been sufficient to significantly decrease the gross student accounts receivable balances.

Internal Audit was informed that the timing of the mailing of the second (final) notice to students with a delinquent financial obligation does not conform to AP 8.731, which requires the final notice to be mailed by the end of the Semester. Management should either review and revise the policy or require final notices to be mailed to students prior to the end of the Semester to comply with the policy.

Internal Audit noted that one of 20 delinquent accounts tested was not transferred to a collection agency as required by AP 8.731. As such, Internal Audit recommends that the Cashier’s Office implement a review process to ensure all delinquent accounts are in compliance with AP 8.731’s requirement to transfer delinquent financial obligations to a collection agency.

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4. Reserving and Writing-Off of Student Accounts Receivable

A. *Write-off procedures:*

Under AP 8.731, a receivable is considered for write-off when all required University collection efforts pursuant to University and State (Hawai‘i Revised Statutes, Section 40-8) policies and procedures have been performed without success and the account has been outstanding for at least two consecutive years. The request to write-off an account is prepared by the University Cashier’s Office and submitted to the University General Counsel (UGC) with supporting documentation and a description of the outstanding obligation, collection efforts performed and the reason for write-off. If approved, the accounts receivable balance is written off (deleted from the University’s accounts receivable records) along with the corresponding allowance for doubtful accounts. The write-off of an account is a bookkeeping entry only and does not relieve the debtor from their financial obligation to the University (unless there are certain exceptions, e.g., bankruptcy, undue hardship, etc.). Thus, the Cashier’s Office continues to maintain a record (via notes on each student account) of accounts receivable that have been written off.

B. *Historical write-offs:*

Internal Audit reviewed the University’s Annual Report on Uncollectible Accounts to the Hawai‘i State Legislature (Legislature) for fiscal years 2017, 2016 and 2015, noting the following:

Table 8: Accounts Receivable Write-Offs

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debtor account balance less than \$500	\$168,334	\$ -	\$ 10,894
Debtor records destroyed in fire	-	-	176,271
Debtor deceased/filed for bankruptcy	8,237	27,328	44,123
Dishonored checks	40,178	-	-
Other uncollectible	20,002	-	-
Totals	<u>\$236,751</u>	<u>\$27,328</u>	<u>\$231,288</u>

Internal Audit noted that student accounts receivable is a component of the amounts in **Table 8**. Excluding the write-off amount (\$176,271) associated with debtor records destroyed in the FMO building fire in fiscal year 2015, both fiscal years 2015 and 2016 write-offs were substantially less than fiscal year 2017. In fiscal year 2017, the University noted in its Annual Report on Uncollectible Accounts to the Legislature that it “began a system-wide effort to identify and write-off or collect older accounts receivable.” As noted in the report, the majority of the amounts written off were aged six years or greater.

The following table summarizes the aged listing of student accounts receivables offset by an allowance for doubtful accounts:

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Table 9: Aging Student Accounts Receivables and Allowance for Doubtful Accounts

Aging	For the years ending June 30, (\$000s)					
	2017		2016		2015	
	A/R	Allow.	A/R	Allow.	A/R	Allow.
Less than one year	\$12,551	\$ 5,201	\$15,170	\$ 5,023	\$13,849	\$ 6,663
One to two years	4,653	4,653	4,541	4,541	4,553	4,553
Two to three years	3,678	3,678	3,988	3,988	3,750	3,750
Three to four years	2,970	2,970	2,745	2,745	2,710	2,710
Four to five years	2,517	2,517	2,377	2,377	2,495	2,495
Five years or greater	8,654	8,654	6,790	6,790	4,770	4,770
Totals	\$35,023	\$27,673	\$35,611	\$25,464	\$32,127	\$24,941

Per review of the aged listing of student accounts receivable as of June 30, 2017, Internal Audit noted that approximately \$8.7 million has been outstanding for greater than five years, with approximately \$17.8 million outstanding for greater than two years. Accordingly, the University should consider writing off the gross student accounts receivable, as well as the corresponding allowance for doubtful accounts, for accounts aged five years or greater to eliminate the need for management to continuously track, evaluate and monitor such balances for financial reporting purposes.

C. Conclusions and recommendations:

As noted in **Table 1**, the allowance for doubtful accounts related to student accounts receivable is approximately \$27.7 million. Of this amount, approximately \$8.7 million has been outstanding for greater than five years and approximately \$17.8 million has been outstanding for greater than two years. As such, Internal Audit recommends that management of the Cashier’s Office and FMO develop a plan to continue to write-off student accounts receivables to alleviate the continuous tracking, evaluation and monitoring of such balances for financial reporting purposes.

D. Comparison to Comparable Universities

Internal Audit researched the student accounts receivable policies of thirty-one universities (within the Pac-12, Mountain West and Big West conferences, collectively comprising more than half of UHM’s stated peer and benchmark institutions as listed on the UHM Institutional Research Office website) to determine whether the University’s policies on originating, recording, collecting, reserving and writing off student accounts receivable are consistent with other universities. An evaluation of student accounts receivable balances for these universities was not performed as financial information comparable to the University and amongst these universities was not available.

Internal Audit researched the universities’ policies related to student accounts receivable and noted the following:

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Table 10: Comparison of Student Accounts Receivable Policies

<u>Attributes</u>	<u>% of universities</u>	<u>University policy?</u>
<u>Consequences/actions for delinquent accounts</u>		
Prevent future class registration	94%	Yes
Restricted access to transcript and/or diploma	94%	Yes
Referred to outside collection agency	68%	Yes
<u>Write-Off</u>		
Accounts receivable greater than an amount stated in university policy requires approval of university general counsel or university president	23%	Yes
<u>Installment Payment Plans</u>		
Installment plan offered	84%	Yes
Fee required to participate in the payment plan	81% (per semester range: \$15 (resident undergrad)-\$894 (non-resident grad))	Yes (\$30)
<u>Class Registration</u>		
Full tuition and fees payment due on or before first day of class (if not in payment plan)	58% (range: one day to 26 days prior)	No (10 days after)
Family Education and Rights Privacy Act (FERPA) consent form provided (or the equivalent) at time of class registration	97%	Upon request

Internal Audit noted compared to these universities, the University’s accounts receivable policies and procedures are relatively consistent. A noteworthy difference, however, was noted in the due date for full payment of tuition and fees. The majority of universities (including most of the universities within the California State and University of California systems) require full payment of tuition and fees prior to the first day of class, whereas the University requires full payment of tuition and fees ten days after the first day of class. Another difference noted was that the majority of universities provide students with an opportunity to sign a Family Education Rights and Privacy Act (FERPA) consent form during the registration process. A student signing this consent form authorizes parents or guardians access to their university financial information including outstanding student accounts receivable (FERPA form). University personnel within the Cashier’s Office, Financial Aid Services and Student Housing Services informed Internal Audit that the University provides students the opportunity to sign a FERPA form upon request. With respect to these differences, Internal Audit recommends that the payment due

date be revisited with consideration given to requiring full payment of tuition and fees on or prior to the first day of class.

IV. Overall Conclusions and Recommendations

The University's gross student accounts receivable balances have remained stable as of June 30, 2017, 2016 and 2015 but the gross student accounts receivable balance is more than double the balance as of June 30, 2011. The estimated uncollectible balances range from 72% - 79% of the gross receivable balances as of June 30, 2017, 2016 and 2015. The gross student accounts receivable balance as a percentage of total accounts receivable has increased from 15% as of June 30, 2011 to 32% as of June 30, 2017. In addition, the allowance for doubtful accounts associated with student accounts receivable increased from 40% to 91% of the University's allowance for doubtful accounts associated with all accounts receivable from June 30, 2015 to June 30, 2017.

Internal Audit also noted discrepancies between the student accounts receivables recorded in Banner and KFS as well as Banner process deficiencies (both automated and manual) that reduced the effectiveness of sanctions on students with delinquent accounts.

The increasing student accounts receivable balance negatively impacts the University's liquidity and thus its ability to fund projects and pay creditors. Internal Audit believes the significant gross and uncollectible student accounts receivable balances is primarily attributable to campuses not complying with University policy regarding cancelling class registration for students with unpaid tuition and fee balances.

Internal Audit also believes that the Bursar in consultation with other relevant University management should develop a strategy to reduce the historical gross student accounts receivable balance and mitigate the risk of creating additional uncollectible student accounts receivables.

The listing below summarizes Internal Audit recommendations identified in this report into the following categories: 1) Compliance, 2) Operational, and 3) Financial.

Compliance

1. Enforce compliance of AP 8.731 regarding the cancellation of class registration for students that do not pay tuition and fees or register for the payment plan by stated deadlines.
2. Implement a process to review delinquent accounts to ensure compliance with AP 8.731's requirement to transfer delinquent financial obligations to a collection agency.
3. Either revise AP 8.731 or require final notices to be mailed to students prior to the end of the Semester to comply with this policy.

Operational

1. Enhance the STAR class registration process by including in the class registration confirmation e-mail the following:
 - Link to payment system
 - Payment deadlines
 - Consequences for not paying within required timeframe
2. Delay payment of excess student financial aid until after the start of the Semester (once eligibility has been confirmed) to alleviate the process of collecting financial aid from students who are determined to be ineligible subsequent to the start of the Semester.

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3. Due to the origination of student accounts receivable from various systems not interfaced with Banner or KFS, consider investigating the cost benefit of implementing a centralized billing system that can be integrated with Banner. This centralized billing system should include attributes such as monthly notifications (e-mail and text) of charges, receivables and payments. The notification should include a link to the student’s account such that the student (and parent/guardian provided access from the student) is informed of the source (description, date and amount) of charges and the manner in which payments were applied to such charges with any unpaid charge resulting in an accounts receivable balance. A centralized billing system will consolidate outstanding student accounts receivable balances and thus simplify and clarify the student’s payment on outstanding accounts. For example, student access to this information or alternatively disclosing the Banner payment prioritization system on the University’s website should avoid confusion amongst students who believe they’ve paid for their student housing only to have the payment applied to a different financial obligation.
4. Determine process improvements, both automated (e.g., system checking of information at the time of entry for validity) and manual, to reduce the volume of Banner and KFS discrepancies and errors requiring resolution. These process improvements may include:
 - Integrating all errors into a single report
 - Tracking/monitoring errors to resolution
 - Periodic reporting to management on the backlog of unresolved errors
 - Continuing to develop a written manual for resolving errors identified by each of the error reports
5. Enhance Banner system automated controls to ensure financial holds are not removed from a student’s account for insignificant payments or prematurely (i.e., due to a nominal payment or payment with a check from an account with insufficient funds). Additionally, revise AP 8.731:
 - to determine under what conditions and by which personnel financial holds can be manually lifted from student accounts (or do-not-purge holds placed), and
 - to require that delinquent financial obligation notifications be sent to the student’s University e-mail address in addition to their last known mailing address (Note: Implementation of the centralized billing system and the corresponding monthly notifications noted in Operational recommendation 3 would negate this recommendation).

Finally, determine the feasibility of enhancing the STAR to Banner interface such that students with delinquent financial obligations will have limited electronic access to grades and uncertified transcripts (no access to grades earned during semesters with outstanding financial obligations).

6. Revisit the payment due date with consideration given to requiring full payment of tuition and fees on or prior to the first day of class.
7. Management of the Cashier’s Office and FMO should develop a plan to continue to write-off student accounts receivables to alleviate the continuous tracking, evaluation and monitoring of such balances for financial reporting purposes.

Financial

1. In consultation with the Banner AR Specialist, General Accounting should evaluate student accounts receivable and revenue year-end adjustments for completeness and accuracy to ensure that revenues recorded in KFS at year-end are earned and conform with GAAP. Additionally, in consultation with the Bursar’s Office, General Accounting should periodically (at least annually) compare the student accounts receivable amounts recorded in KFS to Banner and investigate the cause of discrepancies.

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Appendix A
Gross Student Accounts Receivable by Campus and Category (000’s)
As of June 30, 2017

<u>Category</u>	<u>Mānoa</u>	<u>Lee. CC</u>	<u>Kap’lani KCC</u>	<u>Hilo</u>	<u>Hawaii CC</u>	<u>Maui</u>	<u>Hono’lu CC</u>	<u>West Oahu</u>	<u>Wind. CC</u>	<u>Kauai CC</u>	<u>TOT.</u>
Tuition and fees	\$12,543	\$2,212	\$2,190	\$1,878	\$1,314	\$1,135	\$1,005	\$974	\$685	\$282	\$24,218
Housing	1,766	-	3	223	-	-	-	-	-	-	1,992
Withdrawn financial aid	8,258	6	14	3	19	-	29	-	32	1	8,362
Other	97	28	1	4	2	11	56	-	-	-	199
Totals	<u>\$22,664</u>	<u>\$2,246</u>	<u>\$2,208</u>	<u>\$2,108</u>	<u>\$1,335</u>	<u>\$1,146</u>	<u>\$1,090</u>	<u>\$974</u>	<u>\$717</u>	<u>\$283</u>	<u>\$34,771</u>

Source: KFS (Banner accounts)- As noted in Internal Audit’s analysis of **Table 2**, the total gross accounts receivable per KFS (Banner accounts) does not include student accounts receivable recorded in the Destiny system.

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Appendix B
Gross Student Accounts Receivable by Campus and Category (000’s)
As of June 30, 2016

Category	Mānoa	Lee. CC	Kap’lani KCC	Hilo	Hawaii CC	Maui	Hono’lu CC	West Oahu	Wind. CC	Kauai CC	TOT.	
Tuition and fees	\$12,301	\$2,101	\$2,051	\$1,853	\$1,210	\$1,116	\$921	\$824	\$669	\$261	\$23,307	
Housing	1,433	-	3	193	-	-	-	-	-	-	1,629	
Withdrawn financial aid	8,152	7	14	3	19	3	29	-	37	-	8,264	
Other	-	27	1	4	3	12	66	-	-	-	113	
Totals	<u>\$21,886</u>	<u>\$2,135</u>	<u>\$2,069</u>	<u>\$2,053</u>	<u>\$1,232</u>	<u>\$1,131</u>	<u>\$1,016</u>	<u>\$824</u>	<u>\$706</u>	<u>\$261</u>	33,313	
											Direct federal student loans*	2,237
											Grand total	<u>\$35,550</u>

Source: KFS (Banner accounts)- As noted in Internal Audit’s analysis of **Table 2**, the total gross accounts receivable per KFS (Banner accounts) does not include student accounts receivable recorded in the Destiny system.

*Represents direct loans to students from the federal government. These amounts were owed to the University from the federal government. According to the Director of General Accounting, delays in receiving these payments were identified as an issue after fiscal year 2016 and procedures were implemented to resolve the issue for fiscal year 2017.

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Appendix C
Gross Student Accounts Receivable by Campus and Category (000’s)
As of June 30, 2015

Category	Mānoa	Lee. CC	Kap’lani KCC	Hilo	Hawaii CC	Maui	Hono’lu CC	West Oahu	Wind. CC	Kauai CC	TOT.	
Tuition and fees	\$10,562	\$1,977	\$2,085	\$1,751	\$1,215	\$1,180	\$1,093	\$704	\$660	\$303	\$21,530	
Housing	1,262	-	3	171	-	-	-	-	-	-	1,436	
Withdrawn financial aid	7,483	6	14	3	-	3	31	-	40	-	7,580	
Other	-	27	1	5	20	12	69	-	-	-	134	
Totals	<u>\$19,307</u>	<u>\$2,010</u>	<u>\$2,103</u>	<u>\$1,930</u>	<u>\$1,235</u>	<u>\$1,195</u>	<u>\$1,193</u>	<u>\$704</u>	<u>\$700</u>	<u>\$303</u>	<u>\$30,680</u>	
											Direct federal student loans*	1,313
											Grand total	<u>31,993</u>

Source: KFS (Banner accounts)- As noted in Internal Audit’s analysis of **Table 2**, the total gross accounts receivable per KFS (Banner accounts) does not include student accounts receivable recorded in the Destiny system.

*Represents direct loans to students from the federal government. These amounts were owed to the University from the federal government. According to the Director of General Accounting, delays in receiving these payments were identified as an issue after fiscal year 2016 and procedures were implemented to resolve the issue for fiscal year 2017.



UNIVERSITY
of HAWAII[®]
SYSTEM

Kalbert K. Young
Vice President for Budget and Finance
Chief Financial Officer

September 24, 2018

Mr. Glenn Y. Shizumura
Mr. David Estes
Office of Internal Audit
University of Hawai'i System
1465 Lower Campus Road, Makai Campus 15
Honolulu, Hawai'i 96822

Dear Mr. Shizumura and Mr. Estes:

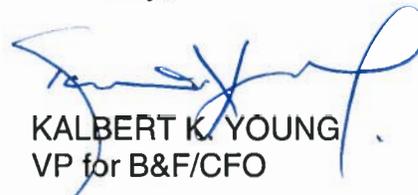
RE: RESPONSE TO AUDIT CONCLUSIONS, RECOMMENDATIONS, AND
REVIEW OF STUDENT ACCOUNTS RECEIVABLE

In review of your audit report entitled "University of Hawaii Review of Student Accounts Receivable" dated June 2018, I provide you our collective responses on behalf of the Administration of the University of Hawai'i.

While the Administration agrees with majority of your recommendations, we have concerns over the recommended timing of financial aid disbursements and blocking student grade access due to outstanding financial obligations. Our concerns are expressed in detail in the following pages.

Please let me know if you have any questions.

Sincerely,



KALBERT K. YOUNG
VP for B&F/CFO

Attachment

c: Susan Lin, Director of Financial Management/Controller
Wendall Ho, Bursar
Hae Okimoto, Int Associate VP of Student Affairs and Dir of Academic Technologies
Sherry Proper, Director of Financial Aid Policy and Strategy

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An Equal Opportunity/Affirmative Action Institution

Compliance

#1 Audit Recommendation: Enforce compliance of AP 8.731 regarding the cancellation of class registration for students that do not pay tuition and fees or register for the payment plan by stated deadlines.

Management Response: We concur with this recommendation. Currently, if students do not make any tuition and fee payments or have pending financial aid by stated deadlines, the University utilizes a purge process in the Banner Student System to cancel their registrations ten (10) days before the semester begins. However, students are allowed to re-register after the purge. We will implement an additional purge process after the last day of late registration. The last day of late registration is typically nine (9) days after the semester begins. The same selection criteria used in the first purge will be the same for the second purge. This change will be discussed with the Council of Senior Student Affairs Officers, the Council of Chief Academic Affairs Officers prior to discussion with the Council of Chancellors. If approved we plan to implement this new process by Fall 2019.

#2 Audit Recommendation: Implement a process to review delinquent accounts to ensure compliance with AP 8.731's requirement to transfer delinquent financial obligations to a collection agency.

Management Response: Cashier's Office will send delinquent notices to students on a timelier basis. The expectation is that after the final notice is sent, the accounts will be assigned to the collection agency by the end of the semester.

FMO will also evaluate the use of pre-collection services to assist with the collection of tuition and fees.

#3 Audit Recommendation: Either revise AP 8.731 or require final notices to be mailed to students prior to the end of the Semester to comply with this policy.

Management Response: Cashier's Office will develop a calendar to schedule the mailing of the delinquent notices consistently. The final notice will be sent to the student by the end of the semester.

Operational

#4 Audit Recommendation: Enhance the STAR class registration process by including in the class registration confirmation e-mail the following:

- Link to payment system
- Payment deadlines
- Consequences for not paying within required timeframe

Management Response: We concur with this recommendation and plan to implement it by summer 2019.

#5 Audit Recommendation: Delay payment of excess student financial aid (including excess student financial aid) until after the start of the Semester (once eligibility has been confirmed) to alleviate the process of collecting financial aid from students who are determined to be ineligible subsequent to the start of the Semester.

Management Response: This recommendation poses challenges for two reasons:

- Given the socioeconomic profile and demographics of our students, many of them need their Federal Student Aid (FSA) refund to cover their eligible non-institutional costs of education, such as food, housing, transportation and personal expenses. Delaying FSA refunds (i.e., excess student financial aid) for non-institutional costs could pose a hardship for students and negatively impact enrollment. More data analysis would need to be done to understand the impact delaying refunds will have on students' living situations and on UH enrollment;
- Institutions are required by federal regulations to provide a way for students who will have a credit balance of FSA funds for a term to purchase their books and supplies (see FSA Handbook Vol. 4, pp. 4-51 and 4-52: <https://ifap.ed.gov/fsahandbook/attachments/1617FSAHdbkVol4Ch2.pdf>). If payment of student financial aid is delayed until the start of the semester, then funds must be provided and/or an alternative method of purchasing books and supplies must be devised for eligible students. The UH System Financial Aid Office will work the UH System Bursar's Office to explore the possibility of disbursement installments and/or a voucher/advance system for purchasing books and supplies for impacted students. Note that a Banner consultant may be needed to advise on necessary programmatic changes in order to calculate incremental disbursements that provide book and supply funds for eligible students.

#6 Audit Recommendation: Due to the origination of student accounts receivable from various systems not interfaced with Banner or KFS, consider investigating the cost benefit of implementing a centralized billing system that can be integrated with Banner. This centralized billing system should include attributes such as monthly notifications (e-mail and text) of charges, receivables and payments. The notification should include a link to the student's account such that the student is informed of the source

(description, date and amount) of charges and the manner in which payments were applied to such charges with any unpaid charge resulting in an accounts receivable balance. Student access to this information or alternatively disclosing the Banner payment prioritization system on the University's website should avoid confusion amongst students who believe they have paid for their student housing only to have the payment applied to a different financial obligation.

Management Response: Currently, there are some financial obligations that can be more easily accommodated into the existing payment system. For example, financial obligations such as parking fines can be loaded to the students' Banner account. There is an existing project that could augment how specific payments can be made utilizing the line item payment feature in the TouchNet Bill Payment module (e.g., parking). The approach would allow payers to explicitly direct how payment(s) are applied to their account a la TouchNet. However, thorough testing is required to ensure that the payment is applied to the correct charge in Banner.

The Bursar's Office will produce a FAQ that will provide explanations and samples of how payments made in TouchNet will be applied in Banner.

Management does agree that a centralized billing system would greatly enhance the current bill payment scheme for students and customers. However, massive internal review, and large-scale process re-engineering throughout every campus and multitude campus programs, is necessary in order to be able to accurately categorize the dozens and dozens of potential billing items that would need to be centralized. Management also agrees that regular periodic billing to all account holders would be critical to addressing and perhaps reducing the amount of delinquent accounts. If more students and customers knew of their financial obligations sooner, we believe that they would be inclined to settle their accounts. Management estimates that the amount of effort and time required to address this recommendation could be substantial given the amount of re-engineering of processes and systems that would be required.

#7 Audit Recommendation: Determine process improvements, both automated (e.g., system checking of information at the time of entry for validity) and manual, to reduce the volume of Banner and KFS discrepancies and errors requiring resolution. These process improvements may include:

- Integrating all errors into a single report
- Tracking/monitoring errors to resolution
- Periodic reporting to management on the backlog of unresolved errors
- Continuing to develop a written manual for resolving errors identified by each of the error reports

Management Response: The backlog of unresolved errors was due to the Banner AR Specialist position turnover. As of August 31, 2018, all errors and discrepancies have been resolved. Furthermore, an ongoing system to track/monitor errors to resolution and to report on a monthly basis to management on the backlog of unresolved errors is

in place. We concur with these recommendations and will explore the possibility of generating a single report to capture all errors.

Moving forward, on a quarterly basis, General Accounting and the Bursar's Office will compare the student accounts receivable amounts recorded in KFS to Banner and investigate discrepancies for appropriate correction.

#8 Audit Recommendation: Enhance Banner system automated controls to ensure financial holds are not removed from a student's account for insignificant payments or prematurely (i.e., due to a nominal payment or payment with a check from an account with insufficient funds). Additionally, revise AP 8.731:

- To determine under what conditions and by which personnel financial holds can be manually lifted from student accounts (or do-not-purge holds placed), and
- To require that delinquent financial obligation notifications be sent to the student's University e-mail address in addition to their last known mailing address (Note: Implementation of the centralized billing system and the corresponding monthly notifications noted in Operational recommendation #3 would negate this recommendation).

Finally, determine the feasibility of enhancing the STAR to Banner interface such that students with delinquent financial obligations will not have electronic access to uncertified transcripts and grades.

Management Response: We will revise AP 8.731 to reflect these recommendations:

- Students who have financial obligation holds may have unique situations regarding their financial and academic standing with the University. As a result, an exception process for lifting financial obligation hold will be most effective. When a manual lift of the hold is requested, campus Chancellors or their designees will assess the student situations and determine if the hold lifting is warranted. If it does, the request will be made to the Bursar for final approval.
- Currently we send out three collection letters to the student last known mailing address. In addition, we are sending out monthly email notification to students who have an outstanding balance for the current semester. To formalize and enhance our collection process, we will add email notices to AP 8.731 as another method of notification.

The University does not offer any transcripts on an "uncertified" basis. The STAR system does not provide "uncertified transcripts" and grades, but rather, displays students' academic progress that includes a list of courses taken and grades. Students can access this information based on their own student account and login ID. This information allows students to monitor their academic progress and degree completions. The system does permit the printing of the online information (i.e., screen shots), however, this is not considered a bonafide transcript and also would lack the official stamp and signature of a certified transcript. Management believes that it would be

inappropriate to deny or block access to the grade information when students had previously paid for those courses.

#9 Audit Recommendation: Revisit the payment due date with consideration given to requiring full payment of tuition and fees on or prior to the first day of class.

Management Response: This recommendation will be addressed when the second purge process (registration cancellation) is implemented in Fall 2019.

#10 Audit Recommendation: Management of the Cashier's Office and FMO should develop a plan to continue to write-off student accounts receivables to alleviate the continuous tracking, evaluation and monitoring of such balances for financial reporting purposes.

Management Response: FMO will work with the campus Vice Chancellors and Associate Vice Chancellor to develop a plan to continue to write-off uncollectable student receivable. Meanwhile, the Cashier's Office will begin to review all accounts returned by the collection agency to identify those that qualify for write-off. Typically, these accounts are old and considered uneconomical to collect.

Financial

#11 Audit Recommendation: In consultation with the Banner AR Specialist, General Accounting should evaluate student accounts receivable and revenue year-end adjustments for completeness and accuracy to ensure that revenues recorded in KFS at year-end are earned and conform with GAAP. Additionally, in consultation with the Bursar's Office, General Accounting should periodically (at least annually) compare the student accounts receivable amounts recorded in KFS to Banner and investigate the cause of discrepancies.

Management Response: We concur with this recommendation. General Accounting and the Banner AR Specialist have been working together and implemented a process to evaluate fiscal year 2018 student accounts receivable and revenue year-end adjustments for completeness and accuracy. This process is to ensure that revenues recorded in KFS at year-end are earned and conform with GAAP.

Moving forward, on a quarterly basis, General Accounting and the Bursar's Office will compare the student accounts receivable amounts recorded in KFS to Banner and investigate discrepancies for appropriate correction.

UNIVERSITY OF HAWAI‘I AT MĀNOA

**REVIEW OF STUDENT FEES FOR
PROFESSIONAL PROGRAMS**

May 2018



University of Hawai'i
Office of Internal Audit



May 31, 2018

To the University of Hawai'i Board of Regents
and
University of Hawai'i at Mānoa Interim Vice Chancellor for Academic Affairs

University of Hawai'i (University) policy permits professional programs that have high costs in comparison to other instructional programs with the same tuition to assess professional fees (Fees) to students enrolled in the respective professional program. The establishment of and adjustments to professional fees require approval by the Board of Regents (Board).

At the University of Hawai'i at Mānoa (UHM), the following professional programs charge Fees ranging from \$500 - \$1,000 per semester.

1. College of Engineering (Engineering)
2. School of Nursing (Nursing) and Dental Hygiene (Dental Hygiene)
3. Shidler College of Business (Business)
4. School of Architecture (Architecture)

On an annual basis, the UHM Office of the Vice Chancellor for Administration, Finance and Operations allocates Fees to each program based on the Fees collected in the prior fiscal year. The allocated Fees are combined with the overall tuition allocation for distribution to the respective professional program. The absence of separately identifying tuition from Fees creates challenges in regards to tracking and budgeting expenditures related to the Fees. Therefore, Internal Audit believes management should consider allocating Fees in KFS under a separate account code for each UHM professional program.

The Fees for each of the above noted UHM professional programs were established between 1999 and 2009. With the exception of Business, Internal Audit was provided with signed action memos and supporting documentation submitted and approved by the Board in connection with the initial establishment of each Fee amount. Internal Audit noted that Engineering was the only professional program that budgeted, tracked, and monitored expenses associated with the Fees to the Fee's purpose as documented in the Board action memo. Accordingly, Internal Audit believes management of each of the other UHM professional programs should consider implementing processes and procedures for budgeting, tracking and monitoring Fees and the associated expenses. Furthermore, Internal Audit believes all UHM professional programs should institute an annual review process to validate whether the Fee charged to students continues to be reasonable based on past and expected future expense levels. Finally, with the exception of Engineering, management of all UHM professional fee programs should consider enhancing transparency by disclosing the purpose of the Fee and the associated expenses incurred in connection with the Fee on their respective websites.

Sincerely,

Glenn Shizumura
Director

University of Hawai‘i at Mānoa
Review of Student Fees for Professional Programs
May 2018

Background / Objectives

According to Board of Regents (Board) Policy (RP) 6.203 “Fees,” (amended June 1, 2017), professional programs (“professional program(s)” or “Program(s)”) at University of Hawai‘i (University) four-year and community college campuses that have high costs in comparison to other instructional programs with the same tuition may assess professional fees (“professional fee(s)” or “Fee(s)”) to undergraduate students enrolled in the respective professional program. RP 6.203 requires that professional fees be earmarked to ensure the Programs have the equipment, supplies and services available to meet accreditation standards. Students are generally assessed the professional fee each semester while enrolled in the respective professional programs. Executive Policy (EP) 6.201 “Tuition Schedules,” establishes tuition and fees, including professional fees, for the entire University system.

This report evaluates professional fees assessed at the University of Hawai‘i at Mānoa (UHM) on the basis that UHM is the University campus with the highest enrollment. At UHM, the following professional programs charge professional fees:

1. College of Engineering (Engineering)
2. School of Nursing (Nursing) and Dental Hygiene (Dental Hygiene)
3. Shidler College of Business (Business)
4. School of Architecture (Architecture)

Table 1. Fees by Program

Program	Commencement of Fee		Fee prior to current fee	Current Fee (applicable through academic year 2019-2020)		
	Academic yr.	Amount		Revised in academic yr.	Amount	Applies to:
Engineering	2009-2010	\$400	\$400	2012-2013	\$500	Undergraduate sophomores, juniors and seniors
Nursing	1999-2000	\$500	\$500	2006-2007	\$1,000	Undergraduates for first six semesters only
Dental Hygiene	1999-2000	\$500	No revisions	No revisions	\$500	Undergraduates for first six semesters only
Business	2006-2007	\$200	\$400	2009-2010	\$500	All undergraduates
Architecture	2006-2007	\$200	\$400	2009-2010	\$500	All graduates*/ undergraduates

*Prior to academic year 2014, Architecture offered a seven-year Doctor of Architecture program. During academic year 2014, the Architecture program was reconfigured to a four-year undergraduate Bachelor of Environmental Design and a three-year graduate Doctor of Architecture degree. Since the inception of the Fee, all students enrolled in these Architecture programs have been subject to the Fee.

On July 21, 2016 the Board approved a schedule of all current professional fees listed in **Table 1** through academic year 2019-2020. Historically, there has been concern by University constituents regarding the accountability, controls and transparency of student fees and the criteria for determining how the fees are spent and implemented. Thus, this review evaluates the methodology for determining the professional fee amounts charged in addition to evaluating the adequacy, appropriateness and usage of these Fees by the respective professional program.

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Work Performed

Internal Audit requested the following information for the three years ended June 30, 2017 from the UHM Office of the Vice Chancellor of Academic Affairs as well as personnel from each of the professional programs:

1. Board approvals authorizing Fee establishment and revisions
2. Most recent accreditation reports
3. Action memos (signed by professional program senior management) describing the purpose of the Fee and methodology for determining the Fee in addition to all materials accompanying the action memos submitted to the Board
4. Most recent Fee analysis supporting the appropriateness of the Fee amount
5. Processes and procedures, including:
 - a. Annual reviews comparing the Fees collected to expenses paid with the collected Fees
 - b. Annual professional fee budgets (projected Fees and expenses)
 - c. With respect to the utilization of Fees collected, annual financial analysis comparing budgeted expenses to actual expenses paid
 - d. Memorandums or policies describing the processes and procedures implemented to ensure Fees are spent in accordance with the stated purpose described in Board submitted action memos

Internal Audit reviewed the above-listed information to evaluate the establishment, administration and monitoring of professional fees and whether the Fees collected by Program were utilized in accordance with the approved mandate stated in the original action memo submitted to the Board. Additionally, Internal Audit met with Program management personnel to discuss their processes and procedures with respect to Fee management and toured Program facilities with Program personnel to determine if the Fees benefitted these facilities as described in the Program’s action memo. Finally, Internal Audit researched higher education institutions within the Pac-12, Mountain West and Big West conferences to determine whether UHM’s practices and procedures with respect to Fees are consistent with other universities.

Observations and Analysis

Differential Tuition vs. Professional Fees

Internal Audit read information published by various higher education publications, organizations and institutions to understand the definition of differential tuition and its differences from professional fees in the context of professional programs. Differential tuition refers to a higher tuition rate for certain programs to offset the costs of more specialized programs. In practice, professional fees accomplish the same goal by charging fees to students enrolled in programs with higher cost structures. However, professional fees are generally associated with specific costs (e.g., maintaining and operating a facility), while differential tuition may be used for any costs associated with a program. At UHM, professional fees are generally utilized for undergraduate professional programs (as noted in **Table 1**), while differential tuition applies to certain graduate professional programs (i.e., Graduate Business (Master’s), Graduate Education, Graduate Nursing, Law and Medicine).

Recordation and Allocation of UHM Professional Fees

Internal Audit was informed that actual Fees collected are not recorded to separate accounts by Program in the Quali Financial System (KFS). Internal Audit reviewed KFS noting that Fees are recorded in the aggregate and are distributed with tuition revenue allocations. According to the UHM Office of the Vice Chancellor for Administration, Finance and Operations (OVCAFO), UHM professional fees are allocated to each UHM professional program pursuant to an analysis. Each annual allocation is based on Fees collected in the prior year. For the years ended June 30, 2017, 2016 and 2015, Fees allocated to the respective Programs (according

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May 2018

to allocation schedules provided by the Office of Academic Affairs) and Program enrollment (according to the UHM Institutional Research Office (IRO)) were as follows:

Table 2. Annual allocated Fees and average semester enrollment by Program

Program	For the years ended June 30,					
	2017		2016		2015	
	Fee	Enrollment	Fee	Enrollment	Fee	Enrollment
Business	\$1,059,279	1,034	\$1,048,319	1,070	\$ 996,000	1,070
Engineering	1,060,188	1,078	984,000	942	869,500	866
Nursing	412,000	229	562,000	255	655,000	392
Dental Hygiene	60,000	59	59,000	60	60,000	60
Architecture	223,500	251	214,500	272	264,289	268
Totals	\$2,814,967		\$2,867,819		\$2,844,789	

The UHM Chancellor’s Office analysis referenced above is based on actual Fees collected by professional program at a point in time as reported by the UHM Cashier’s Office. Accordingly, the allocated professional fees may not always be divisible by the amount of the fee/student due to unpaid or partially paid Fees by professional program students prior to the UHM OVCAFO analysis. Internal Audit was informed that the Fees collected subsequent to the UHM Chancellor’s Office analysis are not allocated to the Program.

Fee establishment

The UHM process (pursuant to UHM policy document “Instructions for Fee Proposals”) for establishing, changing or abolishing fees is managed by the UHM Office of the Vice Chancellor for Students in collaboration with the UHM Office of the Vice Chancellor for Academic Affairs. Professional programs proposing to establish a Fee must submit the standard fee proposal template in accordance with the Instructions for Fee Proposals. This template requires the preparation of a narrative, budget worksheets and an action memo addressed to the approving authority (University President or Board) via the UHM Vice Chancellor for Academic Affairs (VCAA) and UHM Chancellor. The Instructions for Fee Proposals also requires the UHM Vice Chancellor for Students and the Campus Fee Advisory Committee (CFAC) to review each fee proposal, including changes to existing fees. The CFAC (established in 2009) is chaired by the UHM Vice Chancellor for Students and consists of students, faculty and administrators. The CFAC notifies the UHM Vice Chancellor for Academic Affairs of their recommendation to approve or reject fee proposals. RP 6.203 states that professional fee proposals must be ultimately approved by the University President (for changes to existing Fees less than the corresponding percentage change in resident tuition) or Board (to establish new Fees or change existing Fees greater than the corresponding percentage change in resident tuition).

Internal Audit noted that the professional fees evaluated in connection with this review were established prior to the implementation of the above process. However, the Engineering professional fee was changed from \$400/semester to \$500/semester during academic year 2012-2013 and the Architecture professional fee was changed from \$400/semester to \$500/semester during academic year 2009-2010. Internal Audit requested but was not provided documentation evidencing the approval by the CFAC. Given the lack of evidence supporting CFAC review of these changes to professional fees, Internal Audit believes professional program senior management may be unaware of the requirement that the establishment and changes to student fees, including professional fees, must be submitted to the CFAC for review and consideration.

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Fees by Program

As described in the Work Performed section above, Internal Audit requested documentation evidencing the establishment, administration and monitoring of professional fees. The following sections summarize Internal Audit’s observations and analysis of the provided documentation by professional program.

A. College of Engineering

Board approval and accreditation

The professional fee for Engineering was originally established and approved at the November 21, 2008 Board meeting for academic year 2009-2010. The initial Fee, which applies to all undergraduate Engineering students excluding freshmen, was \$400/semester before being increased to \$500/semester from academic year 2012-2013 to present. During the presentation to the Board, the College of Engineering Dean noted that the purpose of the Fee was “To create a dependable source of funds to upgrade the engineering labs and equipment.” Furthermore, the signed action memo submitted to the Board noted the following intended uses:

- Purchase and upgrade of laboratory equipment
- Purchase of laboratory supplies
- Upgrade, modernize and maintain existing laboratories, including partial support of supervisory staff and creation of new laboratory experiments

The action memo noted that these improvements were in response to a 2003 Accreditation Board for Engineering and Technology (ABET) report, which cited that improvements were needed in Engineering’s various laboratories. Internal Audit reviewed ABET’s accreditation standards and noted that, amongst other requirements, engineering programs must have sufficient resources to maintain and upgrade adequate laboratories and associated equipment (including modern tools, equipment, computing resources and labs). The most recent ABET accreditation was received in 2015 with accreditation expiring in 2021. Internal Audit obtained and reviewed the 2015 ABET report noting that ABET identified no *deficiencies* (noncompliance with accreditation criterion), *weaknesses* (areas where action is required to strengthen compliance with accreditation criterion), or *concerns* (accreditation criterion are satisfied, but the potential exists for the situation to change such that the criterion may not be satisfied) for Engineering as a whole. However, areas of concern and weaknesses specifically identified in the ABET report by Engineering department are summarized below:

1. Civil Engineering -

A noted *concern* was the potential lack of funding to fill two open faculty positions. The report noted that Engineering did not provide a response to the *concern* and that the *concern* remains unresolved.

2. Electrical Engineering -

A noted *concern* was the use of a significant portion of the professional fees to pay operating expenses (including those for student teachers and graders) rather than for the maintenance and upgrade of laboratory equipment. The report noted that there is the potential that laboratory facilities may become obsolete such that future accreditation could be jeopardized.

3. Mechanical Engineering -

- A noted *weakness* was the need to hire two additional faculty members as students reported having difficulty registering for certain Engineering classes. Engineering’s response noted in the ABET report stated that two additional faculty members had been hired. ABET concluded that the *weakness* had been fully addressed.
- Another *weakness* reported was the very limited space for students to conduct experiments in various laboratories, resulting in overcrowding and the inability for students to participate in experiments. Engineering management informed ABET that Fees intended to support the upgrade, modernization

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and maintenance of existing laboratories are also being used for recurring operating expenses such as compensation for teaching assistants and student workers. In addition, Engineering informed ABET that laboratory spaces have been reconfigured to increase the number of operational workstations. Engineering’s responses resulted in ABET downgrading the *weakness* to a *concern*, noting compliance with the criterion with the caveat that future expansion of the mechanical engineering department would require capacity expansion.

According to the Interim Dean of Engineering, ABET identified *concerns* do not require immediate corrective action and accordingly does not negatively impact accreditation. However, Engineering must respond to each *concern* prior to the next accreditation visit.

Observations

Board action memo

The action memo submitted to the Board in 2008 stated that professional fees (proposed at approximately \$430,000 per year) would be used to upgrade, maintain and cover operational costs for various laboratories within each Engineering department. At the time, Engineering proposed a Fee of \$717/year per student based on an enrollment of approximately 600 students, with a note that the cost of operating the laboratories was expected to increase over time. The initial professional fee was set at \$400/semester with the intention to increase it to \$500/semester after three years.

Fee analysis

Engineering provided Internal Audit with the following listing of laboratory expenses that were paid with the allocated Fees for the years ending June 30, 2017, 2016 and 2015. Engineering stated that all noted expenses are related to use of the various departmental engineering labs (civil, electrical, mechanical and pre-engineering).

Table 3. Program fee expenses

Expense category	For the years ended June 30,		
	2017	2016	2015
Personnel	\$ 505,367	\$ 452,475	\$ 376,584
Supplies	444,638	196,633	135,364
Repairs and maintenance	2,128	2,154	7,976
Computer and software	40,445	30,290	45,257
Equipment	123,531	113,923	126,135
Other	13,314	11,195	7,284
Total expenses	1,129,423	806,671	698,599
Fee allocated (Table 2)	1,060,188	984,000	869,500
Fees > (<) expenses	\$ (69,235)	\$ 177,329	\$ 170,901

According to Engineering’s Fiscal Administrator (FA), any deficits are funded with regular tuition.

Processes and procedures

Engineering uses KFS codes associated with the expense categories noted in **Table 3** to track and monitor laboratory expenses associated with professional fees. Internal Audit was informed that a monthly analysis by Engineering department is prepared by the Engineering Fiscal Administrator comparing total expenses to total allocated Fees. Internal Audit was also informed that the analysis by department is distributed to Engineering management on a monthly basis.

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Internal Audit reviewed the annual professional fee analysis for the three years ended June 30, 2017, 2016 and 2015 noting that the annual analysis tracked and monitored expenses consistently with the monthly analysis. Internal Audit’s review of these annual analyses determined that Engineering appears to be utilizing professional fees in accordance with the intended uses as documented in the November 2008 action memo (i.e., laboratory related expenses), in addition to the 2015 ABET report that recommended filling two open faculty positions (personnel costs).

As discussed above, Internal Audit noted that expenses are monitored in total rather than by expense category. Internal Audit also noted that any professional fees not allocated to one of the individual Engineering departments is allocated to “Pre-Engineering,” and spent on other general lab costs that are intended to benefit all Engineering students (e.g., computer lab, improving lab spaces, student event equipment, etc.). However, Internal Audit also noted there is no allocated amount of Fees for the Pre-Engineering portion of the analysis, only the actual expenses incurred. This is inconsistent with the analyses for the other Engineering departments.

Tour of facilities

In regards to the ABET comments regarding Electrical and Mechanical Engineering laboratories discussed in the “Board approval and accreditation” section above, the Interim Dean noted that professional fees are used for both laboratory operating expenses (personnel supervising the labs, supply acquisition, etc.) and for laboratory upgrade, modernization and maintenance. Internal Audit toured laboratories of all Engineering departments with Engineering management personnel noting evidence of upgrades, as well as a significant amount of equipment and computer hardware.

Transparency

Internal Audit noted that Engineering’s website discloses the purpose (as noted previously) of the professional fee. On an annual basis, Engineering posts on their website a breakdown by department (and “Pre-Engineering”) of expenses incurred associated with professional fees similar in format and content to **Table 3**. An excerpt from Engineering’s website with respect to professional fees is attached at Appendix A.

Conclusions and recommendations

The purpose and methodology supporting the Engineering Fee was documented in an action memo approved by the Board on November 21, 2008. Engineering has established a process for tracking and monitoring Fees and the associated expenses. However, Internal Audit believes the tracking and monitoring of Fees process could be enhanced by:

- Preparing a budget for “Pre-Engineering” expenses
- At a departmental level, budget by nature of expense (e.g. personnel, supplies, etc.) with monthly comparisons to actual expenses
- At a departmental level, compare and analyze total monthly budgeted expenses to actual expenses
- Compare and analyze budget to actual expenses for Engineering as a whole
- Finally, the 2015 ABET report noted a substantial portion of the professional fees is spent on laboratory personnel-related costs rather than the maintenance and upgrade of laboratories and equipment, which may impact future accreditation. Accordingly, Internal Audit believes that Engineering should establish an annual review process to validate whether the Fee amount continues to be reasonable based on past and expected future expense levels and that the Fee is utilized to address ABET identified *weaknesses* and *concerns*.

B. School of Nursing

Board approval and accreditation

Nursing’s professional fee of \$500/semester was originally established and approved at the March 19, 1999 Board meeting for the 1999-2000 academic year. The current Fee of \$1,000/semester results from an increase

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for the 2006-2007 academic year. The March 19, 1999 Board meeting materials noted that the Fee would be used to ensure that Nursing continued to meet Commission on Collegiate Nursing Education (CCNE) accreditation requirements, which include 1:10 faculty to student ratios and clinical site access. The materials further noted that professional fees would be used for clinical education personnel costs (non-general funded employees) and related fringe benefits in addition to increasing technology capacities.

Internal Audit reviewed CCNE’s accreditation standards (last updated in 2014) noting that, amongst other requirements, nursing programs must have curriculum that includes clinical practical experiences and appropriate faculty to student ratios to ensure adequate supervision and evaluation. Internal Audit noted the Criteria for Evaluation of Nurse Practitioner Programs recommends a faculty to student ratio for clinical supervision of 1:6. The most recent CCNE accreditation was obtained in 2011 with accreditation expiring in 2020. The 2011 CCNE report noted no non-compliance matters for Nursing.

Observations

Board Action Memo

The action memo submitted to the Board in 1999 to establish Nursing’s Fee did not quantify expenses expected to be paid with the requested Fees. The materials accompanying the action memo noted that the Fee is intended to help support Nursing’s unique Program costs (i.e., clinical education related costs). The action memo stated that Nursing’s cost per student was approximately \$9,000 more than UHM’s average cost per student. However, documentation to support this assertion did not accompany the action memo. Based on this data, the initial proposed Fee was approved by the Board at \$500/semester for a maximum of six semesters, or \$3,000 over the course of a student’s attendance in the Nursing Program.

Fee Analysis

Nursing provided Internal Audit with the following listing of expenses that were paid with the allocated Fees for the years ending June 30, 2017, 2016 and 2015.

Table 4. Program fee expenses

Expense category	For the years ended June 30,		
	2017	2016	2015
Personnel	\$409,871	\$ 619,964	\$ 922,041
Licensure exam prep	72,569	37,269	91,738
Translational Health Science Simulation Center	294,979	216,639	315,897
Other fees and insurance	31,248	24,011	7,917
Total expenses	808,667	897,883	1,337,593
Fee allocated (Table 2)	412,000	562,000	655,000
Fees < expenses	\$ (396,667)	\$ (335,883)	\$ (682,593)

According to Nursing’s FA, deficits are funded with regular tuition.

Processes and procedures

As noted above, Nursing provided Internal Audit with a list of expenses that were paid with the allocated Fees for the three years ended June 30, 2017. Nursing compares total expenses from this list to the annual Fee allocation. However, Nursing does not prepare a budget for professional fee expenses and does not have a process to periodically track and monitor expenses associated with the allocated professional fees to determine whether the amount of Fees charged to Nursing students is appropriate and supportable.

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Tour of facilities

CCNE requires that nursing programs have curriculum that includes clinical practical experiences. Internal Audit toured Nursing’s Translational Health Science Simulation Center (THSSC) with Nursing management personnel and was informed that the purpose of the THSSC is to simulate real-life scenarios for hospital, ambulatory and home care for Nursing students. Internal Audit noted a significant amount of medical equipment and computer hardware, including robotic patients that simulate medical procedures from childbirth to emergency surgery. Nursing management personnel stated that Nursing Fees support the upkeep of the THSSC including the supplies used by Nursing students in the THSSC.

Transparency

Internal Audit did not note any documentation on Nursing’s website disclosing the purpose of the professional fee or the expenses incurred associated with the charged professional fee.

Conclusions and recommendations

The purpose for Nursing’s Fee was documented in an action memo approved by the Board on March 19, 1999. However, the methodology and expected expenses supporting the Fee amount was not described in the action memo. In addition, an analysis determining the reasonableness of the Fee to current costs and enrollment has not been completed. Nursing does not disclose the purpose or the expenses incurred associated with the Fee on their website nor has Nursing established a process to track and monitor Fees and the associated expenses. Accordingly, Internal Audit believes Nursing should consider the following:

- Implement processes and procedures for budgeting, tracking and monitoring Fees and the associated expenses
- Compare and analyze monthly budgeted expenses against actual amounts.
- Enhance transparency by disclosing the purpose of the Fee and the expenses incurred annually associated with the Fees on the Nursing website.
- Institute an annual review process to validate whether the Fee amount continues to be reasonable based on past and expected future expense levels.

C. School of Dental Hygiene

Board approval and accreditation

Dental Hygiene’s professional fee of \$500/semester was originally established and approved at the March 19, 1999 Board meeting for the 1999-2000 academic year (simultaneously with the Nursing professional fee). The Fee has not changed since establishment. The March 19, 1999 Board meeting materials noted that the Fee would be used to ensure compliance with American Dental Association’s Commission on Dental Accreditation (CODA) requirements including operating a dental hygiene clinic teaching facility with specialty equipment and supplies and faculty to student ratios between 1:10 (laboratory sessions for dental materials courses) and 1:5 (pre-clinical, clinical and radiographic clinical and laboratory sessions). The materials further noted that professional fee revenue would be used for clinical education personnel costs (non-general funded employees) and related fringe benefits.

Internal Audit reviewed CODA’s accreditation standards noting the requirements discussed in the prior paragraph in addition to health and safety requirements and requirements for lab, clinical and radiographic facilities. The most recent CODA accreditation was obtained in 2016 with accreditation expiring in 2022. The 2016 CODA report noted no non-compliance matters for Dental Hygiene.

Observations

Board action memo

Dental Hygiene’s request to establish the Fee was included in a separate section of Nursing’s action memo (see prior section) submitted to the Board in 1999. The content of Dental Hygiene’s Fee request was similar to

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Nursing’s request. The Board approved a Fee of \$500/semester for a maximum of six semesters, or \$3,000 over the course of a student’s attendance in the Dental Hygiene Program.

Fee Analysis

Dental Hygiene provided Internal Audit with the following listing of expenses that were paid with the allocated Fees for the years ending June 30, 2017, 2016 and 2015.

Table 5. Program fee expenses

Expense category	For the years ended June 30,		
	2017	2016	2015
Personnel	\$ 53,546	\$ 134,358	\$ 14,711
Supplies	20,745	39,206	37,271
Equipment	7,873	5,744	5,203
Dental association/accreditation	1,785	945	4,220
Other costs and insurance	1,100	1,030	1,029
Total expenses	85,049	181,283	62,434
Fee allocated (Table 2)	60,000	59,000	60,000
Fees < expenses	\$ (25,049)	\$ (122,283)	\$ (2,434)

According to Dental Hygiene’s FA, any deficits are funded with regular tuition. However, Internal Audit also noted large changes in clinical education related personnel costs from year to year. According to Dental Hygiene’s FA, this is due to hiring additional personnel during accreditation years (i.e., 2016).

Processes and procedures

As noted above, Dental Hygiene provided Internal Audit with a list of expenses that were paid with the allocated Fees for the three years ended June 30, 2017. Dental Hygiene compares total expenses from this list to the annual Fee allocation. However, Dental Hygiene does not prepare a budget for professional fee expenses and does not have a process to periodically track and monitor expenses associated with the allocated professional fees to determine whether the amount of Fees charged to Dental Hygiene students is appropriate and supportable.

Tour of facilities

CODA requires that dental hygiene programs have lab, clinical and radiographic facilities. Dental Hygiene management personnel identified facility upgrades and dental hygiene equipment and computer hardware purchased with the professional fees during Internal Audit’s tour of Dental Hygiene’s facilities.

Transparency

Internal Audit did not note any documentation on Dental Hygiene’s website disclosing the purpose or justification for Dental Hygiene’s professional fee or the expenses incurred associated with the charged professional fee.

Conclusions and recommendations

Internal Audit’s observations in connection with the establishment, monitoring and disclosure of the Fee and associated expenses are identical to the observations noted for Nursing. Accordingly, Internal Audit’s conclusions and recommendations with respect to Dental Hygiene’s Fee and associated expenses are identical to those described in the prior section for Nursing.

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D. College of Business

Board approval and accreditation

Internal Audit requested but was not provided documentation evidencing Board approval for the establishment of the Business Fee. According to an unsigned proposal dated April 5, 2005 provided to Internal Audit, Business established a professional fee of \$200/semester for the academic year 2006-2007, with plans to increase the Fee by \$100/semester each year until it reached \$500/semester (the current Fee). According to the unsigned proposal, the Fee applies to all undergraduate Business students with the following intended uses:

- Add six new faculty members at an average salary of \$120,000 per year
- Improve career services by adding two staff persons and expanding services
- Improve classrooms and two computer labs

The proposal cited maintaining Association to Advance Collegiate Schools of Business (AACSB) accreditation and the need for more career services as the key reasons for the professional fee. Business was last accredited by the AACSB in 2015 with accreditation expiring in 2020. Internal Audit reviewed the AACSB’s accreditation standards and noted that business programs must have adequate financial resources for infrastructure, laboratories, career services and technology support, as well as certain faculty requirements, including 75% or more of the business school’s instruction (measured by credit hours or other appropriate metrics) to be performed by participating faculty members (full-time or part-time faculty who are engaged in the activities of the Program beyond direct teaching assignments).

Observations

Board action memo

Business was unable to provide Internal Audit with an action memo submitted to the Board for Fee establishment.

Fee Analysis

Business did not provide Internal Audit with a listing of expenses that were paid with the allocated Fees for the years ending June 30, 2017, 2016 and 2015. The following Fee schedule was presented in the 2005 unsigned proposal:

Table 6. Proposed Program fee expenses

	Academic Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Proposed Fees					
Fee/student/semester	\$ 200	\$ 300	\$ 400	\$ 500	\$ 500
Number students	900	900	900	900	900
Total Fees	\$360,000	\$540,000	\$720,000	\$900,000	\$900,000
Proposed Uses					
New faculty	240,000	360,000	480,000	720,000	720,000
Career services	70,000	70,000	70,000	70,000	70,000
Infrastructure	50,000	50,000	50,000	50,000	50,000
IT support person		60,000	60,000	60,000	60,000
Computer lab upgrade			60,000		
Total Uses	\$360,000	\$540,000	\$720,000	\$900,000	\$900,000

Internal Audit noted that the majority of the proposed uses of the professional fees are for recurring expenses (i.e., personnel, career services, etc.). The 2015 AACSB accreditation report noted no non-compliance matters but suggested that Business increase its number of faculty.

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Processes and procedures

Internal Audit requested but was not provided with documentation evidencing Business’s process for budgeting, tracking and monitoring expenses associated with the allocated professional fees. Additionally, Internal Audit was not provided with any documentation comparing allocated Fees against incurred expenses to determine whether the amount of Fees charged to Business students is appropriate and supportable. Accordingly, Internal Audit was unable to determine whether professional fees were spent in accordance with the original intent described in the 2005 unsigned proposal.

Tour of facilities

AACSB requires that business programs maintain adequate financial resources for infrastructure, laboratories, career services and technology support. Internal Audit toured the Business computer lab and career services center with management personnel. During the tour of the computer lab, Internal Audit noted evidence of mature and outdated hardware and furniture. According to the Dean of Business, professional fees were initially used for the upgrade and maintenance of the computer lab but are currently used only for personnel costs (including staffing the career services center). The Dean of Business stated that private or other sources of funds are used for the maintenance, operations and upgrades of the computer lab and career services center.

Transparency

Internal Audit did not note any documentation on Business’s website disclosing the purpose of the professional fee or the expenses incurred associated with the charged professional fee.

Conclusions and recommendations

Business could not provide a Board approved action memo to Internal Audit or any other evidence supporting initial Board approval of the Business Fee indicating possible non-compliance with Board policy. Business also does not budget, track and monitor Fees and the associated expenses. Furthermore, Business does not disclose the purpose or the expenses incurred associated with the Fee on their website. Thus, Business should consider the following:

- Implement processes and procedures for budgeting, tracking and monitoring Fees and the associated expenses.
- Compare and analyze monthly budgeted expenses against actual amounts.
- Enhance transparency by disclosing the purpose of Fee and the expenses incurred annually on the Business website
- Institute an annual review process to validate whether the Fee amount continues to be reasonable based on past and expected future expense levels.

E. School of Architecture

Board approval and accreditation

Architecture’s professional fee was approved and established at the April 21, 2005 Board meeting for the 2005-2006 academic year. The Fee has increased multiple times since its establishment, most recently for the 2009-2010 academic year at \$500/semester (the current Fee). At the 2005 Board meeting, the purpose of the Fee was described as follows:

“To support the operational costs of the Architecture computer graphics lab, particularly in non-revenue producing activities such as the purchase and upgrade of high-end graphic computer systems, software, and providing extended access to the lab. The Fee will also help recover more than \$200,000 already spent on the implementation and maintenance of the lab over the past three years.”

Architecture is accredited by the National Architectural Accrediting Board (NAAB). Internal Audit reviewed NAAB accreditation standards and noted a generic requirement that architecture programs must have sufficient

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financial resources to operate. However, the NAAB accreditation standards did not provide a quantitative or qualitative definition of this requirement. The most recent NAAB accreditation was obtained in 2012 with accreditation expiring in 2018. The 2012 NAAB report noted no non-compliance matters. However, the following “Causes of Concern” were documented in the 2012 NAAB report:

- Information regarding the use of professional fees was not provided to the accreditation review team.
- Approximately \$367,000 in professional fees was being collected annually, but only \$95,000 was being allocated to Architecture. Clarification regarding the \$272,000 difference was not provided to the accreditation review team.
- The position of associate dean was eliminated in 2009 because of budget constraints. NAAB believes reinstating this position would be beneficial to Architecture.

Observations

Board action memo

The action memo submitted and approved by the Board in 2005 included a list of estimated costs to maintain the computer graphics lab on an annual basis, including the estimated life of various hardware, software and lab supplies. The total projected annual cost was approximately \$50,000. Based on projected enrollment of 200 students, the initial Fee was established at \$125/semester. However, as noted in **Table 2**, students were initially charged \$200/semester. Internal Audit requested but was not provided with evidence supporting approval of the change between the Board approved \$125/semester and initial Fee of \$200/semester charged to students.

Fee Analysis

Architecture’s FA stated that expenses associated with the professional fee are spent to manage, maintain and upgrade both of Architecture’s unique facilities (the 3D Fabrication Shop and the Digital Media Lab). However, a listing of expenses that were paid with the allocated Fees for the years ending June 30, 2017, 2016 and 2015 was not provided to Internal Audit due to Architecture not tracking and monitoring these expenses.

Processes and procedures

Internal Audit requested but was not provided with documentation evidencing Architecture’s process for budgeting, tracking and monitoring expenses associated with the allocated professional fees. Additionally, Internal Audit was not provided with any evidence of an analysis comparing allocated Fees against incurred expenses to determine whether the amount of Fees charged to Architecture students is appropriate and supportable. According to Architecture personnel, the Interim Dean of Architecture assesses the labs’ projected needs by conferring annually with Architecture management personnel including the supervisor of the 3D Fabrication Lab, the director of the Digital Media and Information Technology Lab, the FA, and the director of Student Services.

Tour of facilities

The action memo submitted and approved by the Board in 2005 noted that Fees would be used for various lab related expenses. The Dean of Architecture identified facility upgrades, as well as a significant amount of equipment and computer hardware (including servers) purchased with professional fees during Internal Audit’s tour of the 3D Fabrication Shop and the Digital Media Lab.

Transparency

Internal Audit did not note any documentation on Architecture’s website disclosing the purpose of the professional fee or the expenses incurred associated with the charged professional fee.

Conclusions and recommendations

The purpose supporting the initial Architecture Fee of \$125/semester was documented in an action memo approved by the Board on April 21, 2005. However, Architecture could not explain the reason for the

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difference in the approved Fee of \$125 and the initially charged Fee of \$200. In addition, an analysis determining the reasonableness of the Fee to current costs and enrollment has not been completed. Architecture does not disclose the purpose or the expenses incurred associated with the Fee on their website nor has Architecture established a process to budget, track and monitor Fees and the associated expenses. Accordingly, Internal Audit believes Architecture should consider the following:

- Implement processes and procedures for budgeting, tracking and monitoring Fees and the associated expenses
- Compare and analyze monthly budgeted expenses against actual amounts.
- Enhance transparency by disclosing the purpose of the Fee and the expenses incurred annually associated with the Fees on the Architecture website.
- Institute an annual review process to validate whether the Fee amount continues to be reasonable based on past and expected future expense levels.

F. Comparison to other universities

Internal Audit reviewed the professional fees and/or differential tuition of thirty-one universities within the Pac-12, Mountain West and Big West conferences (collectively comprising more than half of UHM’s stated peer and benchmark institutions as listed on the UHM Institutional Research Office website) and noted that the University’s professional fees are less than or consistent with the averages for those universities that charge professional fees or differential tuition. However, it was also noted that the majority of those universities reviewed did not charge a professional fee or differential tuition for these programs (except for Dental Hygiene, for which only three schools were noted as having the program).

Internal Audit noted that the majority of universities did not disclose the purpose of their professional fees or differential tuition. However, based on those universities that did disclose the purpose of their professional fees, Internal Audit noted consistency with the University’s approved (based on the previously noted action memos) purpose for each Program. Finally, Internal Audit noted that the majority of universities require Board of Regents (or the equivalent) approval for the establishment of professional fees, which is consistent with the University’s requirement under RP 6.203.

Overall Conclusions

Overall, Internal Audit determined that the establishment of Fees for Engineering, Nursing, Dental Hygiene and Architecture conformed to RP 6.203. Internal Audit’s assessment was based on signed action memos submitted to the BOR and published BOR meeting minutes. Internal Audit was unable to corroborate if the Fee for Business was established in conformance with RP 6.203.

In connection with budgeting, tracking and monitoring expenses associated with Fees collected, Internal Audit noted varying levels of competencies by Program. Engineering prepares documentation to track and monitor expenses by KFS codes monthly while other Programs did not provide Internal Audit with any documentation supporting the tracking and monitoring of these expenses. Accordingly, Engineering is the only Program that discloses on their website the purpose of their professional fee in addition to providing a description of expenses incurred associated with professional fees.

As previously noted, Internal Audit requested but was not provided documentation evidencing the approval by the CFAC of changes to Fee amounts and it was unclear whether professional program senior management was aware of the requirement that the establishment and changes to student fees, including professional fees, must be submitted to the CFAC for review and consideration. Thus, the role of the CFAC in regards to professional fees should be clarified with all relevant stakeholders. In addition, Internal Audit’s inquiries with Program management personnel determined that annual evaluations assessing the reasonableness of the Fee charged to students based on past and expected future expense levels are not performed because of the

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uncertainty in the respective Program’s annual Fee allocation. Therefore, Internal Audit believes management of the UHM Office of Academic Affairs should consider allocating Fees in KFS under a separate account code for each Program.

Additionally, Internal Audit recommends the following for management consideration (applicable recommendations to each Program are marked with an “X”):

Recommendations	UHM Professional Programs			
	Eng.	Nursing/ Dental	Bus.	Arch.
<u>1. Annual Fee review</u> Institute an annual review process to validate whether the Fee amount continues to be reasonable based on past and expected future expense levels.	X	X	X	X
<u>2. Fees and expense budgeting, tracking and monitoring</u>				
a. Processes and procedures Implement processes and procedures for budgeting, tracking and monitoring of Fees and the associated expenses.		X	X	X
b. Enhancement considerations <ul style="list-style-type: none"> • Prepare budgets at a departmental level • Budget expenses by nature of expense (e.g., personnel, supplies, etc.) • Compare and analyze budget to actual expenses by nature of expense, department totals and Program totals • With respect to Engineering, prepare a budget for “Pre-Engineering” expenses 	X	X	X	X
<u>3. Fee transparency</u> Enhance transparency by disclosing the purpose of the Fee and the expenses incurred annually associated with the Fees on each Program’s respective website. (See Appendix A for an example by Engineering.)		X	X	X

DT 19085



UNIVERSITY of HAWAII MĀNOA

Office of the Vice Chancellor for Administration, Finance and Operations

18 SEP 27 P1:40

RECEIVED

August 22, 2018 REVISED

'18 SEP 27 P12:33

TO: Michael McEnerney Chair, Board of Regents Independent Audit Committee

VIA: David Lassner President

David Lassner signature

VIA: David Lassner Interim Chancellor

David Lassner signature

FROM: Michael Bruno Interim Vice Chancellor for Academic Affairs

Kathleen Cutshaw Vice Chancellor for Administration, Finance, and Operations

Kathleen Cutshaw signature

Lori Ideta Interim Vice Chancellor for Students

Lori Ideta signature

SUBJECT: Response to May 2018 Office of Internal Audit Review of University of Hawai'i at Mānoa Student Fees for Professional Programs

The following are responses to the Internal Auditor's overall conclusions and recommendations in the May 2018 Review of UHM Student Fees for Professional Programs.

From Internal Audit Report:

Overall Conclusions

Overall, Internal Audit determined that the establishment of Fees for Engineering, Nursing, Dental Hygiene and Architecture conformed to RP 6.203. Internal Audit's assessment was based on signed action memos submitted to the BOR and published BOR meeting minutes. Internal Audit was unable to corroborate if the Fee for Business was established in conformance with RP 6.203.

In connection with budgeting, tracking and monitoring expenses associated with Fees collected, Internal Audit noted varying levels of competencies by Program. Engineering prepares documentation to track and monitor expenses by KFS codes monthly while other Programs did not provide Internal Audit with any documentation supporting the tracking and monitoring of these expenses. Accordingly, Engineering is the only Program that discloses on their website

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the purpose of their professional fee in addition to providing a description of expenses incurred associated with professional fees.

As previously noted, Internal Audit requested but was not provided documentation evidencing the approval by the CFAC [Campus Fee Advisory Committee] of changes to Fee amounts and it was unclear whether professional program senior management was aware of the requirement that the establishment and changes to student fees, including professional fees, must be submitted to the CFAC for review and consideration. Thus, the role of the CFAC in regards to professional fees should be clarified with all relevant stakeholders.

Response:

Administration agrees that increased awareness of the Campus Fee Advisory Committee (CFAC) as part of the overall process to implement program fees is warranted. Administration notes that management has been elevating its efforts in this regards. The Office of the Vice Chancellor for Students (OVCS) and the Office of the Vice Chancellor for Academic Affairs (OVCAA) have collaboratively reviewed and processed all student fee requests delineated in RP 6.203. Management confirms auditor's note that Campus Fee Advisory Committee (CFAC) has reviewed many course and lab fee requests, application fee requests, and various other categories of fees, but no professional fee proposals have been approved through this process. As the audit report recommendations noted, this may be evidence that campus units were not aware of CFAC or the fee proposal process. The VCS and VCAA have already communicated to campus deans and directors the fee proposal process for future fee proposals.

Administration also notes that since 2014, OVCAA has implemented a more rigorous system of document tracking than had previously existed. This newer system maintains scanned copies of all official documents related to fee proposals from request through final approval, as well as a chronological narrative of the process. Hence, for all requests related to student fees beginning in 2014, OVCAA/OVCS can produce a complete record of the request process. This will ensure that for future requests, records can be accessed in an efficient and streamlined fashion. The internal auditor would have, and should have, been provided requested supporting documentation related to any fees if they were implemented subsequently to 2014.

From Internal Audit Report:

In addition, Internal Audit's inquiries with Program management personnel determined that annual evaluations assessing the reasonableness of the Fee charged to students based on past and expected future expense levels are not performed because of the uncertainty in the respective Program's annual Fee allocation. Therefore, Internal Audit believes management of the UHM Office of Academic Affairs should consider allocating Fees in KFS under a separate account code for each Program.

Response:

Management agrees with the recommendation to create separate account codes to better track and assign relevant expenses to associated fees (revenue). The current process employed by the UH-Manoa Budget Office allocates fee revenue based on the prior year's collection of fee revenue. This method has developed to account for inherent year-to-year variability in fee

revenue. In this regard, management will explore whether separating the tuition allocations and fee allocations within KFS will assist campus programs in budgeting and accounting for expenditures of professional fees.

Expected Completion Date: April 2019

From Internal Audit Report:

Additionally, Internal Audit recommends the following for management consideration (applicable recommendations to each Program are marked with an "X"):

Recommendations	UHM Professional Programs			
	Eng.	Nursing/ Dental	Bus.	Arch.
<u>1. Annual Fee review</u> Institute an annual review process to validate whether the Fee amount continues to be reasonable based on past and expected future expense levels.	X	X	X	X
<u>2. Fees and expense budgeting, tracking and monitoring</u>				
a. Processes and procedures Implement processes and procedures for budgeting, tracking and monitoring of Fees and the associated expenses.		X	X	X
b. Enhancement considerations <ul style="list-style-type: none"> • Prepare budgets at a departmental level • Budget expenses by nature of expense (e.g., personnel, supplies, etc.) • Compare and analyze budget to actual expenses by nature of expense, department totals and Program totals • With respect to Engineering, prepare a budget for "Pre-Engineering" expenses 	X	X	X	X
<u>3. Fee transparency</u> Enhance transparency by disclosing the purpose of the Fee and the expenses incurred annually associated with the Fees on each Program's respective website. (See Appendix A for an example by Engineering.)		X	X	X

Response:

1. Annual Fee review

The UHM Vice Chancellors agree with the recommendation to implement an annual evaluation of the reasonableness of professional fee amounts based on past and projected future expenses. OVCAFO will work with program fiscal personnel to establish a consistent procedure and timeline for annual review of professional fee amounts. Each of the programs reviewed by Internal Audit have independently concurred with the recommendation and committed to implementing an annual review process.

Expected Completion Date: April 2019

2. *Fees and expense budgeting, tracking and monitoring*

a. *Processes and procedures*

Implement processes and procedures for budgeting, tracking and monitoring of Fees and the associated expenses.

The UHM Vice Chancellors agree with the recommendation to implement processes and procedures for budgeting, tracking and monitoring fees and associated expenses. OVCAFO will develop consistent accounting infrastructure within KFS to support this effort campus wide. As noted in the report, the College of Engineering currently budgets, tracks, and monitors expenses associated with fees in accordance with the purposes documented in the Board action memo. The School of Architecture has prepared a system for tracking expenses associated with student fees in response to this review. The College of Business and the School of Nursing and Dental Hygiene have each independently committed to implementing this recommendation.

Expected Completion Date: January 2019

b. *Enhancement considerations*

- *Prepare budgets at a departmental level*

The UHM Vice Chancellors note that each professional program is structured differently, and the professional fees are intended to support different purposes for each program. OVCAFO will consult individually with the programs to determine the most appropriate level of budgeting for fees within each program.

Expected Completion Date: January 2019

- *Budget expenses by nature of expense (e.g., personnel, supplies, etc.)*

The UHM Vice Chancellors and each of the professional programs agree with the recommendation to budget professional fee expenses by nature of expenses.

Expected Completion Date: January 2019

- *Compare and analyze budget to actual expenses by nature of expense, department totals and Program totals*

Each of the professional programs interviewed for this report has committed to implementing a process to compare and analyze budget to actual expenditures. OVCAFO notes that elsewhere in the report, Internal Audit recommended to each program that they prepare monthly comparisons of budgeted to actual expenses. Monthly review is valuable in tracking year-to-date expenditure totals. With regard to regular analysis of budget to actual

expenses, OVCAFO will implement a requirement for quarterly analysis. This will align with the quarterly schedule of budget to actual reporting to the BOR.

Expected Completion Date: January 2019

- *With respect to Engineering, prepare a budget for "Pre-Engineering" expenses*

The College of Engineering agrees that a more rigorously documented budget process should be implemented for expenditures of pre-engineering fees. These fees are used to cover labs that are used by students from multiple departments. In the spring the balance (if any) is distributed to the departments for their allowable expenses. The College is in the process of implementing a more rigorous process.

Expected Completion Date: October 2018

3. *Fee transparency*

The UHM Vice Chancellors agree in principle that disclosing the purpose and use of each professional fee will provide greater transparency to students with regard to the use of the fees. The Vice Chancellors will explore possible posting locations, including the program web sites, for this information. OVCAFO will work with programs to develop a consistent reporting format for use of the fees.

Expected Completion Date: April 2019

**Item IV.B.1.
Whistleblower Report**

**ITEM TO BE
DISCUSSED AT
MEETING**

University of Hawaii
Whistleblower Summary Report
As of September 27, 2018

**Cases: June 15, 2016 (inception) -
September 27, 2018**

<u>Unit</u>	<u>Total</u>	<u>Open</u>	<u>Closed</u>
System	25	1	24
UH Manoa	120	8	112
UH Hilo	64	15	49
UH West Oahu	5	1	4
Maui College	7	1	6
Kapiolani CC	43	0	43
Leeward CC	5	1	4
Honolulu CC	9	0	9
Windward CC	10	3	7
Hawaii CC	21	3	18
Kauai CC	3	0	3
	<u>312</u>	<u>33</u>	<u>279</u>

**Cases: July 1, 2017 - September
27, 2018**

<u>Unit</u>	<u>Total</u>	<u>Open</u>	<u>Closed</u>
System	19	1	18
UH Manoa	66	8	58
UH Hilo	45	15	30
UH West Oahu	3	1	2
Maui College	2	1	1
Kapiolani CC	10	0	10
Leeward CC	3	1	2
Honolulu CC	3	0	3
Windward CC	9	3	6
Hawaii CC	15	3	12
Kauai CC	0	0	0
	<u>175</u>	<u>33</u>	<u>142</u>

University of Hawaii
Whistleblower Tracking Report
July 1, 2017 - September 27, 2018

Case #	Campus	Classification	Submitted by	Date Opened	Date Closed	Description
Open cases						
Days open: less than 30 days						
321	System	Employment and HR	Non-employee	09/26/18	-	Inappropriate hiring of employee
319	UH - Hilo	Health and Safety	Employee	09/19/18	-	Employees riding in bed of truck
317	Maui College	Employment and HR	Employee	09/18/18	-	Supervisor is unprofessional
313	Hawaii CC	Employment and HR	Employee	09/15/18	-	Lack of confidentiality.
311	UH - Manoa	Employment and HR	Employee	09/14/18	-	Employee accountability and competence
310	UH - Hilo	Health and Safety	Non-employee	09/13/18	-	Identical to case #298.
309	UH - Hilo	Health and Safety	Non-employee	09/12/18	-	Identical to case #298.
308	UH - Hilo	Health and Safety	Non-employee	09/12/18	-	Identical to case #298.
307	UH - Hilo	Health and Safety	Non-employee	09/12/18	-	Identical to case #298.
306	UH - Hilo	Health and Safety	Non-employee	09/12/18	-	Identical to case #298.
304	Hawaii CC	Employment and HR	Employee	09/12/18	-	Conflict of interest.
303	UH - Manoa	Financial	Employee	09/11/18	-	Improper fees
302	UH - Hilo	Health and Safety	Non-employee	09/10/18	-	Identical to case #298.
301	UH - Hilo	Health and Safety	Non-employee	09/10/18	-	Identical to case #298.
300	UH - Hilo	Health and Safety	Non-employee	09/10/18	-	Identical to case #298.
299	UH - Hilo	Health and Safety	Non-employee	09/10/18	-	Identical to case #298.
298	UH - Hilo	Health and Safety	Non-employee	09/10/18	-	Room door not opened during campus lockdown.
296	Windward CC	Research	Employee	09/10/18	-	Use of grant funds.
294	UH - Manoa	Research	Non-employee	09/07/18	-	Use of grant funds.
293	UH - Manoa	Employment and HR	Employee	09/06/18	-	Improper documentation of vacation and sick leave
291	UH - Hilo	Employment and HR	Employee	09/05/18	-	Inappropriate hiring of employee
290	UH - Manoa	Employment and HR	Non-employee	09/04/18	-	Faculty behavior
289	UH - West Oahu	Employment and HR	Employee	09/04/18	-	Distribution of cultural information.
287	Leeward CC	Employment and HR	Non-employee	08/27/18	-	Faculty behavior
284	UH - Manoa	Other	Non-employee	08/27/18	-	Videoing student
Days open: 31 - 60 days						
283	UH - Hilo	Property/Facilities	Non-employee	08/23/18	-	Facility rental quote not provided.
Days open: 61 - 90 days						
273	UH - Manoa	Employment & HR	Employee	07/20/18	-	Staff not working 8 hr days.
Days open: Over 91 days						
268	UH - Hilo	Other	Non-employee	06/19/18	-	Signage not displayed.
265	UH - Hilo	Student Affairs	Non-employee	06/05/18	-	Treatment of students.
257	Windward CC	Employment & HR	Employee	05/09/18	-	Staff behavior.
229	Hawaii CC	Employment & HR	Employee	02/22/18	-	Inappropriate employee communication.
192	Windward CC	Employment & HR	Non-employee	11/23/17	-	Title IX. Investigation ongoing.
182	UH - Manoa	Financial	Employee	10/17/17	-	Non-compliance with University policies

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<u>Case #</u>	<u>Campus</u>	<u>Classification</u>	<u>Submitted by</u>	<u>Date Opened</u>	<u>Date Closed</u>	<u>Description</u>
Closed cases						
320	UH - Manoa	Other	Employee	09/25/18	09/27/18	Health of Waikiki Aquarium marine animals.
318	System	Employment and HR	Employee	09/19/18	09/25/18	Identical to case #312.
316	System	Employment and HR	Employee	09/18/18	09/25/18	Identical to case #312.
315	UH - Manoa	Other	Non-employee	09/18/18	09/18/18	Receiving e-mails from unknown hawaii.edu address.
314	System	Employment and HR	Employee	09/17/18	09/25/18	Identical to case #312.
312	System	Employment and HR	Employee	09/14/18	09/25/18	Lack of transparency in hiring. Investigated and no violation.
305	Hawaii CC	Employment and HR	Employee	09/12/18	09/14/18	Conflict of interest. Investigated and no conflict.
297	UH - Hilo	Health and Safety	Employee	09/10/18	09/11/18	Locking of doors during campus lockdown
295	UH - Hilo	Employment and HR	Employee	09/09/18	09/11/18	Employee promotion
292	Hawaii CC	Employment and HR	Employee	09/05/18	09/07/18	Alleged conflict of interest. Investigated and no conflict.
288	System	Health and Safety	Employee	08/30/18	09/06/18	Smoking on campus
286	UH - Manoa	Health and Safety	Non-employee	08/27/18	09/04/18	Student providing possibly tainted food.
285	Leeward CC	Health and Safety	Non-employee	08/27/18	09/17/18	Smoking on campus
282	UH - Manoa	Health and Safety	Non-employee	08/21/18	08/27/18	Smoking on campus
281	Hawaii CC	Other	Employee	08/20/18	09/04/18	Campus club requesting donations
280	System	Other	Employee	08/20/18	09/25/18	Faculty policy inquiry. Addtl info requested but not provided.
279	UH - Manoa	Other	Employee	08/10/18	08/13/18	Disposition of cancelled meal plan. Investigated and no violation.
278	UH - Hilo	Property/Facilities	Non-employee	07/28/18	09/12/18	Sharing of student facility.
277	UH - Manoa	Employment & HR	Employee	07/24/18	09/07/18	Lack of confidentiality
276	UH - Manoa	Other	Employee	07/23/18	08/10/18	Unfair treatment of vendors. Addtl info requested but not provided
275	UH - Manoa	Employment & HR	Employee	07/21/18	08/09/18	Falsifying information. Office of VC AA resolved matter.
274	UH - Manoa	Employment & HR	Employee	07/21/18	07/28/18	Conflict of interest. Office of VC AA resolved matter.
272	UH - Manoa	Health and Safety	Employee	07/18/18	08/03/18	Inappropriate and untimely vacuuuming.
271	UH - Hilo	Employment & HR	Employee	07/13/18	09/12/18	Identical to case #263.
270	Hawaii CC	Employment & HR	Employee	06/22/18	08/02/18	Title IX. Complaint withdrawn by reporter.
269	Hawaii CC	Student Affairs	Employee	06/22/18	07/11/18	Students sharing hotel room. No violation.
267	UH - Hilo	Employment & HR	Employee	06/12/18	07/22/18	Inappropriate travel investigated and action taken.
266	System	Employment & HR	Employee	06/08/18	07/27/18	Treatment of subordinates.
264	UH - Manoa	Employment & HR	Employee	05/22/18	07/14/18	Employees working inefficiently. Internal procedures revised.
263	UH - Hilo	Employment & HR	Non-employee	05/21/18	09/12/18	Office periodically opens late.
262	UH - Hilo	Employment & HR	Non-employee	05/19/18	07/22/18	Poor behavior of staff. Action taken.
261	Leeward CC	Employment & HR	Employee	05/18/18	06/27/18	Conflict of interest investigated and action taken.
260	UH - Manoa	Student Affairs	Non-employee	05/17/18	05/18/18	Social media postings by student not enrolled at UH.
259	UH - Manoa	Employment & HR	Non-employee	05/15/18	07/21/18	Inappropriate travel investigated and action taken.
258	UH - Hilo	Other	Employee	05/14/18	06/19/18	Untimely e-mail responses. Reviewed and action taken.
256	UH - Hilo	Employment & HR	Employee	05/02/18	06/19/18	Faculty behavior. Action taken.

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255	Kapiolani CC	Employment & HR	Employee	04/30/18	05/01/18	Lack of confidentiality. No violation.
254	Kapiolani CC	Financial	Employee	04/30/18	06/27/18	Staff competency investigated. No violation.
253	System	Health and Safety	Non-employee	04/29/18	05/10/18	Soil issue. No violation.
252	UH - Hilo	Employment & HR	Non-employee	04/26/18	04/30/18	Inappropriate letter of recommendation. No violation.
251	System	Employment & HR	Employee	04/24/18	07/30/18	Poor behavior of staff. Action taken.
250	Hawaii CC	Health and Safety	Employee	04/20/18	05/15/18	Alcohol complaint investigated and action taken.
249	UH - Manoa	Employment & HR	Employee	04/19/18	06/06/18	Poor behavior of staff. Addtl info. requested but not provided.
248	UH - Manoa	Employment & HR	Employee	04/18/18	06/06/18	Staff utilizing UH resources. Action taken.
247	System	Information Technology	Non-employee	04/16/18	04/18/18	Inappropriate use of UH network investigated. No violation.
246	UH - Manoa	Employment & HR	Employee	04/08/18	05/16/18	Faculty not performing job investigated and action taken.
245	UH - Manoa	Employment & HR	Employee	04/02/18	06/06/18	Employee service awards complaint reviewed and resolved.
244	UH - Manoa	Health and Safety	Employee	03/31/18	07/02/18	Alcohol complaint investigated and resolved.
243	System	Employment & HR	Employee	03/22/18	06/13/18	Compensation inquiry. Addtl info. requested but not provided.
242	UH - Manoa	Health and Safety	Non-employee	03/21/18	04/02/18	Complaint against volunteer investigated. No violation.
241	Kapiolani CC	Employment & HR	Employee	03/20/18	04/02/18	Faculty textbook purchase. No violation.
240	Windward CC	Employment & HR	Employee	03/18/18	03/22/18	Outside employment. No violation.
239	UH - West Oahu	Employment & HR	Employee	03/16/18	04/26/18	Staff disagreement. Action taken.
238	UH - Hilo	Other	Non-employee	03/16/18	04/11/18	Costs for faculty living off island investigated and action taken.
237	UH - Hilo	Employment & HR	Non-employee	03/16/18	04/11/18	Faculty competency.
236	UH - Manoa	Employment & HR	Employee	03/14/18	03/27/18	Faculty complaint. Addtl info. requested but not provided.
235	UH - Hilo	Employment & HR	Employee	03/09/18	04/12/18	Against the appointment of an interim dean.
234	UH - Manoa	Employment & HR	Non-employee	03/02/18	03/20/18	Faculty complaint. Action taken.
233	UH - Manoa	Employment & HR	Employee	03/02/18	04/05/18	Hiring practice. Addtl info. requested but not provided.
232	UH - Manoa	Other	Employee	03/01/18	03/01/18	Process to distribute documents.
231	UH - Manoa	Health and Safety	Employee	02/23/18	02/23/18	Identical to case #230.
230	UH - Manoa	Health and Safety	Employee	02/23/18	02/23/18	Individual smoking on campus. Forwarded to Public Safety.
228	UH - Manoa	Other	Employee	02/22/18	03/12/18	Flag presentation at facility.
227	UH - Manoa	Employment & HR	Employee	02/20/18	02/24/18	No report submitted.
226	UH - Manoa	Other	Employee	02/14/18	03/08/18	Protocol non-compliance at the Warrior Rec Center.
225	UH - Manoa	Employment & HR	Employee	02/10/18	03/30/18	Faculty not performing job duties investigated and action taken.
224	UH - Hilo	Employment & HR	Non-employee	02/01/18	02/12/18	Untimely meeting notification.
223	UH - Hilo	Student Affairs	Non-employee	01/31/18	02/06/18	Identical to case 221.
222	UH - Hilo	Student Affairs	Non-employee	01/30/18	02/06/18	Identical to case 221.
221	UH - Hilo	Student Affairs	Non-employee	01/30/18	02/06/18	Guinea pig in dorm room reviewed and resolved.
220	UH - Manoa	Employment & HR	Non-employee	01/29/18	03/27/18	Faculty comment investigated and action taken.
219	UH - Manoa	Student Affairs	Employee	01/29/18	03/08/18	Non-compliance with policies and regulations reviewed and resolved.
218	UH - Manoa	Athletics	Employee	01/23/18	02/13/18	Non-compliance with policies and regulations reviewed and resolved.
217	Hawaii CC	Employment & HR	Employee	01/20/18	01/22/18	Conflict of interest reviewed. No violation.
216	System	Employment & HR	Employee	01/17/18	03/07/18	Staff not performing job investigated and action taken.

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215	UH - Manoa	Health and Safety	Non-employee	01/17/18	01/17/18	Identical to case #213.
214	UH - Manoa	Health and Safety	Non-employee	01/16/18	01/17/18	Identical to case #213.
213	UH - Manoa	Health and Safety	Non-employee	01/16/18	01/16/18	Crowded classroom resolved by moving to a larger class.
212	UH - Manoa	Employment & HR	Employee	01/15/18	02/24/18	Staff not performing job. Addtl info. requested but not provided.
211	UH - Hilo	Employment & HR	Employee	01/13/18	02/11/18	Lack of confidentiality investigated and action taken.
210	Windward CC	Other	Non-employee	01/13/18	01/19/18	Inappropriate Facebook post.
209	UH - Manoa	Student Affairs	Non-employee	01/13/18	04/12/18	Alcohol and drug complaint. Investigated and resolved.
208	UH - Hilo	Athletics	Non-employee	01/12/18	02/14/18	Student athletes meal allowance investigated and resolved.
207	UH - Manoa	Research	Non-employee	01/12/18	01/16/18	Non-compliance with policies, laws and regulations.
206	UH - Manoa	Health and Safety	Employee	01/12/18	01/16/18	Smoking on campus. Forwarded to Public Safety.
205	UH - West Oahu	Health and Safety	Non-employee	01/12/18	02/05/18	Smoking on campus. No violation.
204	UH - Hilo	Employment & HR	Employee	01/10/18	02/12/18	Inattentive staff investigated and action taken.
203	Hawaii CC	Employment & HR	Non-employee	01/08/18	03/22/18	Title IX. Addtl info. requested but not provided.
202	Kapiolani CC	Health and Safety	Employee	01/02/18	01/08/18	Caution tape blocking flooded stairwell. Campus addressed matter
201	Hawaii CC	Employment & HR	Employee	12/27/17	07/31/18	Required certification investigated and corrected.
200	UH - Hilo	Employment & HR	Employee	12/20/17	01/03/18	Staff certification. Addtl info requested but not provided
199	UH - Manoa	Student Affairs	Non-employee	12/14/17	12/22/17	Student cheated on exam. Forwarded to Office of Judicial Affairs.
198	Honolulu CC	Employment & HR	Non-employee	12/12/17	12/12/17	Inappropriate Facebook post.
197	Kapiolani CC	Health and Safety	Employee	12/04/17	12/08/17	Equipment stored in hallways. Reviewed and resolved.
196	Kapiolani CC	Employment & HR	Employee	12/04/17	01/10/18	Conflict of interest. No violation.
195	UH - Manoa	Other	Employee	12/03/17	01/16/18	Addtl info. requested from reporter. Addtl info not provided.
194	Hawaii CC	Employment & HR	Employee	11/27/17	01/16/18	Identical to case #190.
193	UH - Hilo	Employment & HR	Employee	11/26/17	12/26/17	Competency of staff personnel.
191	System	Employment & HR	Non-employee	11/19/17	01/12/18	Addtl info. requested from reporter. Addtl info not provided.
190	Hawaii CC	Employment & HR	Employee	11/18/17	01/16/18	Inequitable work shifts. Reviewed and resolved.
189	Kapiolani CC	Employment & HR	Employee	11/01/17	11/13/17	Policy violation allegation investigated. No violation.
188	UH - Hilo	Employment & HR	Non-employee	10/31/17	11/21/17	Identical to case #185.
187	UH - Hilo	Employment & HR	Non-employee	10/31/17	11/21/17	Identical to case #185.
186	UH - Hilo	Employment & HR	Non-employee	10/31/17	11/21/17	Identical to case #185.
185	UH - Hilo	Employment & HR	Non-employee	10/31/17	11/21/17	Competency of staff personnel.
184	UH - Hilo	Employment & HR	Non-employee	10/23/17	12/26/17	Staff personnel trips investigated and action taken.
183	System	Other	Employee	10/18/17	01/11/18	Non-compliance with laws/regs. Addtl info requested not provided.
181	Windward CC	Employment & HR	Employee	10/12/17	01/09/18	Title IX. Addtl info. requested. Addtl info not provided.
180	UH - Manoa	Student Affairs	Non-employee	10/11/17	10/17/17	Academic grievance forwarded to departmental personnel.
179	UH - Hilo	Employment & HR	Non-employee	10/10/17	10/20/17	Staff not working 8 hr days investigated and action taken.
178	UH - Manoa	Student Affairs	Non-employee	10/09/17	10/18/17	Identical to case #177.
177	UH - Manoa	Student Affairs	Non-employee	10/09/17	10/18/17	Academic grievance forwarded to departmental personnel.
176	Honolulu CC	Information Technology	Employee	10/09/17	11/28/17	Addtl info. requested from reporter. Addtl info not provided.
175	UH - Manoa	Employment & HR	Employee	10/03/17	11/30/17	Service animal.

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174	Kapiolani CC	Employment & HR	Employee	09/14/17	11/14/17	Conflict of interest reviewed. No violation.
173	UH - Manoa	Financial	Employee	09/13/17	10/17/17	Addtl info. requested from reporter. Addtl info not provided.
172	Kapiolani CC	Employment & HR	Employee	09/13/17	11/14/17	Conflict of interest reviewed. No violation.
171	System	Employment & HR	Employee	09/11/17	09/13/17	Conflict of interest reviewed and resolved.
170	UH - Manoa	Employment & HR	Non-employee	09/09/17	10/02/17	Addtl info. requested from reporter. Addtl info not provided.
169	Honolulu CC	Employment & HR	Employee	09/05/17	10/19/17	Addtl info. requested from reporter. Addtl info not provided.
168	UH - Manoa	Other	Non-employee	09/03/17	09/05/17	Faculty comments investigated and action taken.
167	Kapiolani CC	Student Affairs	Non-employee	09/01/17	09/06/17	Free speech. Forwarded to departmental personnel.
166	UH - Manoa	Health and Safety	Employee	09/01/17	09/08/17	Smoking allegation forwarded to departmental personnel.
165	UH - Manoa	Employment & HR	Employee	09/01/17	10/25/17	Staff not performing job investigated and action taken.
164	Windward CC	Employment & HR	Employee	08/25/17	09/13/17	Outside employment of staff investigated. No violation.
163	UH - Manoa	Student Affairs	Employee	08/23/17	09/11/17	Academic grievance reviewed and resolved.
162	UH - Hilo	Employment & HR	Non-employee	08/21/17	09/14/17	Employee late to work investigated and action taken.
161	UH - Manoa	Other	Non-employee	08/19/17	08/21/17	No violation.
160	Maui College	Employment & HR	Non-employee	08/18/17	08/21/17	Staff behavior investigated and action taken.
159	UH - Hilo	Employment & HR	Employee	08/18/17	10/02/17	Staff behavior investigated and action taken.
158	System	Employment & HR	Employee	08/16/17	09/13/17	Hiring practice investigated. No violation.
157	UH - Manoa	Student Affairs	Non-employee	08/16/17	08/17/17	Academic grievance forwarded to departmental personnel.
156	Windward CC	Employment & HR	Employee	08/15/17	08/21/17	Conflict of interest. No violation.
155	Windward CC	Employment & HR	Employee	08/15/17	09/12/17	Staff comments investigated. No violation.
154	UH - Manoa	Employment & HR	Employee	08/08/17	08/31/17	Addtl info. requested from reporter. Addtl info not provided.
153	System	Employment & HR	Employee	08/07/17	09/10/17	Conflict of interest reviewed and resolved.
152	System	Other	Employee	07/28/17	09/04/17	Expense reimbursement policy investigated. No violation.
151	UH - Manoa	Other	Non-employee	07/28/17	07/28/17	Argument at faculty housing
150	UH - Manoa	Employment & HR	Employee	07/05/17	10/19/17	Full time faculty working part time.
149	Hawaii CC	Employment & HR	Employee	07/03/17	11/29/17	Conflict of interest investigated and action taken.
148	UH - Manoa	Student Affairs	Non-employee	07/03/17	07/28/17	Academic dishonesty. Forwarded to Office of Judicial Affairs.
147	UH - Manoa	Employment & HR	Employee	07/01/17	10/19/17	Addtl info. requested from reporter. Addtl info not provided.

**Item IV.B.2.
Enterprise Risk
Management Update**

**ITEM TO BE
DISCUSSED AT
MEETING**