Notice of Meeting

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

Members: Regents Higaki (Vice Chair), McEnerney, Moore, Westerman, and Wilson

Date: Thursday, October 3, 2019
Time: 8:45 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. Election of Committee Chairperson

III. Approval of Minutes of the May 2, 2019 Meeting

IV. 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.testimony@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.

V. Agenda Items

A. Committee Goals and Objectives

B. Title III Grants – Senate Resolution 120 (2019)

C. Review and Acceptance of the Office of Internal Audit Report on the Status of Corrective Action Related to Capital Improvement Projects and Repairs and Maintenance

D. Recommend Board Approval of Revisions to Regents Policy 2.205, Policy on Whistleblowing and Retaliation

VI. Adjournment

For disability accommodations, contact the Board Office at 956-8213 or bor@hawaii.edu. Advance notice requested five (5) days in advance of the meeting.
MINUTES
BOARD OF REGENTS COMMITTEE ON INDEPENDENT AUDIT MEETING
MAY 2, 2019

I. CALL TO ORDER

Committee Chair Michael McEnerney called the meeting to order at 10:32 a.m. on Thursday, May 2, 2019, at the University of Hawai‘i at Mānoa Information Technology Building, 1st Floor Conference Room 105A/B, 2520 Correa Road, Honolulu, Hawai‘i 96822.

Committee members in attendance: Committee Chair Michael McEnerney; Committee Vice Chair Wayne Higaki; Regent Simeon Acoba; Regent Jeffrey Portnoy.

Others in attendance: Board Chair Lee Putnam; Regent Eugene Bal; Regent Ben Kudo; Regent Michelle Tagorda; Regent Robert Westerman; Regent Ernest Wilson, Jr. (ex officio committee members); President David Lassner; Vice President for Administration Jan Gouveia; Vice President for Community Colleges John Morton; Vice President for Legal Affairs/University General Counsel Carrie Okinaga; Vice President for Research and Innovation Vassilis Syrmos; Vice President for Budget and Finance/Chief Financial Officer Kalbert Young; Interim UH-Hilo (UHH) Chancellor Marcia Sakai; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Kendra Oishi; and others as noted.

II. APPROVAL OF MINUTES OF THE DECEMBER 19, 2018, AND JANUARY 17, 2019 MEETINGS

Committee Vice Chair Higaki moved to approve the minutes of the December 19, 2018, meeting, seconded by Board Vice Chair Portnoy, and the motion carried unanimously.

Regent Kudo arrived at 10:32 a.m.

Committee Vice Chair Higaki moved to approve the minutes of the January 17, 2019, meeting, seconded by Board Vice Chair Portnoy, and the motion carried unanimously.

III. PUBLIC COMMENT PERIOD

Board Secretary Oishi announced that the Board Office did not receive any written testimony and no one signed up to provide oral testimony.
IV. AGENDA ITEMS

A. Approval of Annual Review of Committee Charter

Board Chair Putnam and Regent Wilson arrived at 10:35 a.m.

Committee Chair McEnerney explained that the Committee on Independent Audit is the only committee governed by statute, which together with the bylaws comprise the charter of operations for the committee.

Committee Vice Chair Higaki moved to approve the committee charter, seconded by Board Vice Chair Portnoy, and the motion carried unanimously.

B. Approval of Proposed Internal Audit Workplan for 2019-2020

Committee Chair McEnerney explained that the workplan is the outline for the work to be performed during the coming year. Internal Auditor Glenn Shizumura explained that the proposed workplan was developed in consultation with administration and included a summary of services provided by the Office of Internal Audit (OIA) and a breakdown of new, carryover, and follow-up projects for 2019-2020. He noted that OIA was not able to provide the same level of assistance that had been historically provided to Accuity LLP (Accuity) last year due to pressing matters involving the Maunakea audit, but will be providing support this coming year.

Internal Auditor Shizumura requested feedback from the committee on Senate Resolution (S.R.) No. 120 requesting that OIA perform an audit of extramurally-funded programs at UH-West O‘ahu (UHWO), including Title III grant funding, and whether the committee wanted to proceed with the audit, and if so, the scope and timing for the project.

Regent Kudo indicated that the committee should comply with the resolution, especially because it involved federal funds and there were ramifications for non-compliance.

The committee engaged in extensive discussion on Title III funding and whether there had been any feedback from the U.S. Department of Education (U.S. DOE) regarding the prior non-compliance findings or if there was any other indication of issues warranting an audit. Internal Auditor Shizumura explained that there were previous findings by an external auditor relating to Title IV programs, but nothing related to Title III. VP Young confirmed that there was no indication of specific issues related to UHWO or Title III programs, but that administration was undergoing a management review of the issues in response to related inquiries.

Board Chair Putnam noted that there is ongoing oversight of all Title III programs. VP Young added that there are federal compliance measures in place that occur, including an annual A-133 audit. VP Syrmos noted that there are select reviews by Accuity of certain contracts and determines whether there are any findings. VP Syrmos added that the Office of Research Services serves as a pre-award office and does not
conduct audits or approve financial transactions for contracts and grants, as that responsibility lies within each campus.

Board Chair Putnam asked if any committee in the House of Representatives had considered this matter or taken a position on the resolution and if administration had a procedure for dealing with single body resolutions. VP Young explained that there are single body resolutions and concurrent resolutions which are sent to the other body for consideration. S.R. 120 is a single body resolution that was adopted by the Senate and the concurrent version that was sent to the House was not adopted. S.R. 120 represents the request of the Senate and not the full Legislature. Historically, executive branch agencies generally do not respond to single body resolutions. Executive branch agencies treat concurrent resolutions as the will of the Legislature and generally reply to those resolutions. Board Chair Putnam requested the committee consider this request in relation to the other work that the OIA is planning for this year and use discretion in determining whether this is a priority at this time.

Although he understands the issue of single body resolutions, Committee Vice Chair Higaki agreed with Regent Kudo and noted that there are expectations of increased sensitivity for federal programs like Title III. Regent Kudo reiterated that the sanctions for non-compliance of federal program expenditures are severe. Committee Chair McEnerney drew a parallel with the Maunakea audit which revealed a lack of coordination for the activities of Maunakea operations. He noted that a key criteria for an audit is the size of the grant, and smaller grants can run a higher risk of potential issues. He noted while Title III is an important issue, it is not the first priority of the committee.

Regarding S.R. No. 31 requesting the State Auditor evaluate the 2018 UH internal audit of travel policy compliance for fiscal years 2015-2017, Committee Chair McEnerney indicated that the university had been before the Senate previously regarding large amounts of travel expenditures with questionable justification. He noted that this is a serious issue and he would like the committee to consider looking at it, but was not sure where it would fall in the level of priorities.

A question was raised regarding the likelihood of OIA with its present staff being able to complete all the audits. Internal Auditor Shizumura responded that the staffing levels for this year are better than prior years and the goal is always to follow and complete everything in the plan. The highest priority audits will get done, but unforeseen delays can impact the schedule.

Regent Acoba asked if administration had a position on either S.R. No. 120 or S.R. No. 31. VP Young responded that administration views audits positively because audits present the opportunity to validate current practice as being compliant and identifies best practices, so administration has no objections. He indicated that if resources are an issue, other audits should not come at the expense of S.R. No. 120. VP Young noted that clarification is needed from the board on the audit scope, which could potentially be very large. He added that if the committee decides to pursue this audit and OIA has the capacity, it would be more valuable to do an audit of Title III systemwide, and not just UHWO. He noted that administration was supportive of S.R.
No. 31 because the legislative auditor would be responsible for the audit costs and resources. If the university had to hire an external auditor to perform an audit of this caliber, the costs would likely be in excess of $1 million.

Committee Vice Chair Higaki asked whether the committee would be placed in a position of additional criticism by approving an internal audit plan that may not be completed should the internal auditor determine that resources or time prevent them from completing all of the audits. Internal Auditor Shizumura reiterated that the goal is to complete all audits in the workplan, but the committee would need to deem the audits appropriate and provide guidance regarding the scope of the audits referenced in the legislative resolutions. An addendum to the workplan would be prepared that reflects the scope and whether any other audit projects are being removed from the plan.

A suggestion was made that VP Young and Internal Auditor Shizumura review and discuss the audit objectives and report back to the committee on the potential scope of an audit on Title III funds.

VP Young was asked if there was anything administration felt was missing from the draft workplan. VP Young responded that he met with Internal Auditor Shizumura during the development of the plan, and administration wants to remain independent of what audit areas the committee wants to pursue, but is available to offer suggestions for the committee's consideration.

Committee Chair McEnerney reminded the committee that the workplan generally includes OIA providing 1,000 hours to Accuity, subject to availability. He expressed his hope that the committee will start prioritizing the workplan in August and will receive regular progress reports.

Committee Vice Chair Higaki moved to approve the workplan, seconded by Board Vice Chair Portnoy, and the motion carried unanimously.

C. Acceptance of the Draft Committee on Independent Audit Annual Report to the Board

Internal Auditor Shizumura explained that the annual report is prepared pursuant to Section 304A-321, Hawai‘i Revised Statutes. This annual report also includes the OIA’s Audit Results for the Fiscal Year Ended June 30, 2019, which summarizes the services provided during the past fiscal year and projects included in last year’s audit plan with current status, findings, and recommendations. He noted that the committee met all statutory and bylaw requirements.

Committee Vice Chair Higaki moved to accept the draft Committee on Independent Audit Annual report to the Board, seconded by Board Vice Chair Portnoy, and the motion carried unanimously.

D. Review and Acceptance of the Office of Internal Audit (OIA) Report on its Review of the University of Hawai‘i Sodexo Food Service Contracts
The committee reviewed the audit reports for the UH Sodexo food services contracts. Internal Auditor Shizumura explained that there are four separate contracts with varying terms and conditions. The contract administrators were effectively monitoring the contracts for compliance, and minimal and insignificant instances of Sodexo noncompliance were noted. It was recommended that future consideration be given to entering into a single contract for efficiency and ease of monitoring, economies of scale, increased financial benefit, and other factors.

Board Vice Chair Portnoy asked whether students were given the opportunity to provide feedback on quality and service, and whether the contracts were subject to procurement. Internal Auditor Shizumura explained that surveys are provided to students and that the contracts are subject to procurement laws.

Regent Acoba raised questions regarding whether the UHH commissions on page 5 were low, and whether health and safety items such as vermin control and contagious disease reporting requirements should be “must haves” in all contracts. Internal Auditor Shizumura explained that page 5 is simply a summary of the financial results. He noted that the contracts were constructed differently depending on individual circumstances. He indicated that there is some subjectivity in the categorization of “must have” terms for the contracts, and OIA did not provide opinions regarding contract provisions.

Board Vice Chair Portnoy questioned the role of the internal auditor. Committee Chair McEnerney explained that internal audit reviews the operational policies and procedures that are utilized, and expands beyond a financial or accounting role. He added that a single contract that applies to all four food operations would allow the individual managing the contract to have a common basis for contract terms. Regent Westerman noted that campuses have different operations so the requirements may vary depending on the various agreements they have entered into. Committee Chair McEnerney requested that Internal Auditor Shizumura perform a follow-up report at a future meeting informing the committee on the outcome of each of the contract recommendations and whether it is feasible to establish a system for the contracts to expire at the same time, what a basic contract might include, and alternative provisions.

Board Chair Putnam noted that most of these contracts were entered into before the university became sensitive to sustainability issues, and suggested OIA discuss the contracts with the Sustainability Office to get feedback on what they might want included in the contracts. Internal Auditor Shizumura indicated that there were some terms in the contract related to decreasing the use of polystyrene.

Regent Acoba moved to accept the report on the review of the University of Hawai‘i Sodexo food service contracts, seconded by Committee Vice Chair Higaki, and the motion carried unanimously.

E. Review and Acceptance of the OIA Report on its Review of the University of Hawai‘i Cash Receipts Process

The committee reviewed the report on the UH cash receipts process. Internal Auditor Shizumura noted that the policies, procedures, practices, and internal controls
for cash receipts were sufficient. Some issues regarding timeliness in recording receipts in the Kuali Financial System were noted, and it was recommended that administration consider updating policies to include language regarding persistent and continually recurring instances of non-timeliness of the recordation of cash receipts.

Internal Auditor Shizumura explained that Payment Card Industry (PCI) Data Security Standard (DSS) compliance is very complex and university personnel understand the sensitivity. OIA is recommending that administration consider developing a robust and comprehensive PCI DSS process supplemented with written policies, procedures, and training to mitigate risks. He explained that management’s response concurred with all recommendations and is currently working on some of the recommendations. VP Young added that training could be addressed relatively soon, but additional time may be needed to address contract and policy compliance matters. He anticipates substantial progress within the next 12 months.

Regent Acoba moved to accept the report on the review of the University of Hawai‘i cash receipts process, seconded by Board Vice Chair Portnoy, and the motion carried unanimously.

F. Follow-up Report on the Evaluation of the Status of Corrective Action Related to Travel Policy Compliance and Employee Cell Phone Charges Audit Reports

Regent Tagorda departed at 11:39 a.m.

Internal Auditor Shizumura explained that the OIA performed follow-up work regarding the status of corrective action related to travel policy compliance and employee cell phone charges audit reports that were performed in prior years. All recommendations related to cell phone charges were implemented and the university issued a new policy in January on cell phone usage. All corrective actions related to travel policy compliance were implemented, except for two “in process” actions related to implementing alternative travel payment methods and developing an audit approach/testing strategy for Research Corporation of the University of Hawai‘i-processed travel disbursements for university personnel.

Committee Chair McEnerney asked if grant travel and travel paid for by the UH Foundation was included. Internal Auditor Shizumura indicated that the $30 million in travel was included in the financial statements, and he was not sure of the funding source.

G. Follow-up Report on the Evaluation on the Status of Correction Action Related to the University of Hawai‘i at Mānoa Athletics Department Equipment and Apparel and Commuter Services Audit Reports

Internal Auditor Shizumura explained that the OIA performed follow-up work regarding the status of correction action related to the UHM Athletics Department Equipment and Apparel and Commuter Services audit reports that were performed in prior years. All items previously noted related to commuter services are being addressed. All items related to UHM Athletics Department equipment and apparel have been addressed, except for the maintenance of perpetual inventory records for
equipment/apparel and development and implementation of policies and procedures related to equipment/apparel. The athletics department is evaluating inventory management software and is developing policies and procedures that will require the equipment manager’s participation in key equipment/apparel-related activities.

Committee Chair McEnerney inquired on progress made to reduce the collections backlog for commuter services and the process for citations issued to non-students. Internal Auditor Shizumura explained that citations can be mailed to the residence address associated with the vehicle’s license plate. Unpaid citations are sent to a collection agency. For a one-year period, citations were not forwarded to collection agencies; citations receivables have increased since the forwarding of citations to collection agencies resumed.

Board Vice Chair Portnoy requested a more detailed response on management’s explanation that citations were not forwarded to collections because personnel were focused on more significant matters, including repair and maintenance concerns, and why this prevented commuter services from sending citations to collections for a period of time. Cate Matsushima, UHM Manager of Commuter and Fleet Services, explained that the entire parking staff, including student workers, left during that time, leaving few employees to prioritize work and maintain operations. She noted the difficulty in finding employees who want to work in commuter services. Before citations are sent to collections, someone must manually look up every single license plate and enter the data into the database, and there were not enough employees to manage that process. Commuter services is hiring employees, maintaining staffing, and getting caught up. Board Vice Chair Portnoy commended commuter services for their efforts.

Board Vice Chair Portnoy noted that parking was an essential function of the university and questioned whether there had been a review of the underlying issues resulting in the turnover in employment. Ms. Matsushima responded that employees are subjected to frustrations exhibited by commuters. Commuter services has taken proactive measures such as installing cameras in the parking office, and is in the process of moving to a location closer to the UH Department of Public Safety.

H. Whistleblower Report (Deferred from January 17, 2019)

Internal Auditor Shizumura reviewed the latest whistleblower report that includes complaints to date by campus/unit and status, and a summary of types of complaints. He noted that there were some outstanding cases for which OIA followed up with campuses and was informed that senior management is reviewing cases, gathering additional information for a thorough investigation, and working on resolution.

I. FY 2018 Whistleblower Hotline Annual Report (Deferred from January 17, 2019)

VP Gouveia presented the fiscal year 2018 Whistleblower Hotline Annual Report outlining the program; workflow and processing time; breakdown of reporting by month, campus, and type; and case processing time. The number of monthly complaints and reporting by campuses is similar to last year, with a reduction in cases for the
community colleges and a slight increase in cases for UHH and System. There have not been any significant increases or trends that are cause for concern. Employment and human resources issues continue to comprise the majority of complaints. Administration regularly reviews the complaints and will inform the committee and the board if any alarming complaints or trends are detected.

Board Vice Chair Portnoy asked if any consideration was given to hiring an Ombudsman, and President Lassner responded that there may be plans in Phase 2 of the UHM reorganization plan.

J. Whistleblower Reports Involving the President/Regent Policy 2.205, Policy on Whistleblowing and Retaliation (Deferred from January 17, 2019)

The committee discussed possible changes to Regents Policy (RP) 2.205 to include provisions for the handling of whistleblower complaints against the President.

Board Chair Putnam suggested that any references to the board or committee chair should include the ability to name another regent as a “designee.”

Regent Wilson departed at 12:05 p.m.

Board Vice Chair Portnoy suggested that instead of saying an investigation “may” be conducted, that it should be “must” or “shall” because all complaints should be investigated and using “may” could lead to the complaints being disregarded. VP Okinaga explained that a number of complaints are received that have no merit. President Lassner indicated that the term investigation has a specific meaning, and to assemble even a perfunctory investigation for cases without merit would not be appropriate, but administration would take the suggestion under advisement.

President Lassner clarified that the new language in RP 2.205 only applied to the president, and was revised to remove administration from being involved with complaints involving the president. Regent Westerman suggested the title be changed to make that distinction. VP Okinaga explained that the policy contains provisions that relate to a broader group.

Regent Bal departed at 12:11 p.m.

Board Vice Chair Portnoy expressed concern about any findings of violation being presented in executive session and that there are no provisions for next steps. He indicated that consideration should be given to whether the public is entitled to know if any finding is upheld. VP Okinaga explained that the language in the draft policy would allow for maximum flexibility to be exercised depending on the circumstances.

Regent Westerman departed at 12:12 p.m.

Regent Acoba suggested the Office of General Counsel (OGC) review the state whistleblower statute to determine if it contains any applicable information. VP Okinaga responded that there are discrimination laws regarding anti-retaliation of complaints and other matters and that OGC would review the whistleblower statute.
K. Committee Annual Review

The committee reviewed the Annual Review for the 2018-2019 Academic Year showing the committee duties per bylaws, and the 2018-2019 committee goals and objectives and accomplishments. Committee Chair McEnerney noted that this item is for information only and asked committee members to forward to the Board Secretary three items the committee did well, three items that were missed, and comments related to the Internal Auditor.

V. ADJOURNMENT

There being no further business, Regent Acoba moved to adjourn, seconded by Board Vice Chair Portnoy, and with unanimous approval, the meeting was adjourned at 12:15 p.m.

Respectfully Submitted,

Kendra Oishi
Executive Administrator and Secretary of the Board of Regents
Item V.A.

Committee Goals and Objectives

ITEM TO BE DISCUSSED AT MEETING
UNIVERSITY OF HAWAI‘I
Mānoa • Hilo • West O‘ahu • Community Colleges

OFFICE OF INTERNAL AUDIT

Audit Plan
For the Fiscal Year Ended June 30, 2020

For the Committee on Independent Audit of the Board of Regents
May 2019
Overview

The University of Hawai’i (University) Office of Internal Audit (Internal Audit) has developed this audit plan for the fiscal year ended June 30, 2020 (Audit Plan) as required by the Charter of the Office of Internal Audit of the University of Hawai’i (Charter). The primary purpose of the Audit Plan is to document Internal Audit’s role, objectives, and goals underlying its intent to make a contribution to the University’s continued success.

Pursuant to the Bylaws of the BOR (Article II, Section D, 2.) and Hawaii Revised Statutes §304A-321, the University’s Board of Regents (BOR) Committee on Independent Audit (Audit Committee) is responsible to review and approve the Audit Plan and significant changes to the Audit Plan. The Audit Committee is also responsible to evaluate the extent to which the Audit Plan addresses high risk areas.

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

Assurance Services

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

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

Consultation and Investigation Services

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

Internal Audit has also been consulted on generally accepted accounting principles and its application, accounting and operational process analyses and related internal control matters. Internal Audit also provides guidance and consults with auditees in connection with their implementation of Internal Audit recommendations. Throughout the year, Internal Audit seeks opportunities to become involved in planning committees, policy and guidance development, and other University strategic efforts in order to promote internal controls, quality processes, and the alignment of resources in the planning and implementation stages.
Audit Plan Development and Objectives

As in prior years, the Audit Plan was developed using a risk-based approach and considered Internal Audit’s available resources. Executive Policy (EP) 8.204, University Audits states that the University’s Vice President for Budget and Finance/Chief Financial Officer (CFO) shall serve as the President’s designee to work Internal Audit in the planning and coordination of internal audits. Accordingly and consistent with prior years, the Director of Internal Audit consulted and obtained feedback from the University’s President and CFO with respect to potential audit projects to be included in the fiscal 2020 Audit Plan. Criteria used in selecting audit projects included providing coverage of higher risk departments/units/functions and areas of concern to the BOR and University management. The following were also considered in preparing Internal Audit’s Audit Plan:

- Matters discussed at periodic Committee on Independent Audit (Audit Committee) meetings.
- Observations and findings contained in historical reports issued by Internal Audit. Certain University departments and/or functions may be reviewed as a result of:
  - audit issues identified in connection with fiscal 2019 audit projects that warrant further analysis
  - audit issues noted in departments and/or functions with similar operations and/or
  - unremediating audit findings.
- Review of the various Internal Control and Business Issues Reports issued by the University’s external auditors.
- Meetings and discussions with Accuity LLP (Accuity) with respect to sensitive audit areas.
- Regulatory compliance.

Internal Audit designs audit procedures for projects listed in the Audit Plan to assess the following:

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

This Audit Plan is a living document, requiring continual monitoring and revision as conditions warrant. Flexibility is an inherently accepted part of the Audit Plan to accommodate management requests and other unanticipated priorities that arise throughout the year. Accordingly, an Audit Plan approved by the Audit Committee may be supplemented with additional projects due to the sensitivity, high risk and/or media exposure associated with the additional project. These additional projects may be the result of University President and Senior Management consultation with the BOR (including the Audit Committee). In addition, projects may be deferred as a result of a project’s initially identified risk being resolved and/or mitigated prior to the commencement of work. All revisions to the approved Audit Plan require Audit Committee concurrence. Additionally, a few audit projects that commenced in 2019 are carried over for completion in fiscal 2020. The carryover projects were expected and in line with a normal audit process where audits commencing in the last few months of the fiscal year end are completed early in the following year.

The ongoing support of the BOR, University Management, and other constituents in developing this Audit Plan and maximizing Internal Audit’s effectiveness is greatly appreciated.
Proposed Audit Engagements
July 1, 2019 to June 30, 2020

External Audits

Overview:
During April 2018, Accuity was re-engaged to provide external audit services to the University for the three year period ended June 30, 2020. The University has an option to extend the contract for an additional year. Accuity is scheduled to perform the following audits for the fiscal year ended June 30, 2019:

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

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

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

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

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

Federal regulations require that organizations (state/local governments and non-profits) expending federal awards in excess of $750,000 are subject to the Single Audit requirements of OMB Uniform Guidance. The University’s Schedule of Expenditures of Federal Awards for the year ended June 30, 2018 noted approximately $512 million in federal expenditures.

A Single Audit requires an examination by an independent certified public accountant of the financial records, financial statements, federal award transactions and expenditures, and internal control systems of the auditee. The Single Audit consists of financial statement and compliance audit components. The Single Audit reports are required to be submitted to the federal government within 9 months after the organization’s year-end (March 31 for the University).

The University is responsible for preparing the Management Discussion and Analysis, consolidated financial statements and related notes, supplementary information accompanying the consolidated financial statements, and the Schedule of Expenditures of Federal Awards (SEFA) and related notes.
The University’s independent auditor, Accuity, is required to audit the University’s consolidated financial statements and SEFA in accordance with Government Auditing Standards (Yellow Book) and the federal audit requirements of OMB Uniform Guidance.

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<th>Type:</th>
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<tr>
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<td>July 1, 2018 – June 30, 2019</td>
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<tr>
<td>Est. time of performance:</td>
<td>September 2019 – December 2019</td>
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2. **Intercollegiate Athletics – University of Hawai‘i at Mānoa**

University of Hawai‘i at Mānoa (UHM) Athletics is subject to an annual agreed-upon procedures review pursuant to NCAA requirements. The NCAA manual requires that Division I institutions submit financial data detailing operating revenues, expenses and capital expenditures related to its intercollegiate athletics program on an annual basis. The financial data shall be subject to annual agreed-upon verification procedures conducted by a qualified independent accountant who is not a staff member of the institution and who is selected by the institution’s chancellor or president or by an institutional administrator from outside the athletics department designated by the chancellor or president.

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<th>Type:</th>
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<td>Est. time of performance:</td>
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Audit Committee Assistance

1. Whistleblower Hotline

The University whistleblower hotline and associated website was launched on June 15, 2016. The hotline/website is accessible globally 24 hours/day, 365 days/year and is available to University employees and the general public for the reporting of violations of law, rules or regulations in a confidential and anonymous manner.

Internal Audit and the Office of Risk Management have administrative roles with respect to the hotline and consult with campus personnel overseeing the investigation of claims received through the hotline. The Director of Internal Audit prepares and presents whistleblower reports at Audit Committee meetings.

2. Audit Committee Reports

Internal Audit will continue to assist the Audit Committee prepare the following reports required by Hawai‘i Revised Statutes §304A- 321:

a. Annual report to the BOR and the Hawai‘i State Legislature (Legislature), no later than twenty days prior to the convening of each regular session of the Legislature on matters that include the following:
   • All instances of material weakness in internal control, including the responses of University management (to these instances); and
   • All instances of fraud, including the responses of University management (to these instances).

Historical reports submitted to the Legislature included documents prepared by Accuity noting that Accuity did not identify any matters that they considered to be material weaknesses in internal control over financial reporting and that they noted no instances of fraud or illegal acts.

b. Annual report to the BOR to evaluate the effectiveness of the Audit Committee.

Internal Audits

3. Government Accounting Standards Board Statement No. 87

In June 2017, the Government Accounting Standards Board (GASB) issued Statement No. 87 (GASB 87), *Leases*. GASB 87 will replace the current operating and capital lease categories with a single model for lease accounting based on the concept that leases are a means to finance the right to use an asset. Under the new rules, a lessee will recognize a lease liability and an intangible asset while the lessor will recognize a lease receivable and a deferred inflow of resources.

Certain contracts do not qualify for lease accounting under this standard. These contracts include contracts for intangible assets, biological assets, inventory, service concession arrangements, supply contracts and leases with a maximum possible term of 12 months or less. The University’s lease footnotes (Notes 10 and 12) included in the University’s Consolidated Financial Statements for the years ended June 30, 2018 and 2017 disclose the following:
The standard is applicable for periods beginning after December 15, 2019 (fiscal year end June 30, 2021 for the University). Although a few years down the road, Internal Audit will assist the University assess the new standard and develop processes and procedures to determine the magnitude and effect of implementing GASB 87.

Internal Audit’s assistance may include but not be limited to the following:

- Create an inventory of potential contracts to evaluate
- Determine which contracts meet the definition of a lease
- Review lease contracts for multiple components, such as multiple asset components and service components
- Identify contracts that can be excluded based on an exception or materiality
- Gather key data from contracts in order to determine the lease term and calculate lease liability/asset or receivable/deferred inflow
- Gather data required for footnote disclosures

<table>
<thead>
<tr>
<th>Year ending June 30,</th>
<th>Equipment leases</th>
<th>Real property</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
</tr>
<tr>
<td>2019</td>
<td>$ 2,103</td>
<td>$ 602</td>
</tr>
<tr>
<td>2020</td>
<td>1,437</td>
<td>724</td>
</tr>
<tr>
<td>2021</td>
<td>1,539</td>
<td>688</td>
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<tr>
<td>2022</td>
<td>1,565</td>
<td>649</td>
</tr>
<tr>
<td>2023</td>
<td>1,709</td>
<td>609</td>
</tr>
<tr>
<td>2024 – 2028</td>
<td>10,899</td>
<td>2,317</td>
</tr>
<tr>
<td>2029 – 2032</td>
<td>11,279</td>
<td>727</td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$30,531</td>
<td>$6,316</td>
</tr>
</tbody>
</table>

4. The Vietnam Executive MBA Program

The Vietnam Executive MBA program (VEMBA) is a two year graduate program operated by the Shidler College of Business (Shidler) and hosted at Vietnam universities. The VEMBA program began in 2001 in Hanoi and 2007 in Ho Chi Minh City (HCMC).

Instruction for the VEMBA program is conducted at the campuses of the following Vietnam universities:

- International University - Vietnam National University located in HCMC and
- Thanh Tay University located in Hanoi

During Internal Audit’s “Review of the Cash Receipts Process” during fiscal years 2018 and 2019, Internal Audit identified certain opportunities for internal control and process improvements and noted that the VEMBA program incurred operating losses (unaudited) for the years ended June 30, 2017 and 2018 of approximately $200,000 and $478,000, respectively. Given the opportunities for internal control and process improvements, the objective of this audit is to further review the VEMBA program’s processes, procedures and internal controls and compliance with University policies.
5. **Revenue Bond Covenant Compliance**

In April 2014, Internal Audit issued an audit report evaluating the University’s process and policies to ensure compliance with revenue bond (Bond) covenants and federal income tax laws (arbitrage and private business use). Internal Audit determined that the University had not performed compliance procedures on an annual or consistent basis but rather on an as needed basis. Non-compliance with Bond covenants could constitute an Event of Default resulting in the Bonds outstanding principal and interest becoming due and payable immediately. Non-compliance with federal tax law could result in the loss of the Bonds’ tax-exempt status, federal tax penalties, bondholder lawsuits and reputational risk to the University.

University financial management personnel, having recognized this deficiency, engaged the BLX Group LLC (contract commenced date is January 1, 2014) to assist the University formalize and revise its revenue bond compliance process and policies.

The University’s Consolidated Financial Statements for the years ended June 30, 2018 and 2017 note an outstanding Bond balance of $525 million as of June 30, 2018. The University’s current Bond compliance policies are Administrative Procedure (AP) 8.560, *Post-Issuance Tax Compliance Procedures for Tax-Exempt and Build America Bonds* (dated October 2010) and EP 2.212, *Management of University Bond System* (dated October 2014). The objective of this audit is to evaluate revisions to the University’s Bond covenant and federal income tax law compliance process and policies and determine if the University’s current process is consistent with policy and sufficient to mitigate the risk of non-compliance.

6. **Faculty Housing**

Internal Audit issued a follow-up audit report dated February 2013 in connection with a December 2010 evaluation of the UHM Auxiliary Enterprises Faculty Housing Department (UHM Faculty Housing) operations. In connection with the follow-up review, it was determined that UHM Faculty Housing had revised policies to address Internal Audit issues identified in the December 2010 audit. The significant issues consisted of the following:

- Tenant occupancy period – as of February 2013, it was determined that 181 applicants were on the faculty housing waitlist with approximately 47% of the tenants residing in faculty housing in excess of five years with two tenants living in faculty housing at least 18 years. The revised policy limits the occupancy period to one (1) year with tenured or tenure tracked faculty having the ability to renew their lease annually up to a maximum of three (3) years.
- Rental rates – charged rental rates were historically lower than the US Department of Housing and Urban Development (HUD) published fair market rental rates for the Honolulu area. According to Internal Revenue Code Section (IRC) 119, if fair market rent exceeds the rent
charged to faculty, the difference should be reported as gross income to the faculty/tenant. The revised policy references compliance with IRC 119 and notes that appraisals will be performed every three years. In addition, the revised policy allows 3% annual increases in rental rates with increases in excess of 3% requiring approval by the President or authorized designee.

The primary objective of this audit is to evaluate compliance with University policies. EP 9.230, University Housing Assistance Program requires UHM Faculty Housing to be a self-sustaining operation. Accordingly, Internal Audit will also review historical financial results.

<table>
<thead>
<tr>
<th>Type:</th>
<th>Compliance, Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period under audit:</td>
<td>July 1, 2018 – June 30, 2019</td>
</tr>
<tr>
<td>Est. time of performance:</td>
<td>November 2019 – February 2020</td>
</tr>
</tbody>
</table>

**Legislative resolutions**

As of April 15, 2019, the Senate Committee on Ways and Means of the Thirtieth Legislature of the State of Hawai‘i, Regular Session of 2019 have passed Senate Resolution (SR) 120 and Senate Resolution (SR) 31 that are described below. Internal Audit will include SR 120 and SR 31 as audit projects for the fiscal year ended June 30, 2020 if deemed appropriate by the Audit Committee.

7. **University of Hawai‘i West O‘ahu – Extramurally Funded Programs**

SR 120 is titled, “Requesting the University of Hawai‘i Office of Internal Audit to Conduct an Audit of Various Programs at the University of Hawai‘i West O‘ahu that Receive Extramural Funding, including Title III Grant Funding”. SR120 requests that the audit include the following programs:

- ‘A‘ili‘i Scholars Program
- ‘Ike Ola
- Mobile High-Touch, High Tech Learning Environment Program
- Kūkulu mau ke Kahua
- PIKO project
- University of Hawai‘i West O‘ahu Pueo Scholars
- University of Hawai‘i at Hilo and Hawai‘i Community College cooperative arrangement development grant
- Ho‘okahua

SR120 cites discrepancies in information provided by the University of Hawai‘i West O‘ahu on various programs, from initial to follow-up documentation, as well as inconsistencies in the reporting of extramural funds as the reason for this audit.

SR120 requires the audit to include a review of the Title III grant funding received by the above noted programs in addition to the travel completion reports associated with these programs. Tentative audit procedures include the following:

- Meet with appropriate State Legislative personnel to discuss audit objectives
- Meet with personnel managing UHWO’s Title III programs
- Review relevant Title III program documents
- Review relevant sections of the Uniform Guidance
• Perform compliance testing pursuant to the requirements (e.g., eligibility, use of federal funds, reporting requirements, etc.) documented in the program documents and Uniform Guidance
• Other testing as deemed appropriate

<table>
<thead>
<tr>
<th>Type:</th>
<th>Compliance, Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period under audit:</td>
<td>Initial expenditure of federal funds for the above noted programs through June 30, 2019</td>
</tr>
<tr>
<td>Est. time of performance:</td>
<td>July 2019 – December 2019</td>
</tr>
</tbody>
</table>

8. **State Auditor evaluation of Internal Audit’s 2017 Travel Audit**

SR 31 is titled, “Requesting the Auditor to evaluate the 2017 University of Hawai‘i Internal Audit of Travel Policy Compliance for fiscal years 2015-2017”. SR 31 requires the State Auditor to report on the following:
- Whether the internal audit was conducted in accordance with best practice,
- Whether the approved travel met the University of Hawai‘i Systemwide Policies and Procedures relating to travel,
- Whether additional investigation was warranted to obtain a full and fair evaluation of the level of noncompliance and the impact on University of Hawai‘i operations and finances, and
- Whether the corrective action suggested in the internal audit was sufficient to curb any current and future non-compliance.

State Auditor written testimony dated April 1, 2019 indicated “no position” with respect to SR 31 and stated that the State Auditor’s current workload and limited resources would limit its ability to perform this project. If the State Auditor proceeds with this project, Internal Audit may need to perform the following:
- Organize and provide access to Internal Audit workpapers
- Provide photocopies of requested working papers
- Respond to State Auditor questions

<table>
<thead>
<tr>
<th>Type:</th>
<th>Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period under audit:</td>
<td>TBD by State Auditor</td>
</tr>
<tr>
<td>Est. time of performance:</td>
<td>TBD by State Auditor</td>
</tr>
</tbody>
</table>

**Recurring:**

Internal Audit provides audit services to University units to reduce their burden of incurring audit fees for services provided by external auditors.

9. **Associated Students of the University of Hawai‘i at Mānoa**

The Constitution of Associated Students of the University of Hawai‘i at Mānoa (ASUH) requires that an annual audit be performed of ASUH’s financial statements. Senate Resolution 07-10 stipulates that the audit be performed no more than once every ten years by an external certified public accounting firm. Accuity audited ASUH’s financial statements for the year ended June 30, 2008.
The type or scope of audit is not defined in the ASUH Constitution or Senate Resolution. During fiscal year 2015, an ASUH resolution 07-16 was issued requiring an external audit for fiscal year 2020, internal fiscal reviews for fiscal years 2017 and 2023, and operational audits for fiscal years 2016, 2018, 2019, 2021, 2022, 2024 and 2025.

Senate Resolution 07-16 specifies that the fiscal year 2019 operational review will consist of a review of scholarships, general legislation and Registered Independent Organization (RIO) funding. Internal Audit will also perform follow-up procedures to evaluate the status of corrective action on audit findings reported in the prior year.

<table>
<thead>
<tr>
<th>Type:</th>
<th>Attestation</th>
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</thead>
<tbody>
<tr>
<td>Period:</td>
<td>July 1, 2018 – June 30, 2019</td>
</tr>
<tr>
<td>Est. time of performance:</td>
<td>November 2019 – February 2020</td>
</tr>
</tbody>
</table>

Follow-up:

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

10. Corrective Action – Auditee Status

Internal Audit performs follow-up reviews to evaluate the status of corrective action on audit findings reported in prior year audit reports. An assessment of the implementation of corrective action for historical Internal Audit projects will be performed during fiscal 2020. The report will document Internal Audit’s prior year recommendations and the procedures performed to assess corrective action implementation. Follow-up reviews in connection with fiscal 2019 audits are anticipated to include the following:

- Sodexo Food Service Contracts
- Student Fees for Professional Programs
- Student Accounts Receivable
- Cash Receipts Process
- ASUH (see no. 9 above)

<table>
<thead>
<tr>
<th>Type:</th>
<th>Financial, Operational, Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period under audit:</td>
<td>Through December 31, 2019</td>
</tr>
<tr>
<td>Est. time of performance:</td>
<td>March 2020 – June 2020</td>
</tr>
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11. Maunakea- Corrective Action – Auditee Status

Internal Audit will perform a follow-up review to evaluate the status of Internal Audit’s recommendations reported in its September 2018 “Review of Maunakea” report presented to the Audit Committee on December 19, 2018. The review will evaluate the status of corrective actions including assessing the sufficiency of tour operator charges, improving documentation of transfers of amounts between cost centers and sharing Ranger Program costs with the various observatories on Maunakea.
12. UHM Student Housing- Corrective Action – Auditee Status

Internal Audit’s September 2018 Status of Corrective Action report for UHM Student Housing noted a number of corrective actions to address recommendations documented in Internal Audit’s July 2016 report still in-process. The in-process corrective actions included improving budget to actual financial comparisons, renegotiating and finalizing a new laundry services contract that expired in 2011, developing written standards and expectations for in-house custodial maintenance service staff, and developing a comprehensive deferred maintenance plan to identify, prioritize and manage deferred and preventative maintenance projects. Thus, Internal Audit will perform an additional follow up review to determine whether corrective actions have been implemented.

Type: Financial, Operational, Compliance
Period under audit: Through December 31, 2019
Est. time of performance: March 2020 – June 2020

13. UHH Student Housing- Corrective Action – Auditee Status

Internal Audit’s September 2018 Status of Corrective Action report for UHH Student Housing noted a number of corrective actions to address recommendations documented in Internal Audit’s December 2016 report were still in-process. The in-process corrective actions include improving ventilation in Hale ‘Alahonua to increase occupancy, obtaining capital asset information from FMO to improve financial reporting, and reviewing the features and functionality of the StarRez subsidiary system for adequacy. Thus, Internal Audit will perform an additional follow up review to determine whether corrective actions have been implemented.

Type: Financial, Operational, Compliance
Period under audit: Through December 31, 2019
Est. time of performance: January 2020 – March 2020

Carryover:

14. Suspense and Clearing Accounts

In connection with fiscal 2018 audit projects, Internal Audit noted various transactions posted to Kuali Financial System (KFS) accounts identified as either a suspense or clearing account. These accounts were used to record transactions in which there was uncertainty regarding the proper KFS accounting classification of the transaction. It is the responsibility of accounting personnel to investigate and clarify the purpose of the transactions recorded to the suspense accounts and reclassify the transaction to the appropriate general ledger account to ensure accurate financial reporting.

As of June 30, 2018, KFS had 961 accounts designated as an account type “Clearing” or “CL”. Of those, approximately 200 were active (i.e., financial transactions were recorded to the account) on average during fiscal years 2018, 2017 and 2016. As of June 30, 2018, the net balance within University
suspense/clearing accounts was approximately $81,000. Internal Audit is also aware of other University accounts not designated as a CL, but which are used for a similar purpose. One example is the Banner Clearing Account, which carried a balance in excess of $8 million as of June 30, 2018.

In connection with preliminary audit procedures performed during fiscal 2019, FMO personnel informed Internal Audit that the above noted CL or clearing accounts are known as “Continuation accounts” and are primarily utilized to record transactions for closed KFS accounts, which then must be reclassified into new KFS accounts or require the closed accounts to be reopened. According to FMO personnel, transactions recorded into Continuation accounts are posted to the University’s general ledger and are properly recorded on the University’s Consolidated Financial Statements. AP 8.650, Continuation Accounts, provides University policies related to the use and monitoring of Continuation Accounts. Internal Audit will assess compliance with AP 8.650 and review the process of classifying the CL accounts for financial statement reporting purposes.

| Type: Operational, Compliance, Financial |
| Period under audit: As of and for the year ended June 30, 2018 |

15. UHM Bookstore

The UHM Bookstore (Bookstore) sells books, electronics, clothing, supplies and other items both at its store and via an online portal. In addition, the Bookstore took over the operations of the H-Zone from UHM Athletics during June 2017. The H-Zone sells Rainbow Warrior and Rainbow Wahine apparel and merchandise.

The Bookstore is responsible for all accounting functions of all University bookstore locations within the University. In connection with Internal Audit’s “Review of the Cash Receipts Process” project, Internal Audit identified operational, compliance and financial risks related to the Bookstore’s inventory management, monitoring of financial results and overall compliance with University policy. Internal Audit previously evaluated the Bookstore as a result of a material weakness in internal control comment by Accuity LLP in connection with its fiscal year 2009 audits. In Internal Audit’s December 2010 report, recommendations were provided to mitigate risks related to inventory management, internal controls and financial oversight.

Thus, Internal Audit will review operational, compliance and financial aspects of the Bookstore, including but not limited to the following:
- Inventory management and related accounting and operational controls
- Monitoring of outstanding accounts receivable and credit memos
- Monitoring and management of financial results

In connection with preliminary audit procedures performed during fiscal 2019, Internal Audit noted the following:
- Approximately $1.1 million of unapplied credit memos and chargebacks (approximately $100,000 greater than 120 days outstanding) as of June 30, 2018
- Greater than $5,000,000 of inventory as of June 30, 2018
- Operating loss (operating expenses less operating revenues) of approximately $687,000 for the year ended June 30, 2018
- It was determined that UHM Conference & Event Services (CES) is a component of the Bookstore’s operations that incurred operating losses for the years ended June 30, 2018 and
2017 of approximately $67,000 and $21,000, respectively. CES provides support services for conferences, training sessions, workshops, symposiums, seminars, and meetings ranging from 20 - 1,000 participants. These services are provided to the UH community, state and county agencies, non-profit organizations, and local professional associations. The minimum administrative fee charged per event is $750.

Type: Operational, Compliance, Financial
Period under audit: July 1, 2017 – June 30, 2018

16. Evaluation of Corrective Action Status

As noted previously, Internal Audit performs follow-up reviews to evaluate the status of corrective action on audit findings reported in prior year audit reports. Follow-up reviews in process and that will be completed during fiscal 2020 include the following:
- Outreach College
- Capital Improvement Projects and Repairs and Maintenance
- Check Disbursements less than $2,500

Except for the Check Disbursements Less Than $2,500 project, audit fieldwork is substantially completed and preliminary draft reports have been prepared. Based on the work performed to date, Internal Audit noted the following:

Outreach College- The majority of corrective actions have not been implemented but are in process and expected to be completed in fiscal year 2020.

Capital Improvement Projects and Repairs and Maintenance- The majority of corrective actions have been implemented. Any corrective actions not yet completed are in process.

Check Disbursements Less Than $2,500- Preliminary meetings conducted with responsible personnel. The majority of corrective actions have not been implemented but are in process and expected to be completed in fiscal year 2020. Accordingly, the evaluation of corrective action status was deferred until fiscal year 2020.

Type: Financial, Operational, Compliance
Period under audit: Through December 31, 2018
including payment of principal and interest on any obligations incurred. [am L 2011, c 124, §3]

Revision Note

Only the subsection amended is compiled in this Supplement.

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

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

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

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

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

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

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

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

B. AGRICULTURE

Note

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

[D.] INDEPENDENT AUDIT COMMITTEE

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

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

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

(c) The board of regents shall generally:

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

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

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

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

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

(1) Attendance at seminars and conferences;

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

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

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

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

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

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

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

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

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

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

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

(2) Reviewing significant related party transactions;

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Reviewing accounting controls annually;

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

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

(l) The independent audit committee shall review the University of Hawaii's antifraud programs and controls and aid in discovering and remediating incidences of fraud.
(m) Notwithstanding part V of chapter 378, the independent audit committee shall review:
   (1) Procedures for the receipt, retention, and treatment of complaints received by the University of Hawaii regarding accounting, internal accounting controls, auditing matters, or suspected fraud that may be submitted by any party internal or external to the university; and
   (2) As the independent audit committee deems necessary, complaints that may have been received, the current status of such complaints, and the resolution of such complaints, if any resolution has been reached; provided that any person who makes a complaint covered by this section shall be accorded the same protections as under part V of chapter 378.

(n) With regard to internal control and any internal audit, the independent audit committee shall also:
   (1) Review with any external auditor, the chief financial officer of the university, and the comptroller the audit scope and plan of the internal auditors;
   (2) Address the coordination of audit efforts to ensure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources; and
   (3) Discuss with the chief financial officer of the university and the external auditor opportunities for reliance by the external auditor on the audit activities of any internal audit.

(o) For internal audits, the independent audit committee shall review the following with the president of the University of Hawaii and the chief financial officer of the university:
   (1) Significant findings of internal audits conducted during the university’s previous and current fiscal year and the president’s responses;
   (2) Whether internal auditors have encountered difficulties in discharging their responsibilities in the course of their audits, such as any restrictions on the scope of their work or access to required information;
   (3) Any changes required in the scope of internal audits;
   (4) The budget and staffing of internal audit operations;
   (5) An audit plan to govern internal audits; and
   (6) The compliance of internal audits with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing.

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

(q) The independent audit committee shall annually evaluate the performance of any internal audit, including:
   (1) The adequacy of the audit plan;
   (2) The management of the execution of the audit plan;
   (3) The adequacy of human and other resources available to execute the audit plan;
   (4) The ability of any external auditor to rely upon the internal audit work product in the annual audit performed by an external auditor retained pursuant to subsection (r); and
   (5) The nature of the findings or results of any internal audits.

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

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

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

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

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

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

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

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

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

Note

Report to legislature (no later than 2016 session) regarding the university’s procurement of construction contracts and construction-related consultant services. [L 2013, c 87, §6.]
August 18, 2019

TO: Michael McEnerney
Audit Committee

FROM: Glenn Shizumura
Director, Office of Internal Audit

SUBJECT: Title III Grants – Senate Resolution 120

I. Background

The University of Hawai‘i (University) Office of Internal Audit (Internal Audit) presented the fiscal year ended June 30, 2020 Audit Plan to the University’s Board of Regents (BOR) Committee on Independent Audit (Audit Committee) on May 2, 2019. An audit project included in the Audit Plan requested Audit Committee guidance related to Senate Resolution (SR) 120 adopted by the Senate Committee on Ways and Means of the Thirtieth Legislature of the State of Hawai‘i, Regular Session of 2019.

SR 120 is titled, “Requesting the University of Hawai‘i Office of Internal Audit to Conduct an Audit of Various Programs at the University of Hawai‘i West O‘ahu that Receive Extramural Funding, including Title III Grant Funding”. SR120 requires the audit to include a review of the grant funding received by the below noted programs in addition to the travel completion reports associated with these programs.

- ‘A’ali‘i Scholars Program
- ‘Ike Ola
- Mobile High-Touch, High Tech Learning Environment Program
- Kūkulu ma ke Kahua
- PIKO project
- University of Hawai‘i at West O‘ahu (UHWO) Pueo Scholars
- University of Hawai‘i at Hilo and Hawai‘i Community College cooperative arrangement development grant
- Ho‘okahua

SR120 cites discrepancies in information provided by the UHWO on various programs, from initial to follow-up documentation, as well as inconsistencies in the reporting of extramural funds as the reason for this audit.

For reference purposes, the University’s 10 campuses will be abbreviated as follows: University of Hawai‘i at Mānoa (UHM), University of Hawai‘i at Hilo (UHH), University of Hawai‘i at West O‘ahu (UHWO), University of Hawai‘i at Maui College (UHMC), Kapi‘olani Community College (KCC), Leeward Community College (LCC), Honolulu Community College (HCC), Windward Community College (WCC), Hawai‘i Community College (HaCC) and Kaua‘i Community College (KauaiCC).
II. Purpose
Internal Audit requested guidance from the Audit Committee regarding whether or not to proceed with the audit described by SR 120. Pursuant to discussion with the Chair of the Audit Committee, it was determined that additional information with respect to the University’s Title III Grants would be gathered by Internal Audit to assist the Audit Committee in determining the scope and timing of an audit, if any, with respect to Title III funding received by the University as a whole or extramural funding (including Title III) received by UHWO in particular.

Accordingly, the purpose of this memo is to provide the Audit Committee with an overview of the University’s Title III Grants in addition to extramural funding received by UHWO. This memo was based on information provided by the University’s Office of Research Services (ORS) and UHWO as well as information obtained through independent research performed by Internal Audit.

III. Title III Description
A. U.S. Department of Education (ED)

The following presents information derived from the ED website:
1. Purpose
The Title III program helps eligible Higher Education Institutions become self-sufficient and expand their capacity to serve low-income students by providing funds to improve and strengthen the academic quality, institutional management, and fiscal stability of eligible institutions.

Funds may be used for planning, faculty development, and establishing endowment funds. Administrative management, and the development and improvement of academic programs also are supported. Other projects include joint use of instructional facilities, construction and maintenance, and student service programs designed to improve academic success, including innovative, customized, instruction courses designed to help retain students and move the students rapidly into core courses and through program completion, which may include remedial education and English language instruction.

2. Examples of allowable activities
- Increasing student retention and progression through college-level courses by re-engineering student support services and supplemental instruction and providing enhanced faculty professional development;
- Building a student tracking system that includes an early alert module and faculty reporting module to improve the institution’s information technology systems and ability to track students;
- Strengthening assessment and integrating academic advising, academic support and academic enrichment under a new center;
- Strengthening student information systems including the development of early warning systems with training for faculty and administrators in the new system;
- Faculty development, including workshops in high impact pedagogies, technology, and instructional methods for teaching under-prepared students; and
- Expanding access to high-demand STEM Programs through the conversion of high-demand courses, each with a Science, Technology, Engineering or Math emphasis to online and/or hybrid delivery.
B. University

The following Title III overview was derived from the University’s website:

1. Description
   Title III began in the 1960s, when discussion of equal educational opportunity for Limited English Proficient students was first made public. Legislation arising from this Civil Rights Movement era argued that in order to create equal educational opportunity, students should be treated differently based on their individual needs; this includes school districts taking affirmative action to ensure that the native language of minority students did not inhibit their participation in the educational system, and that failure to provide adequate resources to overcome language differences was considered a denial of equal education.

   The University of Hawai’i system uses Title III funding for Native Hawaiians in order to improve and strengthen its academic quality, institutional management, and fiscal stability.

   Examples of authorized activities include:
   - Purchase, rental, or lease of scientific or laboratory equipment for educational purposes, including instructional and research purposes;
   - Renovation and improvement in classroom, library, laboratory, and other instructional facilities;
   - Support of faculty exchanges, faculty development, and faculty fellowships to assist in attaining advanced degrees in the field of instruction of the faculty;
   - Curriculum development and academic instruction;
   - Purchase of library books, periodicals, and other educational materials;
   - Funds and administrative management, and acquisition of equipment for use in strengthening funds management;
   - Joint use of facilities, such as laboratories and libraries; and
   - Education or counseling services designed to improve the financial literacy and economic literacy of students or the students’ families.

2. Grant proposals
   Internal Audit reviewed a sample of University Title III grant proposals and related grant proposal abstracts. The following is a condensed summary of the stated goals and intended uses of Title III funds:
   - Renovate existing space to create a flexible learning studio and performance space that allows Hawaiian students to explore, express, and reinforce their Hawaiian identity through recording and performing arts;
   - Develop a new Academic Subject Certificate in Hawaiian Performing Arts;
   - Assess and enhance the existing Academic Subject Certificate in Hawaiian Music;
   - Improve student support services through professional development of current faculty, counselors, and staff, and hire new personnel to focus on academic pathways, access to financial aid, career exploration and professional development for Native Hawaiian students;
   - Develop and implement a culturally appropriate outreach and recruitment plan focused on increasing access and enrollment by Native Hawaiians;
   - Improve the quality of facilities that serve high numbers of Native Hawaiians resulting in improved learning environments that support more students and improve student engagement and satisfaction;
• Increase the number of STEM degrees and certificates awarded to Native Hawaiians;
• Increase success rates in STEM courses by improving access to high quality laboratory equipment;
• Improve multi-disciplinary research, programming and instruction that focus on Native Hawaiian art, healing, language revitalization and wellness, and
• Improve and increase classroom, laboratory and student services facilities that support culturally-relevant, critical, and engaging research and praxis on Native Hawaiian art, healing, language revitalization, and student support services.

3. Grant award notifications
Internal Audit reviewed a sample of University Title III grant award notifications approved by the ED. The respective award notifications approved the Title III awards in addition to noting the performance period of the award and authorized funding (budget). However, the award notifications did not include compliance with specific federal requirements other than the requirements to meet the Office of Management and Budget (OMB) Uniform Guidance audit requirements and submission of certain performance reports.

IV. SR 120 Program Description
The following table lists the programs identified by SR 120, responsible University campus and the source of funding:

<table>
<thead>
<tr>
<th>SR 120 listed program</th>
<th>Campus</th>
<th>Funding source</th>
<th>Total budget (000's)</th>
<th>Program period(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘A‘ali‘i Scholars Program</td>
<td>UHWO</td>
<td>Kamehameha Schools</td>
<td>$ 75</td>
<td>8/2018 – 7/2019</td>
</tr>
<tr>
<td>Mobile High-Touch, High Tech Learning</td>
<td>UHWO</td>
<td>ED</td>
<td>2,300</td>
<td>10/2008 – 9/2012</td>
</tr>
<tr>
<td>Environment Program</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kūkulu ma ke Kahua</td>
<td>UHWO</td>
<td>ED</td>
<td>2,000</td>
<td>10/2012 – 9/2014</td>
</tr>
<tr>
<td>PIKO project</td>
<td>UHWO</td>
<td>ED</td>
<td>10,000</td>
<td>10/2014 – 9/2019</td>
</tr>
<tr>
<td>Pueo Scholars</td>
<td>UHWO</td>
<td>ED</td>
<td>4,300</td>
<td>10/2014 – 9/2019</td>
</tr>
<tr>
<td>UHH and HaCC cooperative arrangement</td>
<td>UHH, HaCC</td>
<td>ED</td>
<td>4,000</td>
<td>10/2015 – 9/2020</td>
</tr>
<tr>
<td>Ho’okahua</td>
<td>UHH</td>
<td>ED</td>
<td>3,200</td>
<td>10/2012 – 9/2014</td>
</tr>
</tbody>
</table>

A condensed description of the programs listed in Table I is noted below. This information was derived from grant proposals, grant agreements and documents relevant to the respective program.

A. ‘A‘ali‘i Scholars Program
UHWO entered into a Memorandum of Agreement (MOA) with Kamehameha Schools (KS) for the ‘A‘ali‘i Scholars Program on October 16, 2018 with an effective date of August 1, 2018. The provided funds will be used to encourage students in grades 9-12 to participate in UHWO programs to provide college-readiness skills and promote college going.

B. ‘Ike Ola: Pathways to College Success
UHWO entered into two MOAs with KS for the ‘Ike Ola program. The first MOA dated September 1, 2016 (effective date of July 1, 2016) provided $249,654 to address the college-readiness and college-going rate of students from the Waianae region through high
school engagement student outreach and teacher professional development. The second MOA dated October 2, 2018 (effective date of September 1, 2018) provided $120,000 for the purpose of enhancing academic skills and increasing self-efficacy for graduating high school students from the Waianae region of Oahu.

C. Mobile High-Touch, High Tech Learning Environment Program
This program was to guide first-year students in the transition from high school to college to overcome students’ poor academic preparation and to improve students’ self-perceptions of college belongingness.

D. Kūkulu ma ke Kahua
The purpose of this program included the expansion of the Native Hawaiian library collection and development of additional Native Hawaiian courses.

E. PIKO
The purpose of the PIKO project is to establish the first-ever Native Hawaiian health, wellness, and wellbeing facility in the West Oahu region to increase Native Hawaiian student attainment and success in health sciences and allied health professions as well as build capacity for student engagement and retention. This project will also renovate space to make room for a Native Hawaiian cultural and performing arts and education amphitheater.

These new spaces will allow UHWO to emphasize health and wellness within UHWO’s academic programs, student services, and campus life. A nursing simulation lab will support a nursing program that addresses the ever-increasing workforce needs in Hawai‘i. The arts and education amphitheater will improve the quality of campus living, learning and gathering places in support of programs geared towards increasing student engagement, retention rates and academic achievement for Native Hawaiian students.

F. Pueo Scholars
This program is specifically designed to support successful outcomes for Native Hawaiians by providing students with the following:
• dual enrollment/early admit courses for high school students and pre-advising for transfer students,
• intensive summer-long transition programming for incoming freshmen,
• support services for all first year students (first-time freshmen and transfer students),
• and a pathway for incoming Education majors.

G. UHH and HaCC cooperative arrangement
The purpose of this program is to increase the success of Native Hawaiian students, faculty and staff through programs, services and leadership. A priority is increasing the number and proportion of high-need students who persist and graduate from college.

H. Ho'okahua
This program has the following three priorities:
1. Increasing postsecondary success – through learning opportunities, test-taking strategic training and faculty development
2. Enabling more data-based decision-making – disseminate and analyze assessment instruments that measure student engagement, persistence and satisfaction
3. Improving productivity – bring together staff to share resources, ideas and best practices
V. **Title III Expenditures**

The University has identified its Title III program (Title III Higher Education – Institutional Aid) as a major federal program for Uniform Guidance (Single Audit) purposes. The University’s audited Schedule of Expenditures of Federal Awards (SEFA) for the fiscal years ended June 30, 2018, 2017 and 2016 notes total University federal expenditures of $512.3 million, $519.4 million and $543.2 million, respectively. Of these total amounts, Title III expenditures amounted to $20 million, $13.6 million and $10.6 million respectively. The following Tables present the University’s Title III expenditures by program, campus and type.

Title III expenditures by program are as follows:

<table>
<thead>
<tr>
<th>Title III program</th>
<th>Campus</th>
<th>Dollars in 000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal year ended June 30, 2018</td>
<td>2017</td>
</tr>
<tr>
<td>PIKO Project</td>
<td>UHWO</td>
<td>3,119</td>
</tr>
<tr>
<td>Pueo Scholars</td>
<td>UHWO</td>
<td>1,389</td>
</tr>
<tr>
<td>Building and Bridging Hawaiian Futures</td>
<td>UHMC, UHWO</td>
<td>835</td>
</tr>
<tr>
<td>Hanaiaulu: Nurturing Student Parents and STEM</td>
<td>WCC</td>
<td>2,824</td>
</tr>
<tr>
<td>Kahua Hoonauao: Foundations of Knowledge Building</td>
<td>WCC</td>
<td>663</td>
</tr>
<tr>
<td>Mala Aoao Kailaulu: Growing a Garden of Speakers</td>
<td>WCC</td>
<td>253</td>
</tr>
<tr>
<td>Empowering Incarcerated and Highly at-risk Community Members to Grow Through Education</td>
<td>WCC</td>
<td>222</td>
</tr>
<tr>
<td>Kakoo Koolau - Strengthening Institutional and Student Engagement</td>
<td>WCC</td>
<td>-</td>
</tr>
<tr>
<td>Hulili - Grant between UHM and WCC to improve the success rates of NH students</td>
<td>UHM, WCC</td>
<td>-</td>
</tr>
<tr>
<td>Strengthening KCC’s Campus and Culture for Student Success</td>
<td>KCC</td>
<td>2,468</td>
</tr>
<tr>
<td>Phase II Kauhale Ke Kuleana, the Responsibility of the Whole Village</td>
<td>KCC</td>
<td>556</td>
</tr>
<tr>
<td>Lawelawe Pookela: Strengthening Institutional Capacity for Student Success</td>
<td>KCC, UHMC</td>
<td>879</td>
</tr>
<tr>
<td>Dual Enrollment Program, Creating a Successful First Year Experience, NH Leadership Program</td>
<td>UHMC</td>
<td>900</td>
</tr>
<tr>
<td>Enhancing Music and Hawaiian Performing Arts</td>
<td>UHMC</td>
<td>222</td>
</tr>
<tr>
<td>Increase NH Success</td>
<td>UHMC</td>
<td>-</td>
</tr>
<tr>
<td>Kekaulike: A Collaborative Grant Between UHM and UHMC</td>
<td>UHM, UHMC</td>
<td>582</td>
</tr>
<tr>
<td>Eia Manoa: Promoting NH Student Success by Building a Hawaiian Place of Learning</td>
<td>UHM</td>
<td>772</td>
</tr>
<tr>
<td>Strengthen Curricular and Co-curricular Capacity to Foster NH Student Success</td>
<td>UHM</td>
<td>465</td>
</tr>
<tr>
<td>Pa’a Ke Kahua: Strengthening Our Foundation</td>
<td>LCC</td>
<td>1,297</td>
</tr>
<tr>
<td>E 'Auamo Kakou: A Shared Commitment to Improving Student Outcomes</td>
<td>LCC</td>
<td>522</td>
</tr>
<tr>
<td>Re-Imagining Native Hawaiian (NH) Student Services</td>
<td>HCC</td>
<td>-</td>
</tr>
<tr>
<td>Renewing A Pathway to Student Success Through Culture Based Learning</td>
<td>HCC</td>
<td>458</td>
</tr>
<tr>
<td>Haleaulani</td>
<td>HaCC</td>
<td>-</td>
</tr>
<tr>
<td>Kulukuluua: 5-year Development Grant</td>
<td>HaCC</td>
<td>-</td>
</tr>
<tr>
<td>UHH and HaCC Cooperative Arrangement Development Grant</td>
<td>UHH, HaCC</td>
<td>686</td>
</tr>
<tr>
<td>Crossing Cultures</td>
<td>KauaiCC</td>
<td>856</td>
</tr>
<tr>
<td>Hanakahi Student Success Programs</td>
<td>UHH</td>
<td>-</td>
</tr>
<tr>
<td>Ho’okahua</td>
<td>UHH</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$19,968</strong></td>
</tr>
</tbody>
</table>
Expenditures by campus are as follows:

<table>
<thead>
<tr>
<th>Campus</th>
<th>Fiscal year ended June 30,</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>UHWO</td>
<td>$ 5,094</td>
<td>$ 2,587</td>
</tr>
<tr>
<td>WCC</td>
<td>3,962</td>
<td>1,563</td>
</tr>
<tr>
<td>KCC</td>
<td>3,357</td>
<td>1,922</td>
</tr>
<tr>
<td>UHMC</td>
<td>2,092</td>
<td>1,371</td>
</tr>
<tr>
<td>UHM</td>
<td>1,644</td>
<td>1,310</td>
</tr>
<tr>
<td>LCC</td>
<td>1,819</td>
<td>1,003</td>
</tr>
<tr>
<td>HCC</td>
<td>458</td>
<td>1,632</td>
</tr>
<tr>
<td>HaCC</td>
<td>120</td>
<td>744</td>
</tr>
<tr>
<td>Kauai CC</td>
<td>856</td>
<td>765</td>
</tr>
<tr>
<td>UHH</td>
<td>566</td>
<td>734</td>
</tr>
<tr>
<td>Total</td>
<td>$19,968</td>
<td>$13,631</td>
</tr>
</tbody>
</table>

The following presents Title III expenditures by type:

<table>
<thead>
<tr>
<th>Type of expenditure</th>
<th>Fiscal year ended June 30,</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Personnel</td>
<td>$ 9,435</td>
<td>$ 7,675</td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>331</td>
<td>584</td>
</tr>
<tr>
<td>Buildings</td>
<td>5,092</td>
<td>1,336</td>
</tr>
<tr>
<td>Other</td>
<td>3,082</td>
<td>2,256</td>
</tr>
<tr>
<td>Total</td>
<td>8,505</td>
<td>4,176</td>
</tr>
<tr>
<td>Supplies and materials</td>
<td>506</td>
<td>564</td>
</tr>
<tr>
<td>Travel</td>
<td>450</td>
<td>463</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>246</td>
<td>219</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>41</td>
<td>132</td>
</tr>
<tr>
<td>Utilities and communication</td>
<td>40</td>
<td>38</td>
</tr>
<tr>
<td>Other services</td>
<td>403</td>
<td>256</td>
</tr>
<tr>
<td>Other</td>
<td>342</td>
<td>108</td>
</tr>
<tr>
<td>Total</td>
<td>$19,968</td>
<td>$13,631</td>
</tr>
</tbody>
</table>

For the year ended June 30, 2019, total Title III expenditures approximated $19 million. Consistent with Table IV, personnel costs were the most significant fiscal 2019 expenditure at $10.3 million. Travel costs approximated $584,000 during this same period.

VI. Uniform Guidance (Single Audit)

As noted in Section V, the University has identified its Title III program (Title III Higher Education – Institutional Aid) as a major federal program for Single Audit purposes. Accordingly, the University’s external auditors (Accuity) examine the University’s Title III program for compliance with the Office of Management and Budget (OMB) Compliance Supplement. This examination includes but is not be limited to an examination of Title III expenditures detailed in Section V as well as an evaluation of internal controls over compliance with each of the University’s major
programs. The examination of expenditures includes testing compliance with laws, regulations and the provisions of grant agreements and contracts in addition to the 12 general compliance requirements (as deemed applicable), such as activities allowed or unallowed, allowable costs, eligibility, period of performance, procurement, etc.

A review of Accuity’s Single Audit reports for the years ended June 30, 2018, 2017 and 2016 noted no Title III related “Findings and Questioned Costs” for the years ended June 30, 2018 and 2017. For the year ended June 30, 2016, Accuity identified $28,000 of expenditures that were deemed unallowable pursuant to OMB cost principles.

The ED provided the University with a letter dated April 25, 2017 in response to Accuity’s June 30, 2016 “Findings and Questioned Costs” report. In connection with the Title III finding, the ED concluded that the expenditure of $28,000 was allowable and thus would not seek recovery of the expenditure.

VII. Summary
As described above, all 10 University campuses receive Title III grant funds. The purpose and authorized Title III activities are broad with allowable expenditures ranging from personnel costs (faculty development, counseling services, etc.) to capital asset acquisition (renovation and improvement of instructional facilities, purchase of laboratory equipment, etc.). As noted in Tables III and IV, the most significant expenditures relate to personnel and capital asset acquisition. In addition, UHWO is the campus with the highest aggregate expenditures ($9 million) while UHH and Kauai CC has the least ($2.3 million).

From an audit perspective, the Title III grants are subject to the Single Audit requirements and procedures performed annually by Accuity. For the three years ended June 30, 2018, Accuity identified an instance of non-compliance. However, the ED subsequently concluded that the expenditure in question was allowable and thus was in compliance with federal requirements. Given that the Title III programs identified in SR 120 are subject to the Single Audit requirements and procedures performed annually by Accuity, an Internal Audit project to test federal compliance would be a duplication of audit efforts. In addition, no non-compliance matters have been identified and upheld during the three years ended June 30, 2018.

As noted above, personnel and capital asset acquisition costs represent the most significant Title III expenditures with UHWO having the highest aggregate amount of Title III expenditures. Additional analysis for the three years ended June 30, 2018 notes that UHWO’s Title III personnel costs were $5.1 million and capital asset acquisitions were $3 million. Accordingly, if the Audit Committee determines that an Internal Audit project evaluating UHWO’s Title III grant funding is appropriate and necessary, a review and analysis of personnel and capital assets costs may be reasonable. This project could include reviewing, presenting and providing a detailed description of significant personnel (by position/job title) and capital asset (by type of asset) costs by Title III grant for the three years ended June 30, 2018. In addition, an analysis of the process and internal controls associated with personnel costs (due to its significance) could be included in this project.

Internal Audit will prepare an addendum to the fiscal year ended June 30, 2020 Audit Plan if the Audit Committee concludes that an audit with respect to Title III funding received by the University as a whole or extramural funding (including Title III) received by UHWO in particular is warranted. The Audit Plan addendum will document the scope and timing of the audit based on Audit Committee feedback in addition to describing the anticipated audit deliverable and impact, if any, on other audit projects included in the 2020 Audit Plan. This Audit Plan addendum would be subject to review and approval by the Audit Committee.
UNIVERSITY OF HAWAI‘I

CAPITAL IMPROVEMENT PROJECTS
AND REPAIRS AND MAINTENANCE

Status of Corrective Action

August 2019
To the University of Hawai‘i Board of Regents and University of Hawai‘i Vice President for Administration

This report evaluates the status of corrective actions with respect to improvement opportunities and risk mitigation recommendations documented in the Office of Internal Audit (Internal Audit) report titled the University of Hawai‘i Review of Capital Improvement Projects and Repairs and Maintenance (report dated February 2, 2018). As a result of the procedures performed in evaluating the status of corrective actions, Internal Audit determined that all corrective actions were implemented or were in different phases of implementation. The corrective actions pending implementation include:

- Finalizing policies and procedures that include additional information/guidance related to all types of change orders, including Owner-generated change orders
- Continuing additional oversight over the Key Shop to ensure work orders are completed, closed and reflected in the work order tracking system in a timely manner

Internal Audit was informed that these corrective actions will be implemented by the end of calendar year 2019.

Sincerely,

Glenn Shizumura
Director
I. BACKGROUND AND WORK PERFORMED

Historical evaluations and reviews of the University of Hawai‘i (University) Office of Project Delivery (OPD), Facilities Business Office (FBO) and Campus Operations and Facilities (COF) (prior to a reorganization, these three offices were known as the Office of Planning and Facilities / the Office of Capital Improvement) have identified various risks and opportunities for improvement with respect to the following processes:

1) procuring services in connection with the construction of new buildings and major renovations of existing buildings (collectively hereafter referred to as capital improvement projects or CIP),
2) construction management of CIP and
3) repairs and maintenance (R&M) of existing buildings.

In connection with Internal Audit’s December 2013 audit, it was noted that implementation of risk remediation efforts and improvement opportunities were generally not completed and were ongoing. Internal Audit issued a report dated February 2, 2018 for Capital Improvement Projects and Repairs and Maintenance (R&M) at the University noting that improvements had been made to mitigate a significant number of risks identified in the historical evaluations and reviews. Internal Audit also identified additional opportunities for improvement related to CIP procurement/management and R&M.

Both Internal Audit’s report and management’s response (dated March 2, 2018) were reviewed and accepted by the Audit Committee on March 8, 2018.

The purpose of this report is to evaluate the implementation status of corrective actions addressing the issues and risks identified in Internal Audit’s February 2, 2018 report. The report is organized as follows: 1) overview of the auditee, 2) a summary of observations and recommendations presented in Internal Audit’s February 2, 2018 report, 3) a condensed overview of management’s response, and 4) an evaluation of the implementation status of corrective action.

Commencing in February 2019 and throughout the course of the audit, Internal Audit met with and interviewed relevant personnel at the Office of the Vice President for Administration (OVPA), FBO, OPD and COF to assess the implementation status of corrective action. In addition, Internal Audit examined relevant documents including revised policies and procedures manuals, completed checklists, quarterly construction progress reports and other documents supporting corrective action implementation.

II. Procurement of CIP

Overview
FBO is responsible for the procurement and monitoring of all CIP contracts in excess of $250,000 and signed (executed) subsequent to July 1, 2016 (OPRPM is responsible for the procurement and monitoring of all other contracts, including CIP contracts less than $250,000, professional services, small purchases, etc.). Administrative Procedure (AP) 8.281, Construction and Professional Services in Support of Construction, was updated (approved May 2017) to document policies for the procurement of construction service providers. Conformance with AP 8.281 should ensure compliance with the State of Hawai‘i procurement code as established by Hawai‘i Revised Statute (HRS) §103D. AP 8.281 provides guidance and procedures in connection with the CIP procurement process including the process of evaluating construction service providers and awarding contracts. AP 8.281 also notes the required documentation and approvals associated with the CIP procurement process.
RECOMMENDATIONS

1. Adopt Electronic Signatures for Form 1

Prior Internal Audit Recommendation:
Adopt electronic signatures for the “Request for Procurement Services” form (Form 1) to obtain approvals more efficiently. Executive Policy (EP) 2.216 establishes University policy for the acceptability of electronic approvals/signatures.

Management Response (March 2018):
The University procured an electronic workflow system in 2017 that supports electronic signatures. The Office of Systems Integration will be leading this new project and will work with the respective FBO staff in 2019.

Status
Internal Audit noted that Form 1 is a form-fillable attachment to AP 8.281 and that FBO allows the form to be signed electronically and disseminated to stakeholders via e-mail. Internal Audit was informed that electronic signatures evidencing Form 1 approvals are encouraged but not required due to certain University offices not possessing the requisite software.

Conclusion
Corrective action implemented to the extent practical.

2. Establish Goals for Procurement Activities

Prior Internal Audit Recommendation:
Establish goals for the expected duration of each procurement activity for both Request for Proposals (RFPs) and Invitation for Bids (IFBs) (as well as for the CIP procurement process as a whole). One example of a procurement activity where opportunities for improvement exists is the duration from “bid due date to contract award”, which showed marginal improvement from fiscal year 2016 to 2017. Consistent and effective monitoring of actual to expected durations may identify areas for additional improvement.

Management Response (March 2018):
The FBO Director and Contracts Manager have identified key duration goals for each major procurement milestone from the initial request for procurement services to the Notice to Proceed. Deviations from goals are reviewed and discussed with the relevant Facilities Directors (the Director at each campus responsible for management of construction projects). The progress for each procurement milestone is documented in the “Procurement Status” report. This report is made available to key stakeholders (FBO, OPD and COF Directors (Facilities Directors) and Executive Management) to provide them with real-time status on all procurements. This recommendation has been completed and was implemented in February 2018.

Status
Internal Audit reviewed a sample of weekly Procurement Status Reports documenting the current status of each CIP procurement project, noting that duration goals have been established for each procurement activity for each type of procurement (RFP, IFB, etc.). Internal Audit was informed that the Procurement Status reports are reviewed by FBO personnel on a weekly basis to determine actions to be taken to ensure duration goals are met or procurement projects that have passed duration goals are moved forward to completion. Internal Audit noted a column for “Comments” on the report, but that for many of the procurement projects it was incomplete or the information provided was generic and/or outdated.
Conclusion
Corrective action implemented. However, Internal Audit recommends that FBO update the "Comments" column on the Procurement Status Report weekly to document the current status of procurement projects exceeding the established duration goals.

III. CIP Management

Overview
Management and oversight of all University CIP is the responsibility of OPD from initial design and planning to completion (i.e., the date the CIP can be used/occupied). The CIP management process is documented in the Construction Management Manual and Design Manual. E-Builder, a design and construction project management system using web based software, was implemented in October 2016. E-Builder allows authorized stakeholders to access real-time information. E-Builder archives project data and utilizes electronic workflow to track and manage CIP. Change order proposals and Requests for Information (RFI) are also managed and monitored in e-Builder. A CIP progress report is prepared quarterly and submitted for review by the Board of Regents Committee on Planning and Facilities at their periodic meetings.

RECOMMENDATIONS

1. Revise Policies and Procedures
Prior Internal Audit Recommendation and Management Response (March 2018):


Response: The OPD Director and the Construction Manager is working with their team on updating the Construction Management Manual with a planned completion date by June 2018. This manual will be continuously updated using industry best practices.

Status: Internal Audit reviewed the revised Construction Management Manual (dated April 2019), and noted an entire section regarding the processes and procedures related to using e-Builder to manage CIP, as well as numerous other references to e-Builder throughout the document.

Conclusion: Corrective action implemented.

b. Recommendation: Update policies and procedures to include guidance and requirements for the establishment of CIP contingencies.

Response: OPD’s current practice is to include contingencies for CIP projects and the OPD Director’s team will update the procedures to include guidance by June 2018.

Status: Internal Audit reviewed the revised Construction Management Manual (dated April 2019), and noted no guidance or requirements regarding the establishment of contingencies for CIP. However, Internal Audit did note the inclusion of an item on the “Project Management Checklist” (see additional information later in this section), which states “include contingencies (10% or funds available)”.

Conclusion: Corrective action implemented. Management should consider updating policies and procedures to include guidance and requirements for the establishment of CIP contingencies.
c. **Recommendation:** Update policies and procedures to address documenting and funding change orders resulting from University (owner) requests.

**Response:** Currently, the Owner-generated requests resulting in change orders are recorded in e-Builder. The procedures will be reviewed and published by June 2018.

**Status:** Internal Audit was informed that policies and procedures to address documenting and funding change orders resulting from University (owner) requests will include additional information/guidance related to all types of change orders, including Owner-generated change orders. The preparation of these policies and procedures are in process and will be included either in the Construction Management Manual or the University’s APs by calendar year end.

**Conclusion:** Corrective action in process.

d. **Recommendation:** Create a standard checklist of best practices to be performed during the pre-design phase (whether by the design contractor, external contractor, or University personnel), as well as guidelines for the form and content of information to be included in the Due Diligence Report or criteria package (i.e., a formalized architectural design program report). For each CIP, each item on the checklist should be completed, or documented as to why the particular activity was deemed unnecessary or cost prohibitive for the particular CIP. Additionally, consider establishing parameters in regards to the scope and/or complexity of CIPs for which the standard checklist must be used (i.e., CIP with budgets greater than $250,000). Ensuring a consistent approach to planning may reduce the number of unforeseen conditions that are often the source of CIP not completing on time and within contract amounts.

**Response:** The standard checklist in the Design Manual was completed in October 2017 and is continuously updated for best practices. All procedures are being reviewed and compared with past experiences and industry best practices and the next update is scheduled by December 2018.

**Status:** Internal Audit reviewed the Project Management Checklist (dated March 2019) and noted numerous procedures associated with the construction pre-design phase, including procedures related to land/site analysis (surveys, state historic preservation requirements, site constraints, utility requirements, etc.). Each item can either be marked with a check or “N/A”. A check evidences the performance of the procedure while a “N/A” (not applicable) requires an explanation. Internal Audit reviewed Project Management Checklists for 58 current CIPs and noted a number of planning-related items not checked as performed when all preceding and succeeding planning-related items were marked as performed. According to the Director of OPD, planning-related checklist procedures are not required to be completed sequentially and the items Internal Audit noted as being not checked as performed will be performed and evidenced with a check. Additionally, Internal Audit noted nine checklists with items marked as N/A with no explanation.

**Conclusion:** Corrective action implemented, but management should remind project managers that N/A items require an explanation. Management should also consider requiring an explanation or written status for instances where all but one or two items in a checklist section are marked as completed or N/A. Finally, management should consider the feasibility of requiring supervisory review of each checklist upon the completion of the planning/design phase or an alternative process to ensure that all required planning activities have been performed prior to moving forward with the construction phase.
c. **Recommendation:** By CIP, perform a retrospective analysis of the cost of change orders due to unforeseen conditions that might have been detected during planning if additional due diligence activities had been performed. Compare to the cost of the due diligence activities that were deemed to be cost prohibitive to create a database of information to be used to conduct cost-benefit analyses during the initial planning/scoping phases of future CIP.

**Response:** The cost-benefit analysis during the initial planning/scoping phases will be done if necessary. The design checklist standards will be updated based on lessons learned and anticipated for June 2018.

**Status:** In regards to performing a retrospective analysis of the cost of change orders due to unforeseen conditions that might have been detected during planning if additional due diligence activities had been performed, Internal Audit was informed that this analysis was not conducted as the costs were deemed to outweigh the benefits, as OPD personnel believe the Project Management Checklist and revised Construction Management Manual are sufficient to improve the project planning process. Furthermore, the Director of OPD informed Internal Audit that each proposed change order is evaluated for cost reasonableness (i.e., labor and material cost estimate is compared to cost estimations by third parties) prior to OPD authorizing the issuance of the change order.

**Conclusion:** Although a retrospective analysis was not performed, Internal Audit believes consistent use of the Project Management Checklist and revised Construction Management Manual should improve the project planning process.

f. **Recommendation:** Revise EP 10.103, *Responsibilities for Oversight & Management of Capital Improvement & Repair and Maintenance Projects*, to change the responsibility for CIP from the Office of Capital Improvements to OPD/FBO.

**Response:** No management response noted for this recommendation.

**Status:** Internal Audit noted that EP 10.103 was revised in August 2019 to change the responsibility for CIP from the Office of Capital Improvements to the Office of the Vice President for Administration.

**Conclusion:** Corrective action implemented.

2. **Improve Owner-Architect-Contractor (OAC) Meetings**

Prior **Internal Audit Recommendation:**
Include a standing agenda item at these meetings to review progress against the overall CIP schedule such that key stakeholders will be held more accountable for resolving issues before they impact the budget and/or schedule.

**Management Response (March 2018):**
The CIP schedule is addressed in every OAC meeting and will be documented in the minutes.

**Status**
Internal Audit reviewed a sample of OAC meeting minutes for a CIP and noted documentation that the four-week project schedule is discussed in addition to construction issues. Construction issues that will impact CIP cost and/or time schedule results in the contractor preparing a Change Order Proposal. The University's acceptance and approval of the work, cost and/or time schedule impact identified in the Change Order Proposal is evidenced by the preparation and signing of a Change Order by OPD.
management and the University’s Vice President of Administration. The overall CIP schedule and estimated cost at completion are then revised to reflect the approved Change Order.

Conclusion
Although not specifically identified in the OAC meeting minutes, OPD has a process to identify and evaluate construction issues that impact the CIP’s estimated cost at completion or time schedule. Corrective action implemented.

3. Improve Quarterly Construction Progress Report
Prior Internal Audit Recommendation:
Include total CIP costs incurred to date (design, construction and contingency) in the quarterly reports to increase transparency with the Board of Regents’ Planning and Facilities Committee. Also, include additional columns to identify and discuss CIP with significant changes to estimated costs at completion and/or completion dates. The discussion should include details as to the cause of unanticipated change orders and/or schedule extensions. Furthermore, management should consider incorporating additional information in the ‘Projects Pending Close-Out’ section of the report, including the status of each project and the specific items pending completion.

Management Response (March 2018):
Planning and design are funded separately from Construction. The requirements to report to the Board of Regents’ Planning and Facilities Committee consist of $1 million for Design and $5 million for Construction (both including contingencies) which is reported in the quarterly report. Any changes to estimated cost and completion dates are included in the report for current projects and projects pending close out. The OPD Director has assigned additional staff to assist with reporting and will work directly with the project managers and the other Facilities Directors.

Status
Internal Audit reviewed the March 31, 2019 quarterly report to the Board of Regents’ Planning and Facilities Committee and noted the following enhancements:

- The addition of a Cost to Complete column to document the expected costs to be incurred in order to complete the respective CIP project.
- Under the Change(s) from Last Quarterly Report column, documentation of any additional change orders or changes to expected completion dates have occurred since the last quarterly report.

Internal Audit noted the total costs incurred (design, construction and contingency) to date were not included in the revised reporting.

Conclusion
Corrective action implemented. Management should consider including all costs incurred to date in the quarterly reporting to increase transparency with the Board of Regents’ Planning and Facilities Committee.

4. Approval of Change Orders
Prior Internal Audit Recommendation:
Although it is an effective control to require the VPA’s approval of all change orders, allowing for electronic approval would improve the timeliness and efficiency of the approval process.
Management Response (March 2018):
Electronic approvals for change orders were implemented in e-Bu ilder on December 29, 2017. This recommendation has been completed.

Status
Internal Audit reviewed a November 2018 change order, noting electronic approvals by key University stakeholders, including the Director of OPD, the Procurement Officer and the Vice President of Administration.

Conclusion
Corrective action implemented.

IV. R&M Projects

Overview
The labor and associated costs incurred to restore (repair) a capital asset to its productive capacity or to prevent (maintenance) a decline in the capital asset’s productivity at the main campus of UHM is the responsibility of COF. The COF’s Shops and Work Coordination Center (WCC) is responsible for the initial review of R&M work orders. A database system, AiM, stores and tracks work orders from submission to completion. On a daily basis, the resulting work orders are electronically uploaded to the Lokahi system which categorizes and forwards the work order to the appropriate Shop. Lokahi complements AiM by allowing Shop Supervisors to easily search for work orders assigned to their respective Shop.

RECOMMENDATIONS

1. Prepare Written Policies and Procedures
Prior Internal Audit Recommendation:
Prepare written policies and procedures of the unwritten practices to review daily work logs to ensure continuity and consistency of operations.

Management Response (March 2018):
The COF Director has assembled a working group of section managers who meet on a weekly basis to update and consolidate the policies and procedures. This working group started meeting in January 2018 and meets weekly. We anticipate the procedures to be completed by June 2018.

Status
Internal Audit reviewed COF’s Standard Operating Procedure (SOP) for Work Orders (revised March 2018) and noted processes and procedures for COF employees to complete and provide daily work logs to supervisors for review and comparison to their listing of work orders per Lokahi.

Conclusion
Corrective action implemented.

2. Develop Standard Labor Hours
Prior Internal Audit Recommendation:
Track the average time for each Shop to complete work orders. Successive months should then be reviewed against past months for reasonableness, and to determine whether additional investigation is required. The eventual goal should be to develop standard labor hours for recurring types of work orders
at each Shop, which will assist Shop Supervisors to determine the level of performance of each Shop employee and improve the scheduling of work orders.

Management Response (March 2018):
The Lokahi system tracks the time of work orders and the Shop Supervisors manage the work performed, time required and addresses any unreasonable completion time. The management team is in the process of identifying standard labor hours for recurring types of work. The Director of COF anticipates this recommendation to be completed by December 2018.

Status
Internal Audit was informed that COF has developed standard labor hours for some recurring types of work orders for each Shop. Internal Audit reviewed the listing of standard labor hours provided and noted that standard labor hours for two to five recurring tasks were developed for each Shop (17 total), ranging from 30 minutes (servicing exhaust fans) to four to six hours (two personnel hanging a new door). Internal Audit was informed that COF plans to further evaluate these standard labor hours with each of the Shop Supervisors to determine if using the identified standard hours will benefit operations.

Conclusion
Corrective action implemented. Subsequent to re-evaluating the appropriateness of the standard labor hours, COF management should consider adding a procedure to the Work Order SOP requiring Shop supervisors to review work orders against the standard labor hours for any recurring tasks on a periodic basis.

3. Periodically Monitor AiM
Prior Internal Audit Recommendation:
Implement a monitoring control in which the Director of COF and Auxiliary & Facilities Services Manager (Shop Manager) perform a periodic (at least monthly) detailed review of open work orders within AiM to validate the accuracy of the database, as well as further mitigate the risk that open work orders are not completed in a timely manner. The review should include the aging of open work orders and the investigation of any aged greater than a pre-determined standard (at least 30 days). All work orders investigated should be tracked, resolved if possible, and documented as part of the review.

Management Response (March 2018):
The Director of COF, Managers and Shop Supervisors are monitoring the work order status to completion through the Lokahi system. This system provides a report of open, closed and new work orders for each month. In addition, the Trade Shop Supervisors review the work orders daily. All work orders greater than 30 days are reviewed with the Supervisors and Managers to identify any issues and resolutions. The Work Order Committee was established in July 2017 and meets twice a month to review all open work orders.

Status
COF generally conducts work order monitoring meetings on a weekly basis. Internal Audit observed a work order monitoring meeting, noting a robust discussion regarding how new work orders will be assigned and resolved, as well as a review of aging work orders requiring resolution. While there are no formal meeting minutes for these meetings, responsibilities are assigned to stakeholders within Lokahi and notes from the meeting are added to each respective work order reviewed, including action items.

Additionally, Internal Audit reviewed an April 2019 reconciliation between AiM and Lokahi performed by the Work Coordination Manager and noted, after reconciling items (primarily timing differences between the closing of work orders in Lokahi and AiM), a difference of six between the two systems.
Conclusion
Corrective action implemented. COF should continue to conduct work order monitoring meetings and reconcile AiM to Lokahi on a periodic basis to ensure the two systems are maintaining complete records of work orders.

4. Improve Key Shop Oversight
Prior Internal Audit Recommendation:
Implement a greater level of oversight over the Key Shop, requiring personnel to follow the same processes and procedures as other Shop personnel, including the submission of daily work logs to the Shop Manager for review and approval. This will ensure key-related work is monitored, reducing the risk that such activities are not completed in a timely and effective manner.

Management Response (March 2018):
The Key Shop has oversight from the Shop Supervisor (monitors weekly) and the Shop Manager (monitors monthly).

Status
Internal Audit inspected a sample of Key Shop daily work logs noting compliance with COF procedures. However, Internal Audit noted three instances in which the two Key Shop employees worked on the same work orders on identical days for the same number of hours. The Director of COF informed Internal Audit that the overlapping hours were valid and appropriate for two instances (i.e., one work order containing multiple repairs thus requiring both Key Shop personnel on site). However, it was determined that there were likely inefficiencies caused by the overlapping hours in the other instance.

Additionally, Internal Audit noted that the number of hours recorded to the work orders ranged between two and six hours, compared to the standard labor hours developed for the recurring Key Shop tasks of rekeying a lock (1.5 hours) and repairing a lock (3 hours). In February 2019 Internal Audit reviewed a trend analysis of open Key Shop work orders from April 2018 to February 2019 noting a decrease in the volume of open work orders during the first several months following Internal Audit’s issuance of the February 2, 2018 audit report. However, during the period from August 2018 (204 open work orders) to February 2019 (343 open work orders) the number of open Key Shop work orders had increased by approximately 68%. Internal Audit was informed that the changes were due to a lack of timeliness in closing out work orders that had already been completed in the AiM system. The Director of COF determined that the increase in open work orders results from Key Shop employees and Shop Supervisor not updating AiM for completed work orders that approximate between 20 and 30 percent of the Key Shop’s AiM open work orders at any given time.

Conclusion
Corrective action partially implemented. Although Key Shop personnel may be completing their daily work logs, it appears that completed work orders are not reflected accurately in AiM and thus it is unclear whether the number of outstanding Key Shop work orders has improved. Furthermore, Internal Audit believes there may be inefficiencies in the process for completing Key Shop work orders (i.e., two employees working on the same work order together, work orders requiring more than the standard labor hours to complete, etc.). Internal Audit was informed that the COF Shop Manager has commenced additional oversight over the Key Shop to ensure work orders are completed, closed and reflected in AiM in a timely manner.

5. Improving Scheduling
Prior Internal Audit Recommendation:
Customer service can be improved if the COF provides a work order performance date at least a day in advance of the work being performed to all customers with work orders requiring access to their
workspace or office. In instances when an external contractor is used, the WCC or the Shop Supervisor should ensure all schedules (i.e., University customer and external contractor) are coordinated.

**Management Response (March 2018):**
All work performed by an external contractor is coordinated by COF who will inform the customers. The general practice is to contact the affected customer at least one day prior to the planned performance date.

**Status**
Internal Audit was informed by the Director of COF that the Work Coordination Center organizes the completion of work orders and that customers are contacted at least one day prior to the planned work order performance date.

**Conclusion**
Corrective action implemented.

### 6. Improving E-mail Notifications

**Prior Internal Audit Recommendation:**
Review the COF e-mail notification template to determine if additional information would be valuable in providing customer service, such as including the date(s) that the work was performed and completed, a description of the work performed, etc.

**Management Response (March 2018):**
The COF Director and managers are reviewing the notification e-mail template to determine if additional information or improvements are needed. We anticipate completion by June 2018.

**Status**
Internal Audit reviewed the COF work order e-mail notification template and noted that it does not contain additional information such as the date(s) that the work was performed and completed, a description of the work, etc. Internal Audit was informed that COF management reviewed the e-mail notification template and determined that adding additional information would not provide significant benefits to customers. The Director of COF also noted that customer complaints or feedback have not been received related to the information in the e-mail template.

**Conclusion**
COF management completed their corrective action to review the e-mail template and determined that modifications were not necessary. Internal Audit was informed that e-mail template modifications will be considered if it is determined that modifications to the e-mail template will resolve legitimate customer complaints.

### 7. Training Employees

**Prior Internal Audit Recommendation:**
Train employees on all policies and procedures and add controls for the Shop Manager to monitor that all Shops are in compliance with inventory policies and procedures.

**Management Response (March 2018):**
Once the new policies and procedures are completed, training will be provided. We anticipate the training will begin by December 2018.

**Status**
Internal Audit was informed that the revised SOPs were distributed to all relevant COF personnel but no training was conducted.
Conclusion
Corrective action partially implemented. Internal Audit believes revising and disseminating the SOPs is a great starting point to educate employees. However, COF should enhance this education process by considering formal training on the revised SOPs for all relevant Campus Operations and Facilities personnel including new employees.
Regents Policy Chapter 2, Administration
Regents Policy RP 2.205, Policy on Whistleblowing and Retaliation
Effective Date: June 2, 2016
Prior Dates Amended: none
Review Date: August 2017

I. Purpose

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

II. Definitions:

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

III. Board of Regents Policy:

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

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

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

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

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

V. **Contact Information:**

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

VI. **References:**

A. http://www.hawaii.edu/offices/bor/.
B. Hawaii Revised Statutes Section 304A-321, as amended.

**Approved as to Form:**

Approved as to Form:

_____________________________  06/02/2016  
/Cynthia Quinn/  Date  
Executive Administrator and  
Secretary of the Board of Regents
Board of Regents Policy, RP 2.205
Policy on Whistleblowing and Retaliation

Regents Policy Chapter 2, Administration
Regents Policy RP 2.205, Policy on Whistleblowing and Retaliation
Effective Date: June 2, 2016 October xx, 2019
Prior Dates Amended: none October xx, 2019
Review Date: August 2017 2022

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

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

D. The general authority for implementing this policy is vested in the president or designee, with the following exceptions:

1. In connection with the responsibilities of the independent audit committee of the board for reviewing the university's antifraud programs and controls, and aiding in discovering and remedying incidences of financial fraud regarding the university, it is
expected that the independent audit committee through the university's internal auditor will review and monitor good faith reports of financial fraud.

2. All whistleblower hotline reports of violations of law, regulation, or policy made about specific conduct of the president shall be provided to the board executive administrator and secretary and the board chair. The board, through its chair and the appropriate subject matter committee chair, or their designees, shall determine appropriate action including any investigation and appropriate resolution of the matter. An investigation may be conducted by the chair and the appropriate subject matter committee chair, or their designees, the board executive administrator and secretary, and/or an outside investigator retained to pursue the investigation. If an investigation is conducted, the president shall be notified, and every reasonable effort shall be made to conduct the investigation in a confidential manner. Steps may be taken as interim measures, when situations warrant, to protect complainants during any investigation, and retaliation against any complainant for a good faith report of misconduct is strictly prohibited. Any findings of violation of law, regulation, or policy should be presented to the full board in executive session to determine appropriate action, if any.

IV. Delegation of Authority:

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

V. Contact Information:

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A. http://www.hawaii.edu/offices/bor/.
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Approved as to Form:

Approved as to Form:

________________________  ______________________
Cynthia Quinn Kendra Oishi  06/02/2016
Executive Administrator and  Date
Secretary of the Board of Regents
I. **Purpose**

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“Member” means any university faculty, staff, student, or administrator.

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

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

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

D. The general authority for implementing this policy is vested in the president or designee, with the following exceptions:

1. In connection with the responsibilities of the independent audit committee of the board for reviewing the university’s antifraud programs and controls, and aiding in discovering and remedying incidences of financial fraud regarding the university, it is expected that the independent audit committee through the university’s internal auditor will review and monitor good faith reports of financial fraud.
2. All whistleblower hotline reports of violations of law, regulation, or policy made about specific conduct of the president shall be provided to the board executive administrator and secretary and the board chair. The board, through its chair and the appropriate subject matter committee chair, or their designees, shall determine appropriate action including any investigation and appropriate resolution of the matter. An investigation may be conducted by the chair and the appropriate subject matter committee chair, or their designees, the board executive administrator and secretary, and/or an outside investigator retained to pursue the investigation. If an investigation is conducted, the president shall be notified, and every reasonable effort shall be made to conduct the investigation in a confidential manner. Steps may be taken as interim measures, when situations warrant, to protect complainants during any investigation, and retaliation against any complainant for a good faith report of misconduct is strictly prohibited. Any findings of violation of law, regulation, or policy should be presented to the full board in executive session to determine appropriate action, if any.

IV. Delegation of Authority:

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

V. Contact Information:

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

VI. References:

A. http://www.hawaii.edu/offices/bor/.
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Approved as to Form:

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________________________________  ___________
Kendra Oishi                    Date
Executive Administrator and Secretary of the Board of Regents