MINUTES OF THE REGENTS’ COMMITTEE
ON UNIVERSITY AUDITS

Friday, February 16, 2007

Bachman 113, University of Hawaii at Manoa
10:49 a.m.

Regents
Landon (presiding)
Haynes
Migita

David McClain, President
Howard Todo, Vice President for Budget and
Chief Financial Officer
Sam Callejo, Vice President for Administration
Russell Miyake, Director, Financial Management Office
Presley Pang, Interim Executive Administrator and
Secretary of the Board

Approval of Committee Meeting Minutes

Regent Migita moved to approve the minutes of the meetings of the Regents’ Committee on
University Audits held on November 9, 2005, and September 9, 2004. Regent Haynes seconded the
motion which was unanimously approved.

Status Report on Various Audits by Vice President for Budget and Finance/Chief Financial Officer,
University of Hawaii System

Vice President Todo reported on the status of the audits conducted by Accuity, LLP, formerly
known as PricewaterhouseCoopers:

1) Athletics Audit — completed and presented at the January 2007 Board meeting;
2) Bond System — will be completed and intend to be presented to the Board at the March
   meeting;
3) Consolidated Financial Statement — will be completed and intend to be presented to the
   Board at the March meeting;
4) A-133 audit — currently incomplete; deadline is March 31, 2007.

Vice President Todo said that it may be necessary to request an extension of the deadline for
the A-133 audit. The Financial Management Office (FMO) cannot meet that deadline due to insufficient
staffing. In 2001, 89 positions in that office were authorized. In 2007, 76 positions were authorized, a
15% decrease. However, only 64 of those positions are currently filled, a 28% decrease. In addition to
inadequate staffing, other factors affecting the timely completion of the A-133 audit are the inability to
fill vacant positions due to the tight job market; lower UH salaries than offered by private companies;
staff burnout; two recent bond issuances; a 5,000 enrollment increase within the last few years; and
new reporting and accounting requirements of the Government Accounting Standards Board (GASB) that the University must meet. Vice President Todo also mentioned that new software is being developed with Cornell, Arizona, Michigan, and the UC system, but since UH staff is not available to assist with the development, the final program will not be customized to UH’s needs.

Regent Landon said that the first step is to fill the 12 vacant positions. Vice President Todo indicated that the OHR hiring process is lengthy, but the University must follow the State process.

The Committee discussed the staffing shortage. Suggestions were to request funding from the Legislature; try a new approach to filling vacancies using a parallel process to the OHR hiring process; use a search committee similar to an executive search committee to recruit staff. Regent Haynes asked if the audit could be outsourced. Mr. Miyake responded that it was considered, but it was too difficult to train temporary staff.

Vice President Todo indicated that the basic problem is staff burnout. Mr. Miyake added that retention is an issue, since competent staff leave for much higher-paying positions in the private sector. The UH entry level salary is $30,000; a journeyman level with three years experience is $50,000.

Regent Landon stated that the Regents support the goals of being accountable for the handling of public funds, support full staffing, and encourage the Administration to resolve the staff vacancies. Good progress has been made on most of the audits, but staffing needs must be resolved. The Regents prefer not to outsource and fully support FMO.

Regent Haynes indicated that outsourcing may not be the preference but might have to be the reality. He asked if the Office had ever had an external review of its system. Vice President Todo said that Cory Kubota of Accuity would have comments about any problems.

Regent Landon said that they would wait for a letter at a subsequent Board of Regents’ meeting, then take action.

In anticipation that the A-133 audit would not be complete by March 31, 2007, several options were discussed.

At 11:30 a.m., upon motion and unanimous approval, the Committee met in executive session to discuss specific personnel issues in the office of the Internal Auditor.

Respectfully submitted,

[Signature]

Presley Pang, Esq.
Interim Executive Administrator
and Secretary of the Board