MINUTES
BOARD OF REGENTS’ COMMITTEE ON INDEPENDENT AUDIT MEETING
MAY 13, 2014

I. CALL TO ORDER

Committee Chair James Lee called the meeting to order at 9:02 a.m. on Tuesday, May
13, 2014, at University of Hawai‘i, 2444 Dole Street, Bachman 113, Honolulu, Hawai‘i
96822.

Committee members in attendance: Committee Chair James Lee; Committee Vice Chair
John Dean; Barry Mizuno; Randy Moore.

Committee members excused: Regents’ Vice Chair Saedene Ota

Others in attendance: Regents’ Chair John Holzman (ex officio committee member);
Regent Jan Sullivan (ex officio committee member); Vice President for Community Colleges,
John Morton; Vice President for Budget and Finance/Chief Financial Officer Howard Todo;
Kapi‘olani Community College Chancellor Leon Richards; Executive Administrator and
Secretary of the Board of Regents Cynthia Quinn; and others as noted.

II. APPROVAL OF THE MINUTES OF THE MARCH 5, 2014 MEETING

Upon motion to approve by Regent Mizuno and second by Vice Chair Dean, the March
5, 2014 meeting minutes were unanimously approved.

III. PUBLIC COMMENT PERIOD

No persons submitted written testimony or signed up to orally testify.

IV. AGENDA ITEMS

Review and acceptance of the University of Hawai‘i Internal Control and Business
Issues Report Year Ended June 30, 2013

External Auditor Cory Kubota, from Accuity LLP, presented an overview of the findings in
the University of Hawai‘i Internal Control and Business Issues Report Year Ended June 30,
2013. There were no significant deficiencies that were required to report in the A-133 report.
There were no specific items that stood out, but Accuity had comments and
recommendations regarding new systems, such as the Kuali Financial System (KFS) and
the Timesheet and Payment System (TAPS). Accuity commented about centralizing the
Student Financial Aid function across the system, which the university is addressing. The
University agreed on with the comments on the audit report, and followed up on the previous
year’s comments in its Corrective Action Response.
Upon motion by Vice Chair Dean and second by Regent Mizuno, the University of Hawai‘i Internal Control and Business Issues Report Year Ended June 30, 2013 was unanimously accepted.

Review and acceptance of the following Office of Internal Audit reports:

a. Revenue Bond Processes and Compliance

Director of the Office of Internal Audit Glenn Shizumura presented an overview of the revenue bond process and compliance. The report, which was added to the August 13, 2013 Internal Audit plan, reviewed and evaluated the University’s Bond management process and policies from the pre-issuance planning through the post-issuance compliance process. The report recommended that the bond process be documented in order so all University financial management personnel understand the process, and commented that the practice of repurposing bond proceeds are no longer authorized by statute.

Mr. Shizumura further reported that the administrative policy regarding the post-issuance process is complete, but the University is working with BLX Group LLC to formalize and revisit the post-issuance process and policies, and that the private-use analysis is being conducted, and questionnaires are due the beginning of May, after which BLX will start a review. The committee requested that the administration provide an update to the committee by the end of June, and to determine the best practice on deciding how to move forward with handling revenue bonds, since some of the funding cannot be repurposed to other areas without authorization from the legislature. Other alternatives should be explored with the university’s Bond Counsel, and that the university set a debt ceiling standard, based on comparatives to other universities. The Committee noted concerns expressed by the Legislature regarding more revenue bonds using tuition dollars for projects that are not revenue-producing. The committee requested that there be an annual report on bonding capacity at an AA rating.

Upon motion by Vice Chair Dean and second by Regent Moore, the Revenue Bond Processes and Compliance report was unanimously accepted.

b. Purchase Transactions ($2,500-$25,000) for the year ended June 30, 2013

Mr. Shizumura presented on the compliance report on P-Card purchase transactions within the $2,500 to $25,000 limit and found a need for training and a checklist to ensure compliance and that the university will be undergoing procurement training for fiscal administrators that will be on-going and may be online.

Upon motion by Regent Moore and second by Regent Mizuno, the Purchase Transactions ($2,500-$25,000) for the year ended June 30, 2013, report was unanimously accepted.

c. Preliminary Health Insurance Portability and Accountability Act of 1996 Determination
Mr. Shizumura presented on the compliance report regarding the Health Insurance Portability and Accountability Act of 1996 (HIPPA) and reported that the university adopt an overall system-wide HIPPA policy, based on research conducted on best practices used at other colleges and universities.

The committee discussed developing a hybrid entity for UH, with a compliance/privacy officer, along with Information Technology (IT) security staff, which would be overseen by the new Vice President for Administration.

Upon motion by Regent Mizuno and second by Regent Moore, the Preliminary Health Insurance Portability and Accountability Act of 1996 Determination report was unanimously accepted.

d. Kapi‘olani Community College Office for Continuing Education and Training

Mr. Shizumura presented on the report on the Kapi‘olani Community College (KCC) Office for Continuing Education and Training (OCET), and found that the business plan created by KCC for OCET to provide direction for the program should include milestones to measure and monitor the status of meeting the goals and objectives of the plan, and should with the chancellor to be more informed on the process of the business plan. Internal Audit review of the revenues and expenses of the program, in comparison to the overall operations of KCC, revealed un-reconciled balances due to lagging input processes, and need for improvements regarding contract courses including billing and collection in advance, review of employment status of the instructor as an independent contractor or employee of the university, and timely performance reviews and issuance of payroll-related documents.

The committee discussed the implementation of the new Destiny system, which is a specific system for non-credit courses while the university considers a Kuali-based system for curriculum management and human resources for the entire UH system.

The committee requested that a written response to the report from the administration be provided to the committee.

Upon motion by Vice Chair Dean and second by Regent Moore, the review and acceptance of the Kapi‘olani Community College Office for Continuing Education and Training was unanimously accepted.

Mr. Shizumura added that the reports presented at the meeting were a part of an overall summary of the audit projects, which are part of the Audit plan that was approved in July 2013, that are currently active within Internal Audit. Mr. Shizumura also provided the status of audit reports that will carry over to the next fiscal year; a list of reports that will, in the future, be presented to the board; and reports that were completed and accepted by the committee. A report of the Hawai‘i Community College student fees is being conducted by Internal Audit reported at the next committee meeting.

V. ADJOURNMENT
There being no further business, on the motion by Vice Chair Dean and seconded by Regent Moore, and with unanimous approval, the meeting was adjourned at 10:30 a.m.

Respectfully Submitted,

[Signature]

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents