MINUTES
BOARD OF REGENTS’ COMMITTEE ON INDEPENDENT AUDIT MEETING
AUGUST 7, 2014

I. CALL TO ORDER

Committee Chair Ben Kudo called the meeting to order at 11:45 a.m. on Thursday, August 7, 2014, at University of Hawai‘i at Mānoa, Information Technology Building, 1st Floor Conference Room 105A, 2420 Correa Road, Honolulu, Hawai‘i 96822.

Committee members in attendance: Committee Chair Ben Kudo; Committee Vice Chair Coralie Matayoshi; Regent Jeffrey Portnoy.

Others in attendance: Regents’ Chair Randy Moore (ex officio committee member); Regent Chuck Gee (ex officio committee member); Regent Lee Putnam (ex officio member); Vice President for Community Colleges, John Morton; Vice President for Budget and Finance/Chief Financial Officer Howard Todo; Executive Administrator and Secretary of the Board of Regents Cynthia Quinn; and others as noted.

Committee Chair Kudo indicated that they would start the meeting with the non-action items.

III. PUBLIC COMMENT PERIOD

Secretary Quinn announced written testimony was received from Bret Polopolus-Meredith and Sara Perry regarding their support for Chancellor Tom Apple’s work in relation to the Audit Plan for Fiscal Year 2015.

The following people provided oral testimony in support of Chancellor Apple and opposition to the process relating to his employment:

1. Michelle Tigchelaar, UH Mānoa graduate student and President of GSO.
2. Rebekah Carroll, a UH Mānoa graduate student and Vice President of GSO.
3. Nicholas Chagnon, a UH Mānoa graduate student.
4. Bret Polopolus-Meredith, a UH Mānoa graduate student.
5. Kendyl Ishiro, UH Mānoa undergraduate student and ASUH Senator.

Committee Chair Kudo thanked all the students for testifying and noted that the regents appreciate their presence and respected their ability to voice their opinions and lay witness to their concerns. He added that the regents heed the comments from the students and others during this process and look forward to moving forward and doing the right things for the benefit of the University.
IV. AGENDA ITEMS

Item 2. For discussion: Committee on Independent Audit Annual Report for Fiscal Year 2014

Director of the Office of Internal Audit Glenn Shizumura presented an overview of the Committee on Independent Audit Annual Report for Fiscal Year 2014, pursuant to Act 87, passed by the Legislature last year. He also noted that another report required by Act 87, regarding any material weaknesses, instances of fraud, or illegal acts, was submitted by Chair Holzman and Interim President Lassner in January of last year.

Director Shizumura said the report included sections on the Committee on Independent Audit (Audit Committee) Charter; the role, membership and actions taken at meetings of the Audit Committee, and reports by the Advisory Task Group, the external auditor Accuity LLP, and the Office of Internal Audit. He noted that the significant revisions and additions to the charter pursuant to Act 87 included:

- Membership shall consist of three to five members,
- Meet at least twice a year,
- Oversee a system-wide risk management process,
- Monitor the establishment of a whistleblower program,
- Submit an Annual Report to the Legislature documenting all instances of material weaknesses in internal control and all instances of fraud, and
- Prepare or oversee the preparation of an Annual Report.

The report also included an overview of the Office of Internal Audit, a summary of the work and services the office performed the past year, and additional duties the office took on as a result of Act 87.

Chair Moore noted that the report was very comprehensive and noted that one of the requirements of Act 87 was that the committee members undertake professional development. He suggested Accuity LLP provide some training for the committee and the full board at the board retreat. Director Shizumura agreed and added that some members provide their own continuing education as part of their current jobs, which would cover some of the requirements.

II. APPROVAL OF THE MINUTES OF THE MAY 13, 2014 MEETING

Upon motion to approve by Regent Matayoshi and second by Regent Portnoy, the May 13, 2014 meeting minutes were unanimously approved.

V. AGENDA ITEMS, CONT.

Item 1. Review and acceptance of the Audit Plan for Fiscal Year 2015

Director Shizumura outlined the audit plan for fiscal year 2015 that was provided to the committee. The plan included an overview of the type of work and services the office
performs, with a current plan for initial projects, and that the plan will be monitored and revised as warranted during the year.

Director Shizumura noted that the audit of the Hawai‘i Community College (HAC) – Student Fees was an issue that President Lassner had brought up last year, but it was his understanding the matter had been resolved. VP Morton explained that in May or June 2014, the HAC student government agreed to adopt community college fee rates, which dropped fees from $67 down to $30. The students indicated the balances in the fee accounts would be used to improve facilities for student activities at both campuses, particularly the new campus being developed in Palamanui, and enable them to furnish and provide furniture, equipment and other things. HAC is now basically under the same fee structure as the other community colleges. Because HAC is within the community college fee structure that was previously approved by the board, no action is required. President Lassner approved the reduced fee and it went into effect this fall semester. Director Shizumura said the plan will be amended to delete this item given that the matter has been rectified.

Director Shizumura also noted that regarding the audit on the Title IX/VAWA plan, it was his understanding that a plan has been put in place. Committee Chair Kudo indicated that the audit can be deferred after Director Shizumura confirms that the plan has been put in place and is already underway.

Committee Chair Kudo requested, and the committee members agreed, to have the Internal Audit office look at the following additional projects:

1. An internal audit of the financial situation of the Cancer Center, and possibly a separate management audit, that will be discussed at the next committee meeting. VP Morton noted that President Lassner appointed a committee to prepare a new business plan for the Cancer Center in light of the changes in tobacco tax collections and new requirements for NCI designation. The committee suggested that the Internal Auditor review the business plan to verify that the assumptions and supporting data are reasonable and correct, and suggested that President Lassner update the committee on the business plan and how the independent audit committee, as an independent set of eyes, could assist in the process.

2. Assisting the board office in providing a special Regents Report to the Legislature on the actions of the board and committees made over the last few years following the Stevie Wonder issue, in regards to elevating transparency and other issues relative to personnel, procurement and other areas raised by the Legislature and the public prior to the start of the January session. This report should contain information on the different, substantive committee areas, what the committees have done, as well as work done on personnel, procurement, and implementation of policies and procedures.

3. If funding can be obtained for a pilot repair and maintenance project, then monitor that pilot project to see if the new policies and procedures and the reorganization of the internal repair and maintenance structure are improving the processes and whether there are any changes or adjustments that need to be done.
The committee also expressed concern about the lack of information regarding accounting of reserves expenditures, and referred the matter to the Budget & Finance Committee. The item could be reviewed by the Independent Audit Committee if necessary. The committee agreed to invite the UH Foundation to the next committee meeting to discuss the relationship between fundraising and UH initiatives, and requested a status report on the new p-card policy.

Upon motion by Regent Portnoy and second by Regent Matayoshi, the University of Hawai‘i Audit Plan for the Fiscal Year Ended June 30, 2015, as amended, was unanimously accepted.

III. ADJOURNMENT

There being no further business, upon motion by Regent Portnoy, seconded by Regent Matayoshi, and with unanimous approval, the meeting was adjourned at 1:24 p.m.

Respectfully Submitted,

/S/

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents