MINUTES

BOARD OF REGENTS’ COMMITTEE ON INDEPENDENT AUDIT MEETING

DECEMBER 4, 2014

I. CALL TO ORDER

Committee Chair Ben Kudo called the meeting to order at 11:33 a.m. on Thursday, December 4, 2014, at the University of Hawai‘i at Mānoa, Information Technology Building, 1st Floor Conference Room 105A/105B, 2520 Correa Road, Honolulu, Hawai‘i 96822.

Committee members in attendance: Committee Chair Ben Kudo; Committee Vice Chair Coralie Matayoshi; Regent Helen Nielsen.

Committee members excused: Regent Jeffrey Portnoy.

Others in attendance: Regents’ Chair Randy Moore, Regents’ Vice Chair Jan Sullivan, Regent Dileep G. Bal, Regent Barry Mizuno, Regent Lee Putnam, and Regent Peter Hoffmann (ex officio committee members); Vice President for Community Colleges, John Morton; Vice President for Budget and Finance/Chief Financial Officer Howard Todo; Interim UH Mānoa Chancellor, Robert Bley-Vroman; Vice President for Research, Vassilis Syrmos; UH Hilo Chancellor, Don Straney; Associate General Counsel, Presley W. Pang; Executive Administrator and Secretary of the Board of Regents Cynthia Quinn; and others as noted.

II. APPROVAL OF THE MINUTES OF THE OCTOBER 15, 2014 MEETING

Committee Vice Chair Matayoshi moved and Regent Nielsen seconded the motion to approve the minutes of the October 15, 2014 meeting. The minutes were unanimously approved.

III. PUBLIC COMMENT PERIOD

Executive Administrator and Secretary to the Board of Regents, Cynthia Quinn announced that no written testimony was received and no individuals had signed up to present oral testimony.

IV. AGENDA ITEMS

1. Review and Acceptance of the University of Hawai‘i Audited Consolidated Financial Statements for the Years Ended June 30, 2014 and 2013

VP Todo presented the annual audit by Accuity LLP (Accuity) for review and acceptance. He noted that this was the earliest that the report had been completed and thanked External Auditor Cory Kubota and the team from Accuity LLP, and the UH System financial management team led by Susan Lin, Director of Financial Management & Controller, and credited the new Kuali Financial System that allows transactions to be recorded on a timely and detailed basis.
VP Todo noted the consolidated financials were issued in December to align with state’s
target of issuing financials by December 31. The follow-up UH A-133 Financial &
Compliance Report due March 31 will come before the committee later in the fiscal year. He
explained that Management’s Discussion and Analysis provides a good description of what
the financials present, but is unaudited and reviewed only for consistency by Accuity.
Accuity opines on the financial statements, and a draft of their clean opinion included
confirms that the financial statements are fairly stated.

Mr. Cory Kubota of Accuity presented a PowerPoint slides on the Required Auditor
Communications (See Attachment 1) as required and in accordance with Generally
Accepted Auditing Standards (GAAS) that describe results of the audit procedures and
make certain communications and confirmations. He confirmed that Accuity’s responsibility
and audit scope, plan and timing as documented in the audit contract with the university,
and that the fiscal year 2014 audit was performed and executed in accordance with that
contract. He explained that the consolidated financial statements were comprised of 3
entities, the University of Hawai’i (UH), and component units of the Research Corporation of
the University of Hawai’i (RCUH), and the University of Hawai’i Foundation (UHF).
Transactions of the component units are combined into UH’s financial statements. Accuity
audited the financial statements of RCUH because RCUH selected Accuity as its auditor.
UHF selected a different auditor, and Accuity liaised with UHF’s auditor. Significant
accounting policies used by management to prepare the financial statements were
analyzed, described, and disclosed in Footnote 1, and found to conform to Generally
Accepted Accounting Principles (GAAP). There were no significant changes to the
application of accounting policies during fiscal year 2014, and two new government
accounting standards were adopted during 2014, including Governmental Accounting
Standards Board (GASB) Statement Nos. 65 and 66. GASB 65 had a relatively immaterial
impact, but adoption required recasting the figures accordingly. GASB 66 had no significant
impact as it was just a technical clarification and corrections to other governmental
accounting standards. Regarding subjective significant obligation estimates made by
management, audit adjustments were identified and a de minimis threshold of $4.5 million
was used for fiscal years 2013 and 2014. There were no unadjusted differences related to
the 2014 financial statements.

The audit confirmed the university has adequately disclosed known and identified risks
and disclosures in footnotes; and there were no uncertainties related to events and
conditions, specifically going concern issues. There were no disagreements with
management during conduct of audit. Accuity received full cooperation and encountered no
difficulties during the audit. Accuity was not aware of any consultations, or opinion shopping
made by management with other CPA firms. No major issues were discussed with
management prior to or as a condition of Accuity being retained as the independent auditor,
and there were no deficiencies nor internal control issues, but the federal compliance portion
of the audit is still in process. There were no incidences of material fraud or illegal acts that
impacted the financial statements or require disclosure.

The report confirmed Accuity’s independence from the university and its related entities;
provides written communication from Accuity including the engagement letter/audit contract,
the management representation letter which will be received from management upon Board
acceptance of the financial statements, and the internal control and business issues report or management letter that will be presented to the board in February.

Mr. Kubota performed a high level walk through of the financial statements, and encouraged committee members to read the Management’s Discussion and Analysis section, that provided a summary of the financial landscape for the university. He confirmed that the high level of capital asset activity was due to recent revenue bond activity, and the university benefitted from the increase in investment markets with appreciation in the account balances for the university and UHF. There was a $65 million increase in post employment benefits, an unfunded liability, which represents the university’s share of post retirement medical benefits between 2013 and 2014. He indicated that Accuity was prepared to issue a clean, unmodified opinion on the financial statements and noted that they do not audit UHF, as they rely on the work of UHF’s auditor.

He summarized the financial statement drafts audited by Accuity. Currents assets decreased due to expenditure of cash and investment in long term capital assets. Capital assets increased by $44 million, net of depreciation. The deferred outflows of resources—a new line item in the balance sheet as a result of GASB 65—is being amortized through interest expense. Under noncurrent liabilities, post employment medical benefits increased from $514 million to $579 million.

The Statements of Revenues, Expenses and Changes in Net position show that the university has been successful in maintaining and slightly increasing federal contract and grant revenue. The nongovernmental sponsored programs increases were due to the UH Cancer Center consortium grant. Investment income increased from $32.2 million to $51.5 million due to market improvement, and the university realized gains and liquidated some of its portfolio to spend on capital assets.

The Statement of Cash Flows shows that the university expended about $0.5 billion in cash annually to fund basic operations and receives cash flow from noncapital financing activities. Financing and investment activities are cash flows used for capital assets and liquidation of investment funds to put into capital assets.

The large increase in post retirement benefits was based on the actuarial aging of staff and faculty or on rising costs of the medical benefit, and footnoted. Post employment benefit obligation amount was driven by expected earnings, and since the plan is unfunded, the university or actuary is forced to use a discount rate that is lower than if the university was able to invest contributions. VP Todo expanded that this amount was the university’s share of the state’s liability, and recent legislation requires the state to fund more of its liability over time, which gave the ability for the actuary to use a higher discount rate and lower expenses from $146 million to $106 million. He added that the trend is decreasing, but the unfunded liability still impacts the unrestricted net assets.

Regarding the number of scholarship allowances, this figure represents aid provided to students but has yet to be physically expended. The scholarship expense line item is physical disbursement of cash to students.
Regent Sullivan asked Mr. Kubota his opinion on what were the bigger trends/concerns that the board should be watching for based on his experience with the university’s financials. Mr. Kubota said the balance is somewhat misleading because it looks like the university has a lot of cash and investments, but cash/investments are earmarked and cannot be used to fund daily operations. Determining the true available funds requires careful identification of the source of funds. The university is embarking on capital projects, which requires a plan for maintaining those projects and covering unfunded liabilities.

Chair Moore said the board looks at two different types of financials, one is the external audit, which includes UHF and RCUH, and the other is cash basis statements. The consolidated statements are based on accrual accounting, and include depreciation, cash, expenses and payroll benefits paid by Budget & Finance and charged back on a cash basis. The cash basis statements are very different, so it may not be possible to reconcile the two and they have to be looked at separately. Each serves a purpose, but they cannot really be compared. Mr. Kubota said he agreed and referred to Footnote 18 which shows a better picture of the separated assets.

Committee Chair Kudo commented that the cash flow statement showed an operating loss of $850 million, and asked if the loss had been increasing over the years or was relatively stable. Mr. Kubota responded it was relatively stable and while there was a slight increase, the university has made a conscious effort to keep pace with rising costs as evidenced by increases in tuition and housing rates.

Committee Chair Kudo asked if there was a correlation between enrollment and the operating loss, or were they mutually exclusive. Mr. Kubota responded that they were not mutually exclusive. VP Todo said that the operating loss does not include state appropriations and other kinds of revenues. Under GAAP, only things that are earned, e.g., tuition, are recognize as revenues so it looks like there is a big operating loss but other nonoperating revenue offsets that. He added that the correlation between enrollment and operating loss depends on whether empty seats in a class are being filled, which has relatively little impact on expenses or if more classes were being added, which increases expenses.

2. Review and Acceptance of the University of Hawai‘i at Mānoa Intercollegiate Athletics Financial Statements and Agreed-Upon Procedures Report for the Year Ended June 30, 2014 and Related Internal Control and Business Issues Report and Management’s Corrective Action Response

VP Todo said the university does a separate annual audit of UH Mānoa’s intercollegiate athletics (ICA) financial statements and an Agreed-Upon Procedures (AUP) Report. The AUP Report is required for NCAA compliance but the financial statement audit is voluntary. Accuity provided a report on both Mānoa and UH Hilo, and provided a management letter, and UHM Athletics provided a corrective action response to the management letter comments.

Mr. Kubota presented a PowerPoint slides on the Required Auditor Communications specific to the Athletics Department. He explained Accuity’s responsibilities under GAAS, which are contained in the same overall master audit contract with the university, and opined
that the department’s accounting policies conform to GAAP and no changes were noted during fiscal year 2014. Significant estimates include allowance for doubtful receivables, useful lives of depreciable assets, and classification of current/noncurrent assets and liabilities. One small adjustment of $36,000 (shown on page 6), which fell below the de minimis threshold, was proposed to reconcile the department’s beginning net position.

He reported that the department has adequately disclosed known and identified risks and exposures; there were no uncertainties related to events and conditions, specifically going concern issues; the department does not issue an annual report containing the audited financial statements; there were no disagreements with management during conduct of audit, and Accuity received full cooperation. Accuity was not aware of any consultations made by management with other CPA firms; no issues were discussed with management prior to or as condition of Accuity being retained as the independent auditor; Accuity would be issuing an internal control report noting some observations and recommendations.

Accuity found no material instances of fraud or illegal acts; reaffirmed Accuity’s independence from the athletics department; and showed written communications from Accuity that included the engagement letter/audit contract, the management representation letter, which will be received from management upon Board acceptance of the financial statements, and the internal control and business issues report.

Mr. Kubota reviewed the financial statements and encouraged committee members to read the Management’s Discussion and Analysis section, which provides operational and financial highlights of the department. He noted the financial statements include certain UHF accounts (e.g., Booster clubs, fundraising monies) because the department has the authority to access those funds for its operational needs. He indicated they were prepared to issue a clean, unmodified opinion for the department’s financial statements for the years ended 2013 and 2014.

The financial statement drafts audited by Accuity were highlighted to include a new “merchandise inventory” line item of $84,000 in current assets, due to the department taking over retail operations at H-Zone (formerly Rainbowtique), “cash overdraft due to university and other units” line item of $790,000 in current liabilities, which the department borrowed from campus to fund operations and between 2013 and 2014, the unrestricted net position went from $733,000 to a deficit of ($1.375 million), which is essentially an operating loss.

The income statement showed that revenues increased between 2013 and 2014, but operating expenses increased from $32.7 million to $35.5 million resulting in an operating loss increase of over $2 million per year. The department benefitted from investment return and an increase university support in nonoperating revenues, which increased from $4.65 million to $6.87 million. The special item in 2013 was the transfer and assumption by the UH Mānoa chancellor’s office of the $14.7 million deficit from the department.

The committee requested clarification on the $14.7 million transfer. Mr. Kubota responded that in 2013 the chancellor’s office agreed to transfer the department’s accumulated deficit/losses that had built up over a number of years out of the department and into the chancellor’s office, so the chancellor’s office assumed that deficit.
Mr. Kubota confirmed that the report is done to conform to NCAA bylaws. The report was clean, and the procedures were specified in an Audit Guide issued by the NCAA. No significant matters were identified. There was one exception on page 4, procedure AA, related to meeting minutes for booster organizations, and Accuity could not complete the review of minutes for AKA’s governing body due to technical issues and personnel turnover.

The committee also asked if the $1.7 million pledge shown under Contributions had been received. Mr. Kubota responded that the monies had been received.

Mr. Kubota said the Mānoa Athletics Internal Control Report’s annual issue includes an update on comments made in prior audits and one new comment in 2014. Comment 14-01 related to the Paciolian ticketing system, and more timely reconciliation of unsold and complimentary tickets issued on an individual game basis than on a season basis, and evaluating user authorization and access to the ticketing system to lower risk.

Comment 14-02 related to the fiscal deficit of the department, and noted that despite the $14.7 million assumption of debt by the chancellor’s office, the department incurred losses in 2014 and remains in unrestricted deficit. It was recommended that a long term plan is needed to reverse the trend to ensure recurring operating losses are funded.

Comment 14-03 related to inventory pricing in preparation for opening the H-Zone retail operations and recommended that all costs associated with inventory need to be captured, primarily the allocation of shipping costs.

VP Todo said management’s response to the audit comments was provided and that Interim Chancellor Bley-Vroman and Athletic Director Ben Jay could address any questions.

The committee asked VP Todo if there were any significant comments from management regarding Accuity. VP Todo responded that management concurs with Accuity’s comment, was taking the recommended corrective actions, and was also working on the fiscal situation.

Committee Chair Kudo clarified that the function of the Independent Audit Committee was to review and accept the report and question any technical or accounting issues, but not to go into the substance of the management plans, which is the role of the Intercollegiate Athletics Committee.

Committee Vice Chair Matayoshi moved that the University of Hawai‘i Audited Consolidated Financial Statements for the Years Ended June 30, 2014 and 2013; and the University of Hawai‘i at Mānoa Intercollegiate Athletics Financial Statements and Agreed-Upon Procedures Report for the Year Ended June 30, 2014 and Related Internal Control and Business Issues Report and Management’s Corrective Action Response be accepted. Chair Moore seconded the motion, and the motion carried upon unanimous approval.

3. Review and Acceptance of the University of Hawai‘i at Hilo Intercollegiate Athletics Agreed-Upon Procedures Report for the Year Ended June 30, 2014 and Related Internal Control and Business Issues Report
VP Todo explained that UH Hilo is required to conduct only an agreed-upon procedures review and not a financial statement audit. The management letter states that actions commented on last time were corrected and there were no new corrective actions.

Mr. Kubota noted the NCAA requires this agreed-upon procedures audit to be done every three years, and while UH Hilo was not required to have an annual NCAA agreed-upon procedures audit, Chancellor Straney elected to perform one annually as good practice. This is the fifth year Accuity had done this engagement and there had been steady and positive improvement over the years.

Chair Moore moved that the University of Hawai‘i at Hilo Intercollegiate Athletics Agreed-Upon Procedures Report for the Year Ended June 30, 2014 and Related Internal Control and Business Issues Report be accepted. Committee Vice Chair Matayoshi seconded the motion, and the motion carried upon unanimous approval.

4. Review of Post Bond Issuance Compliance Report

VP Todo gave a presentation updating the committee on the progress of implementing post issuance compliance procedures regarding previously issued revenue bonds. Currently there are $600 million worth of outstanding revenue bonds from 5 issuances.

BLX was retained to assist and a summary was presented. Everything has been completed, with the private use analyses still pending regarding the extramural contracts and research grants portion.

VP Todo said BLX reviewed each bond issuances and for non research type facilities and found UH is well within the 10% window for private use. BLX did a sampling of the research facilities, and expanded to 50% of all research contracts, which is still ongoing. He noted that even if UH was found to be over the 10% window for any given year, they had the life of the bond to provide a correction plan which is approximately a 30 year period.

Discussion held regarding how much research was done where a researcher using UH facilities retained intellectual property rights. VP Todo responded that BLX had said UH had mostly federal contracts and grants, and most federal agencies would comply with federal laws that specify safe harbor, which was not considered private use. VP Todo said if a sponsoring entity retains intellectual property rights, then occurrence would give rise to private use. He added that BLX is currently looking into this matter.

The committee was concerned about compliance because the board certifies that everything is in compliance for the term of the bond, and the post-compliance area had not been properly developed over the years. The committee hoped this would turn into procedures that can be instituted on a regular basis so there does not always have to be a consultant coming in and that guidelines would also be established. VP Todo confirmed that procedures are being established and people are being trained, and there will be internal resources for monitoring with the help of BLX in certain areas.

The committee asked if the bond rating had been affected yet. VP Todo responded that the bond rating had not been affected, but there was an SEC initiative to look at post-
issuance disclosure requirements, and UH had no findings in that area. From a ratings standpoint, President Lassner was concerned over the rate of decline of reserves, but so far that has not resulted in a downgrade of the bond rating. The rating agencies have also pointed out the decline of reserves as a concern.

The committee also discussed how many years the university had issued revenue bonds. VP Todo said that significant issuance of revenue bonds began in 2002 with the John A. Burns School of Medicine (JABSOM). Prior to 2002, revenue bond issuances were smaller and less frequent. Since that time, there have been issuances for the Cancer Center and UH-West O‘ahu. The increase in revenue bond issuances were a result of the state not authorizing general obligation bonds for capital improvements.

Committee Chair Kudo asked if UH was in communication with participants at JABSOM and Cancer Center regarding clinical trials subject to private use. VP Todo responded that BLX had said these clinical trials were not subject to private use requirements. Their review is continuous in terms of compliance, corrective plan of action, if needed, and developing policies and procedures.

5. Update on the Cancer Center Review

VP Syrmos provided a presentation (See Attachment 2) on the status of the comprehensive review of the Cancer Center, which focuses on three areas: (1) financial status; (2) programmatic management; and (3) National Cancer Institute (NCI) designation requirements. The presentation also provided information on the task force members; subcommittee structure and scope; the Cancer Center organization; assumptions; observations; notes; cigarette tax distributions; overhead recovery and distribution; historical trend; going forward; a June 18, 2014 overview; and next steps going forward.

He thanked the members of the task force for their hard work and indicated the review will be put up on the website when done.

He indicated that the designation was a source of revenue of extramural funds, however, the most important component of the NCI designation were the clinical trials, which were highly specialized for certain cancers and for which Hawai‘i hospitals currently have to send patients out of state for treatment. For the state and community, the designation goes beyond revenue and is about the clinical trials and the ability to perform these trials here in the state and in the hospitals.

The Cancer Center is an Organized Research Unit (ORU), which depends upon sources of funds other than general funds, with most of the revenue coming from the Cigarette Tax, extramural funds and return of overhead costs. These funds enable them to employ 285 people in temporary positions, which is not uncommon for an ORU.

Last year the Cancer Center had an operating loss of $10 million, but the center was not in the red because there was a large reserve fund which is being drawn down. VP Syrmos said that in 2009, the board issued $135 million worth of revenue bonds and requested that administration develop a business plan to guarantee the income for the debt service and operations. The business plan was presented to the board in May 2010, which showed
VP Syrmos said the May 2010 business plan was compared to the actuals for the last 4 years, starting with fiscal year 2011 when debt service started, which provides an idea of how well the business plan was done and to go forward, but also why the Cancer Center is losing so much money every year. The May 2010 plan was overly optimistic in cigarette tax revenue and overhead recovery amount, trends, and predictability. Actual revenue from the tax fluctuated and averaged a 7% decline every year. Overhead recovery also declined over the years at an average 15.3% deficit every year, while expenditures remained constant which meant the center was either saturated on capacity to take money in and expend it faster or there were large awards spread over too many years. The end result was the 2010 plan overestimated revenues by $7 million.

In 2014, the center had a $20 million operating loss, $7 million of which could be attributed to overestimating the revenues and the other $3 million were actual growth. This was a structural problem and would worsen due to the funding source for paying the debt service. JABSOM pays its revenue bond debt service from the tobacco settlement fund, which is stable and does not fluctuate and decrease like the tax, which is the problem facing the center. The center is paying debt service and operating expenses out of a tax which fluctuates, so the equation and the finances need to be changed.

VP Syrmos said the June 2014 business was reviewed with JABSOM Dean Jerris Hedges, the specific purpose of the plan was figuring out what is needed to maintain NCI designation. Three scenarios were presented at the June 2014 meeting, including:

1. Keep the same hiring profile, operate on a base budget, business as usual, and the NCI designation would not continue.
2. The “3x8” scenario which provides 3 main areas and 8 funded faculty in each area, with 16 additional position requests over the next 18 years at an extra cost of $5 million on top of the existing budget.
3. The “4x8” scenario which provides 4 main areas and 8 funded faculty in each area, with 24 additional position requests over the next 18 years at an extra cost of $7 million on top of the existing budget.

VP Syrmos said that none of the scenarios presented were realistic, so the task force is looking at how to use existing resources, gain some cost savings, maintain NCI-designation, and consider changing the profile of new hires to be more on the clinical side than the research side. In order to do everything they are looking at a P30 grant, getting a 1 year extension from NCI on the deadline for submission, and coming up with recommendations. One recommendation being considered is reorganizing the Kaka‘ako campus to consolidate JABSOM and Cancer Center and realize savings on administration, facilities, and economies of scale.
This past summer, the board delegated authority of the payback of $20.5 million from revenue bonds to the center’s operating reserves, which puts a $40 million cash balance in reserves for the center and provides more time to find a way to make the budget sustainable. The center needs to realistically determine the NCI requirements, resources needed, and how to live within its means. VP Syrmos stated that a update to the committee is planned in the next 45 days to report on the financials and recommendations.

Regent Putnam requested the task force report to include information on the Cancer Consortium and the revenue contributions of the hospitals. VP Syrmos confirmed that the report will contain that information and contributions that go beyond the revenue benefit and tie into the clinical trials. The consortium was put together so the center could perform NCI approved clinical trials in hospitals that are part of the consortium. The consortium would reimburse the center for services performed and employment of people that work towards that goal, similar to an extramural grant. The center can also indirectly recover some overhead because the consortium will cover a portion of salary for faculty doing clinical work in consortium hospitals.

Regent Putnam asked if the clinical trials represented a new opportunity for training of JABSOM medical doctors. VP Syrmos was uncertain how much opportunity there would be because the trials are highly complex, the educational component was unclear and how the residency program would integrate with that.

Discussion held about the biggest challenges facing the center. VP Syrmos said the biggest challenge is convincing National Institutes of Health (NIH) and NCI that the center is sustainable, and implementing a hiring profile that matches the expectations of going into clinical trials. The current hiring profile is based on laboratory research and not clinical research.

Regent D. G. Bal said the settlement revenue would decline because it is based on national market and behavior and there is an escrow. In California, the legislature took the revenue stream, securitized the future tax, and paid out the money upfront.

Committee Vice Chair Matayoshi asked if the 2014 plan considered the $2.2 million revenue from clinical trials. VP Syrmos said the clinical trials revenue that comes from the consortium is based on the number of clinical trials, which fluctuates. Last year there was less than $1 million in revenue from the clinical trials.

Committee Chair Kudo invited VP Syrmos to come back to the next scheduled committee meeting to report on the status of the continuing review.


Director of the Office of Internal Audit Glenn Shizumura outlined the audit plan for fiscal year 2015, which included an overview of the type of work and services the office performs and the status to date.

All external audit assistance had been completed, except for the pending A-133 Financial & Compliance Report. In terms of internal audits, the first two reports on Rainbowtique and
the UHF funds at Kapi'olani Community College were presented to the committee in October 2014. The sales audit of H-Zone is being worked on and the report should be ready by February 2015. Of the 5 projects listed on pages 3 and 4, the UHM Athletics request on distribution of apparel and equipment, the follow-up of ATG recommendations, and the ASUH financial statement review were all substantially completed and expected to be done by February; the corrective action on last year’s audit report will commence in January and updates will be provided; the follow-up of the Kapi'olani Community College and Leeward Community culinary programs implementation of recommendations were underway to provide a more detailed status report; the campus security – Clery Act assistance was tabled at the request of campus security; the Cancer Center review was being handled internally by a committee and the internal audit office will step in later if needed; the CIP process improvements audit is waiting for Interim Associate Vice Chancellor for Planning & Facilities Steve Meder to identify a pilot project; and the board office began work on the report to the Legislature. The last 3 audits were a result of Act 87 being passed last year. The Enterprise Risk Management and Whistleblower Hotline work has commenced and materials were forwarded to the Vice President for Administration, who will assume the oversight role, and the internal audit office will stand ready to help. The annual report to the Legislature on material weaknesses and fraud was in process and some of Accuity’s materials would be included in that report. The annual report to the Legislature on the Audit Committee’s effectiveness would be done at the end of the fiscal year.

II. **ADJOURNMENT**

There being no further business, upon motion by Committee Vice Chair Matayoshi, seconded by Regent Nielsen, and with unanimous approval, the meeting was adjourned at 1:35 p.m.

Respectfully Submitted,

/S/

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents