MINUTES

BOARD OF REGENTS COMMITTEE ON INDEPENDENT AUDIT MEETING

FEBRUARY 9, 2017

I. CALL TO ORDER

Committee Chair Randolph Moore, called the meeting to order at 2:33 p.m. on Thursday, February 9, 2017, at the University of Hawai‘i at Mānoa, Information Technology Building, 1st Floor Conference Room 105A/B, 2420 Correa Road, Honolulu, Hawai‘i 96822.

Committee members in attendance: Committee Chair Randolph Moore, Committee Vice Chair Michael McEnerney; Regent David Iha; Regent Jeffrey Portnoy.

Committee members excused: Regent Wayne Higaki.

Others in attendance: Board Chair Jan Sullivan; Regent Simeon Acoba; Regent Eugene Bal; Regent Brandon Marc Higa; Regent Lee Putnam; Regent Stanford Yuen (ex officio committee members); President/Interim UH Mānoa (UHM) Chancellor 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 Information Technology and Chief Information Officer, Garret Yoshimi; UH-Hilo (UHH) Chancellor Donald Straney; UH-West O‘ahu (UHWO) Chancellor Maenette Benham; Executive Administrator and Secretary to the Board Cynthia Quinn; and others as noted.

II. APPROVAL OF MINUTES OF THE DECEMBER 15, 2016 MEETING

Committee Vice Chair McEnerney moved to approve the minutes of the December 15, 2016 meeting, seconded by Regent Portnoy, and the motion carried unanimously.

III. PUBLIC COMMENT PERIOD

Committee Chair Moore stated that the Board Office received and distributed to the committee members one written testimony from Dr. Amy Agbayani in support of UHM Housing department improvements. No individuals signed up to give oral testimony.

IV. AGENDA ITEMS

Committee Chair Moore explained the recent board approval of the creation of the permitted interaction group to provide for the committee to meet with the internal and external auditors without management. Once adjourned, the task group will also meet. He noted that the committee was to receive six audit reports to review and accept, and recounted the remaining agenda items. He further read aloud the statutory provision (Hawai‘i Revised Statutes §304A-321, section (o)) setting forth the scope of review and authority of the committee regarding internal audit reports, and explained the summary
chart for the six reports provided to the committee. He noted there were a few errors that will be corrected as they are reviewed.

A. For Review and Acceptance

1. University of Hawai‘i at Mānoa Intercollegiate Report on Agreed Upon Procedures – 2016 Football Season

External auditor Accuity LLC submitted for acceptance the audit report on the National College Athletic Association (NCAA) football session attendance required by the NCAA confirming the program is in compliance in meeting the minimum home attendance requirements with no exceptions. Committee Vice Chair McEnerney moved to accept the audit, seconded by Regent Iha, and the motion carried unanimously.

2. H-Zone Sales audit

The H-Zone sales audit was prepared and presented by Internal Auditor Glenn Shizumura as required under the lease for acceptance with no exceptions. Committee Vice Chair McEnerney moved to accept the audit, seconded by Regent Iha, and the motion carried unanimously.

3. ASUH operations audit

The audit on the Associated Students of the University of Hawai‘i (ASUH) operations for scholarship, registered independent organization, and study abroad scholarship awards was prepared and presented by the Internal Auditor for acceptance, noting that all areas reviewed were at the request of ASUH, and deficiencies found were not significant or recurring, and the corrective action plan was being implemented. Regent Iha moved to accept the audit, seconded by Regent Portnoy, and the motion carried unanimously.

4. UHM Student Housing Audit Management Response Update

Interim VC for Students Lori Ideta, along with unit managers, presented the status of the corrective action plan for UHM student housing in response to an internal audit, explaining that a comprehensive updated response was prepared, all have been implemented, addressed, or in various stages of implementation. Upon committee request, each point was clarified as follows:

Rate increases are in compliance with board policy and confirmed in board minutes; the annual budget inclusive of all sources and a monthly operating budget shift from actual to historical comparison to quarterly budget to actual with greater detail is underway. Better management of underperforming halls continues with strategic repurposing and repricing once occupancy counts are confirmed; consideration of a warehousing system and licenses for subsidiary management information systems (e.g., CBORD and Conference Programmer) are underway to provide a better check and balance system. As no systemwide centralized billing and collection exists, mitigation measures under consideration involve integration with the Banner Student Information System, training, and automation. It was acknowledged that a one semester recovery
period is allowed for residents who become ineligible; some late payments are due to delayed government payment processes. As to facilities, sub-metering has recently been identified as a UHM facilities priority; custodial protocols are being implemented; furniture and inventory are being updated in accordance with university regulations; the deferred maintenance program is being enhanced; and further review is underway regarding tax implications for staff housing. Committee Vice Chair McEnerney moved to accept the audit responses, seconded by Regent Iha, and the motion carried unanimously.

5. UHH Student Housing Audit Review and Management Response

Internal Auditor Shizumura explained that the review and response of the UHH Student Housing was a continuation of the evaluation of the system and concerns about low occupancy. VC for Student Affairs Farrah-Marie Gomes explained that a proposal for repricing is underway, and, while recognizing that time is of the essence, implementation will take time. The committee requested a progress update. Committee Vice Chair McEnerney moved to accept the responses to the audit, seconded by Regent Iha, and the motion carried unanimously.

6. UHM Athletics Department Equipment and Apparel Evaluation of Corrective Action Status

Internal Auditor Shizumura explained that the corrective action for equipment inventory was updated and validated. Aggregate tracking numbers are utilized to optimize on the highest and best use of time, follows federal guidelines, and is better managed with the hire of a new equipment manager and software purchase. Budgetary constraints caused delay in implementation and hiring, but things are now moving forward. Regent Portnoy moved to accept audit and responses, seconded by Committee Vice Chair McEnerney, and the motion carried unanimously.

B. For Information

1. Whistleblower Report Update

The whistleblower report was reviewed in a format provided as requested that summarized cases by campus since inception to current status. The committee requested a better description of cases to aid in identifying trends and outcomes as to type and result. The determination process was explained that Enterprise Risk Management is the administrative interface that receives the reports and forwards accordingly for proper handling.

C. For Action

1. Presentation by Accuity LLP on Audit Committee responsibilities (Chapters 16 and 20 of the AICPA Tool Kit, 3rd ed. 2015)

Accuity LLP provided a training session on the key characteristics of the external auditor as to competency, sufficiency, objectivity, independence, and access to assistance from the auditor, including the firm as it is the committee hires and oversees
the scope of services of the external auditor. External Auditor Cory Kubota commented that UH has the added benefit of Accuity’s membership, and thus access, to the Baker Tilly network of other independent firms in the US and international sectors that share resources, e.g., staff support in another country can liaison and utilize staff, and subject matter or industry-specific expertise. There is no financial relationship or other economic interest with regard to such services. The membership is subject to peer review to ensure the member meets quality control standards.

The external auditor explained the role of the committee as to the single audits of all federal programs is to ensure compliance, gain a level of comfort of where money is expended, in particular to subcontractors, and that deficiencies are corrected and addressed. He explained that committee education in meetings helps arm the committee with the ability to ask questions to understand its role and responsibility. A schedule of expenditure of awards is provided for a general understanding of what the compliance requirements are and that the UH has a system, accordingly. Exceptions are reported, for which follow up and resolutions should be provided. The federal government issues a determination letter on the outcome. Areas that have been requested regarded pervasiveness, quantification, etc., with no expectation of any further action required. It was recommended that the committee refer to the prior audit for context. Certain recent changes regarding procurement requirements have little or no impact UH because is currently subject to stricter state procurement laws. It was discussed that a legislative modification to return authority to the president as chief procurement officer is underway, and future modifications relating to UH autonomy initiatives were also discussed.

V. ADJOURNMENT

There being no further business, Committee Vice Chair McEnery moved to adjourn, and Regent Iha seconded, and with unanimous approval, the meeting was adjourned at 3:40 p.m.

Respectfully Submitted,

/S/

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents