MINUTES
BOARD OF REGENTS COMMITTEE ON INDEPENDENT AUDIT MEETING
SEPTEMBER 7, 2023

I. CALL TO ORDER

Chair Lauren Akitake called the meeting to order at 9:05 a.m. on Thursday, September 7, 2023, at the University of Hawai'i (UH) at Mānoa, Information Technology Building, 1st Floor Conference Room 105A/B, 2520 Correa Road, Honolulu, Hawai'i 96822, with Regents participating from various locations.

Committee members in attendance: Chair Lauren Akitake; Vice-Chair Gabriel Lee; Regent Neil Abercrombie; Regent Wayne Higaki; and Regent Diane Paloma.

Others in attendance: Board Chair Alapaki Nahale-a; Regent William Haning; Regent Laurel Loo; Regent Abigail Mawae; Regent Laurie Tochiki; Regent Ernest Wilson (ex officio committee members); President David Lassner; Vice President (VP) for Administration Jan Gouveia; VP for Academic Strategy Debora Halbert; VP for Legal Affairs/University General Counsel Carrie Okinaga; VP for Research and Innovation Vassilis Syrmos; VP for Budget and Finance/Chief Financial Officer Kalbert Young; Interim VP for Community Colleges Della Teraoka; UH-Mānoa (UHM) Provost Michael Bruno; UH-Hilo Chancellor Bonnie Irwin; UH-West O’ahu Chancellor Maenette Benham; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Yvonne Lau; and others as noted.

II. APPROVAL OF MINUTES

Chair Akitake proposed amendments to the minutes of the August 3, 2023, committee meeting to reflect her request that regents suggest topics for possible inclusion in the committee work plan for further discussion during that committee meeting, as well as at future committee meetings, and her specific reference to an Association of Governing Board’s article entitled Rethinking Internal Audit regarding the transformation of the Office of Internal Auditing for Minnesota State Colleges and Universities that was included in the committee’s meeting materials. She inquired if there were any objections to this request or if there were any additional changes to the minutes as distributed. Hearing none and with no other comments about the minutes being received, the minutes were approved.

Regent Tochiki arrived at 9:06 a.m.

III. PUBLIC COMMENT PERIOD

Board Secretary Lau announced that, while the Board Office did not receive any written testimony, one individual did sign-up to provide oral testimony.

Raiyan Rafid, Treasurer of the Campus Center Board, provided oral comments on the Warrior Recreation Center (WRC) audit citing his knowledge of, and involvement in,
Committee members expressed their general support for inclusion of a review of student housing in the current audit work plan although a suggestion was made to include faculty and staff housing in this audit.

Vice-Chair Lee remarked that it was his understanding that the administration was in the process of hiring a third-party consultant to examine student housing issues at UHM and questioned whether it would be premature to add this project to the audit work plan prior to the completion of this analysis. President Lassner provided context to the student housing matter noting changes that were recently made to administrative
oversight of this program. He spoke about the methodology traditionally used by the administration to inform the committee and board about challenges facing the university; acknowledged that the administration has engaged an outside consultant to examine the student housing program’s business model and any associated financial concerns; assured Regents that efforts to improve the student housing program were currently underway; and stated that the administration will address this topic in whatever manner the committee chooses to proceed. Taking into account this information, deliberations took place on the timing of a student housing audit and the need to give due consideration to assessments that have already commenced. Chair Akitake expressed her understanding that the unit formerly charged with overseeing student housing issues was experiencing substantial turnover in personnel due to retirements and resignations and remarked that a delay in analyzing this issue would risk losing institutional knowledge and information. Also, given the recent changes in administration oversight, she believed that this was the most opportune time to conduct an audit of student housing in a proactive, forward-looking, and strategic manner that will assist the university in moving forward to best meet its future needs regarding student housing.

Chair Akitake asked Director Shizumura to provide a synopsis of OIA’s work over the next month with respect to any supplemental audits proposed by the committee for possible inclusion in the audit work plan. Director Shizumura replied that OIA would develop a brief summary of the proposed audit in accordance with guidance provided by the committee. He stated that, among other things, the summary would include background information about the audit topic, any audit objectives, and an audit timeline.

Referencing the hiring of an external consultant to analyze the student housing program’s business model and associated financial concerns, Chair Akitake inquired if OIA would work with the administration on the scope of a student housing audit that takes these efforts into consideration. Director Shizumura responded in the affirmative stating that OIA would not want to replicate any work that was being done by a third-party consultant.

Robust discussions ensued on the committee’s and OIA’s roles and responsibilities. Although auditing bodies have historically focused on assurance services related to compliance and financial activities, as well as the investigation of issues as they arose, Chair Akitake noted that there is an evolving concept that transforms the functions of these entities to one that balances assurances with proactive, forward-looking, strategic advisory services focused on matters of systemwide significance particularly in light of the emerging dynamics and new realities of higher education. While some committee members voiced their concerns that this forward-looking approach could be viewed as committee overreach and an expansion of committee duties beyond its statutory intent, the majority of committee members concurred with and were in favor of Chair Akitake’s transformative vision for the committee opining that this change in direction was well within the parameters for the committee established by statute and Regents Policy. Committee members also expressed their belief that internal audits need to be attended to in a more collegial and less adversarial manner so as to obtain the best outcomes for
the university and that there should be a greater sense of urgency when it comes to addressing an audit’s findings and recommendations. Chair Akitake also opined that issues facing the university must be addressed in a timely and forward-looking manner so that the institution will not be ill prepared or caught off guard should unexpected challenges occur in the future.

Regent Abercrombie moved that OIA Director Shizumura be requested to prepare a summary of a student housing program audit for further review and discussion at the committee’s next meeting and possible inclusion in the Work Plan at that time. The motion was seconded by Vice-Chair Lee. There having been a motion that was moved and seconded, a roll call vote was taken and the motion carried with all members present voting in the affirmative.

B. Progress Update on Addressing Audit Findings and Implementation of Corrective Action Plan for Waikīkī Aquarium (Aquarium)

Chair Akitake briefly reviewed the materials for this agenda item that were contained within the committee meeting packet, as well as the timeline of events with respect to the Aquarium audit and corrective action plan.

Provost Bruno provided an update on efforts undertaken by the administration to address pending corrective actions as identified in OIA’s Aquarium follow-up audit report dated May 2023 stressing that the administration will abide by the commitments made at this meeting. He emphasized that regular meetings are being held with the Aquarium Director to ensure that the noted corrective actions are being attended to and to assist in the prioritization of new hires to position the Aquarium for success in all areas of operation; stated that the UHM Office of Business and Finance has been working daily with Aquarium personnel to deal with the identified issues and has been making steady progress; reviewed some of the areas of concern that have been addressed to date, including the recruitment and hiring of key personnel; noted that expertise is being enlisted from administrative staff in other campus units to improve upon and support Aquarium operations, including the Aquarium gift shop; and highlighted several facility renovations that have been embarked upon. Additionally, Provost Bruno pledged to deliver a final report on the Aquarium corrective actions to OIA on or before Friday, December 22, 2023.

Chair Akitake requested clarification as to whether the report submitted on or before December 22, 2023, will be a status report or a final report indicating that all pending corrective actions have been implemented. Provost Bruno replied that the administration expects all corrective actions to have been implemented by the noted report submittal date.

Regent Abercrombie asked if the administration was confident that it could address all of the audit’s remaining findings by December 22, 2023. Provost Bruno responded in the affirmative.

A. Progress Update on Addressing Audit Findings and Implementation of Corrective Action Plan for WRC
Chair Akitake briefly reviewed the materials for this agenda item that were contained within the committee meeting packet, as well as the timeline of events with respect to the WRC audit and corrective action plan. She also noted that, in order for OIA to properly evaluate WRC’s implementation of the audit’s recommendations and provide a report to the committee at its December meeting as has been requested, Director Shizumura has suggested a deadline of early November for execution of the corrective action plan.

Provost Bruno provided an update on the progress of efforts undertaken to produce separate financial statements for the WRC as identified in an audit report dated October 7, 2021. He reported on several activities that have taken place since the administration’s last presentation about this item that took place at the committee’s June 2023 meeting including efforts to align the details of separate financial statements with OIA’s requirements and seek the guidance of OIA on a preliminary draft financial statement that had been produced by the Office of the Vice Provost for Student Success, and noted some of the next steps that would be taken by the administration to bring this matter to a close by the end of the year. Additionally, Provost Bruno pledged to deliver a final report on the WRC corrective actions to OIA well before December of this year.

Chair Akitake questioned whether the administration would be able to commit to having the status of corrective action report completed by early November, preferably November 1, as has been suggested by OIA. Provost Bruno replied that the administration will make every effort to submit its report to OIA by November 1.

Regent Abercrombie sought confirmation from the administration that OIA’s recommendations with respect to the WRC will be implemented by the end of the year so that this issue can be resolved. Provost Bruno replied in the affirmative.

Chair Akitake thanked the administration and management of the WRC for moving forward on implementing the recommended accounting practices identified by OIA. She stated that it is this committee’s intent and highest priority to do its statutorily required work in an open, transparent, and factual manner, generating important topics and questions for research, following established audit principles, and confirming corrective actions are completed, all in an effort to ensure that the university’s resources are managed in a fiscally responsible way so that the public has confidence in Hawaii’s public university system.

V. ADJOURNMENT

There being no further business, Chair Akitake adjourned the meeting at 10:04 a.m.

Respectfully Submitted,

/S/

Yvonne Lau
Executive Administrator and Secretary
of the Board of Regents