I. CALL TO ORDER

Chair Lauren Akitake called the meeting to order at 2:03 p.m. on Thursday, December 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 Diane Paloma; and Regent Wayne Higaki.

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 Legal Affairs/UH General Counsel Carrie Okinaga; VP for Research and Innovation Vassilis Syrmos; VP for Information Technology/Chief Information Officer Garret Yoshimi; VP for Budget and Finance/Chief Financial Officer Kalbert Young; UH-Hilo (UHH) 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 inquired if there were any corrections to the minutes of the October 5, 2023, committee meeting which had been distributed. Hearing none, the minutes were approved.

III. PUBLIC COMMENT PERIOD

Board Secretary Lau announced that the Board Office did not receive any written testimony, and that an individual signed up to provide oral testimony.

Dustin Migues provided oral comments on his denial of financial aid from UH.

IV. AGENDA ITEMS

A. Review and Acceptance of the University of Hawai‘i Audit Reports as of June 30, 2023, including:
1. External Auditor Required Communications

2. Audited Financial and Compliance Reports

3. Corrective Action Responses for the Federal Compliance Findings

Ryan Horiuchi, a principal with Accuity, stated that, in addition to auditing the university’s consolidated financial statements, Accuity conducts what is known as a single audit, which is a federally required audit performed on non-federal entities that expend $750,000 or more in federal awards during the entity’s fiscal year and consist of both financial and compliance reviews regarding federal rules and regulations. He reported on several aspects contained within the single audit highlighting that, in fiscal year (FY) 2023, the university had 11 major federal programs which expended a total of $672 million in federal funds, and that five compliance findings, two of which were repeat findings, pertaining to issues related to the student financial aid cluster were discovered. However, it was emphasized that none of the compliance findings were deemed to be significant deficiencies or material weaknesses. As such, Accuity was prepared to issue what is known as a “clean” or unmodified opinion on the university’s compliance with the requirements of its major federal programs.

Erin Takamine, an audit partner with Accuity LLP, reviewed Accuity’s audit of the university’s consolidated financial statements, stating that this matter is presented to the committee each year to satisfy annual audit requirements and expectations. She noted that, for the FY ended June 30, 2023, total assets of the university increased by $233 million while total liabilities decreased by $89 million. She also provided a synopsis of the main elements contained within the financial statements reviewing increases and decreases in cash and investment revenues; pension and other post-employment benefit (OPEB) liabilities; deferred inflows and outflows of resources related to OPEB; and operating, as well as non-operating, revenues and expenses. She also went over several required communications pertaining to the conduct of an audit under generally accepted auditing standards within the United States that are intended to ensure the committee receives information on the scope and results of the audit.

Referencing the five deficiencies discovered by Accuity related to student financial aid, Chair Akitake asked if the administration could provide further information on this matter. VP Young explained that the root cause for these issues largely relate to timing in terms of meeting the milestones contained within federal compliance deadlines and the inability of the university to meet these milestones due to things like a lack of staffing and resource for student financial aid offices across the university 10-campus system. He also mentioned that the administration is seeking out ways to address some of these issues and improve upon the situation.

Regent Abercrombie moved to accept the University of Hawai‘i audited financial reports for the year ended June 30, 2023, seconded by Vice-Chair Lee, and the motion carried with all members present voting in the affirmative.

B. Review and Acceptance of the University of Hawai‘i at Mānoa (UHM) Intercollegiate Athletics Audit Reports for the Year Ended June 30, 2023
Mr. Horiuchi provided an overview of Accuity’s report on agreed-upon engagement procedures to ensure that the UHM Athletic Department’s (UHM Athletics) statement of revenues and expenses for the year ended June 30, 2023, was compliant with the National Collegiate Athletic Association (NCAA) bylaws and noted that no material misstatements were detected. Accuity also did not identify any internal control matters or operational deficiencies that would merit communications with the board or the university. Additionally, it was highlighted that Accuity would not be engaging UHM Athletics to evaluate whether the Football Actual Attendance Summary for the 2023 Football season is in compliance with NCAA Bylaw 20.10.9.3.2 due to the recent elimination of this bylaw requirement and that the deficiency in Pell Grant reporting noted in last year’s UHM Athletics’s Internal Control and Business Issues Report has been resolved.

Regent Abercrombie asked if future audits of UHM Athletics will take into account the new financial realities with regard to intercollegiate athletics on account of the impacts from issues such as the transfer portal or Name, Image, Likeness (NIL) compensation. Mr. Horiuchi replied that Accuity would take these matters into account if the NCAA included such issues within its bylaws.

Regent Haning sought clarification on the meaning of NIL. Craig Angelos, UHM Athletics Director (AD), replied that NIL refers to a student-athlete’s ability to capitalize on anything that identifies them, including the ability to engage in third-party sponsorships and endorsements for use of their name, image, and likeness.

Regent Abercrombie and AD Angelos engaged in discussions about recent changes in the intercollegiate athletics’ landscape, such as conference realignments, NIL compensation, the transfer portal, and the formation of NIL collectives, and the financial impacts this will have on UHM Athletics as well as college sports in general.

Regent Wilson requested an update about the departure of 10 schools from the PAC-12 Conference (PAC-12) due to conference realignments and the impacts this could have on UHM Athletics. AD Angelos replied that the Mountain West Conference (MWC), of which UHM Athletics is a football only member, recently entered into a scheduling agreement with the two remaining PAC-12 schools, Oregon State University (OSU) and Washington State University (WSU), whereby both schools will add six games against MWC schools to their football schedules for each of the next two seasons. He also noted media reports that scenarios involving the reconstitution of the PAC-12 into the PAC-8 with OSU and WSU inviting six schools to join the conference, as well as one in which the MWC would expand to a 14-team conference with the inclusion of OSU and WSU are being contemplated. President Lassner added that the MWC Commissioner and member institutions have remained in constant communication on this topic with current discussions appearing to indicate a preference for the MWC to remain unified when considering a potential merger of the PAC-12 and MWC. He also emphasized that the MWC remains the most stable and intact conference in the country at this point-in-time with respect to the conference realignments occurring across the country.
Regent Abercrombie moved to accept the UHM Intercollegiate Athletics Audit Reports for the Year Ended June 30, 2023, seconded by Vice-Chair Lee, and the motion carried with all members present voting in the affirmative.

C. Review and Acceptance of the University of Hawai‘i at Hilo (UHH) Intercollegiate Athletics Audit Reports for the Year Ended June 30, 2023

Mr. Horiuchi provided an overview of Accuity’s report on agreed-upon engagement procedures to ensure that the UHH Athletic Department’s (UHH Athletics) statement of revenues and expenses for the year ended June 30, 2023, was compliant with NCAA bylaws. He noted that the previous instance of UHH Athletics establishing agreed-upon engagement procedures was in 2020 as NCAA Division II programs are only required to establish such procedures every three years. It was reported that Accuity did not detect any material misstatements in UHH Athletics’ statement of revenues and expenses for the year ended June 30, 2023, and did not identify any internal control matters or operational deficiencies that would merit communications with the board or the university.

Regent Abercrombie moved to accept the UHH Intercollegiate Athletics Audit Reports for the Year Ended June 30, 2023, seconded by Vice-Chair Lee, and the motion carried with all members present voting in the affirmative.

D. Review and Acceptance of the Annual Report to the Legislature on Material Weaknesses and Fraud

Glenn Shizumura, Director of the Office of Internal Audit (OIA), explained that OIA prepared a report on material weaknesses and fraud in accordance with statutory requirements. He noted that this report is submitted to the Legislature each year prior to the convening of the legislative session, that the contents of the report were based upon Accuity’s audit of the university’s financial and compliance reports, and that there were no findings of material weaknesses, fraud, or illegal acts. Upon its approval, the report will be sent to the Legislature on behalf of the committee.

Regent Abercrombie moved to accept the annual report to the Legislature on material weaknesses and fraud, seconded by Vice-Chair Lee, and the motion carried with all members present voting in the affirmative.

E. Review and Acceptance of University Health Services Mānoa – Review and Evaluation

Internal Auditor Shizumura provided a summary of an initial audit of University Health Services Mānoa (UHSM) stating that the audit reviewed and evaluated the operational and financial aspects of UHSM in addition to assessing compliance with applicable federal and State laws and university policies. Despite being in compliance with all applicable laws and policies, OIA has identified a few risks and challenges facing UHSM including issues involving access to electronic health records containing protected health information, the lack of separation of duties with respect to cash collections and recordation in the university’s Kuali Financial System (KFS), proper reflection of sales and services revenue in KFS when cash is received rather than when
earned, and billing practices concerning services provided by a UHSM physician to Leeward Community College via a memorandum of understanding. It was also noted that OIA has recommended actions to mitigate the abovementioned issues and will be providing a report on the status of corrective action to the committee in the future.

Regent Haning asked if OIA’s review discovered any adverse consequences resulting from the noted health information access issues. Internal Auditor Shizumura replied that OIA did not find any adverse impacts from the health information access concerns raised in its report during its evaluation of UHSM.

Regent Abercrombie moved to accept OIA’s review and evaluation of UHSM, seconded by Vice-Chair Lee, and the motion carried with all members present voting in the affirmative.

F. Report on the Corrective Action Plan for Warrior Recreation Center (WRC)

Internal Auditor Shizumura reported on the status of corrective actions taken to address a recommendation made in a report titled “University of Hawai‘i at Mānoa Review of the Warrior Recreation Center” regarding the preparation of stand-alone financial statements for the WRC noting that the administration has implemented the suggested corrective actions to the satisfaction of OIA.

Regent Abercrombie inquired as to whether his understanding that the WRC has established accounting procedures to prevent a recurrence of the financial statement concerns noted in OIA’s original report was correct. Internal Auditor Shizumura responded in the affirmative.

Chair Akitake thanked the administration and management of the WRC, particularly Dr. Teresa Crichfield and Aileen Kozai, for their work on implementing the recommended corrective actions.

G. Enterprise Risk Management (ERM): Update on Cyber Security Risk

VP Yoshimi briefed the committee on cyber security risks facing UH, emphasizing that this issue is not unique to the university. He stressed that, while cyber security has always been a priority for the university, a rise in frequency and significance of information technology (IT) threats experienced by a broad spectrum of entities, including institutes of higher education, has resulted in this risk exposure being recently elevated on the university’s ERM heat map. He also went over the costs and global impacts of cybercrime; discussed the constant threat cybercrime presents to the university’s IT assets and systems; reviewed, in general, recent IT system cyberattacks experienced by the university as well as the university’s response to these attacks; and spoke about steps being taken to address and respond to IT security concerns and protect the assets and interests of the university.

Discussions occurred between Regent Abercrombie and VP Yoshimi about the methodology by which cyberattacks are detected; the processes for remediating IT system security breaches; the sufficiency of the university’s IT personnel, equipment, and financial resources to address this matter; instances where the university has been blackmailed; the notification of security and appropriate law enforcement agencies when
a cyberattack occurs; the arrest and prosecution of individuals involved in these illegal activities; and the international nature of cyberattacks.

Board Chair Nahale-a commented on the complex nature of cybersecurity, applauded the efforts of the university for addressing this issue given its limited resources, and stressed the importance for regents and the administration to clearly express the university’s asset and financial requirements in this, as well as other areas of importance critical to the success of the institution which in turn leads to success for the state. VP Yoshimi thanked Chair Nahale-a for his comments, praised the university’s IT team for their work, and noted that investing in long-term IT workforce development is one key to addressing the issue of cyber security not only at the university but worldwide.

Regent Abercrombie asked if a report on the precise financial and personnel resources needed to tackle IT security issues at the university can be provided to regents in the future. VP Yoshimi responded in the affirmative stating that the administration is already working to determine both the immediate and future investments needed to address IT security concerns at the university for the purposes of making an appropriation request for the next fiscal biennium.

V. EXECUTIVE SESSION (closed to the public)

Vice-Chair Lee moved to convene into executive session, seconded by Regent Abercrombie, and with all members present voting in the affirmative, the committee approved convening in executive session to consult with the board’s attorney on questions and issues pertaining to the board’s powers, duties, privileges, immunities, and liabilities, and to consider matters related to public safety or security, pursuant to Section 92-2.5 (a)(4) and (6), Hawai‘i Revised Statutes.

The meeting recessed at 3:29 p.m.

Chair Akitake called the meeting back to order at 3:48 p.m. and announced that the committee met in executive session to discuss matters as stated on the agenda.

VI. AGENDA ITEMS (continued)

A. Audit Project Status Update

Internal Auditor Shizumura provided a status update on the projects and audits outlined in the approved Internal Audit Work Plan for Fiscal Year 2023-2024 and presented a chart indicating new and ongoing carryover projects as well as their current status, highlighting the addition of a project involving the review of UHM Student Housing which was requested by the committee at its October 5, 2023, meeting.

B. Whistleblower Report

Internal Auditor Shizumura provided an overview of the whistleblower summary and tracking reports and reviewed some of the specific information contained within these
reports noting that incidents involving employment or human resources-related issues constituted the majority of whistleblower cases for the current reporting period.

VII. ADJOURNMENT

There being no further business, Chair Akitake adjourned the meeting at 3:51 p.m.

Respectfully Submitted,

Yvonne Lau
Executive Administrator and Secretary
of the Board of Regents