MINUTES OF THE REGENTS’ COMMITTEE
ON UNIVERSITY AUDITS

Date: Wednesday, June 16, 2004

Place & Time: Campus Center Conference Room 220
University of Hawai‘i at Mānoa
10:16 a.m.

Committee Members Present: Regents Yamasato (presiding)
Haynes
Kakuda
Kawakami
Lee (ex-officio)

Other Regents Present: Regents Bender
Lagareta
Nunokawa
Tanaka
Tatibouet

Others Present: David McClain, Acting President, University of Hawai‘i
Sam Callejo, Chief of Staff
Herman Frazier, Director of Athletics
Kathleen Cutshaw, Director, Administrative Services
James Hasselman, Partner, PricewaterhouseCoopers
Corey Kubota, PricewaterhouseCoopers
David Iha, Executive Administrator and Secretary of the Board
Carl H. Makino, Executive Assistant to the Board

Regent Yamasato declared a recess at 10:17 a.m. and reconvened the meeting at
10:41 a.m. in the same location.

Subjects:

1. Financial Statement Audit/Agreed-Upon Procedures, Intercollegiate Athletics,
University of Hawai‘i at Mānoa, for Fiscal Year Ended June 30, 2003

2. Report on Agreed-Upon Procedures, School of Ocean and Earth Science
Technology for the Period, July 1, 1998 to June 30, 2003
Financial Statement Audit/Agreed-Upon Procedures, Intercollegiate Athletics, University of Hawai'i at Mānoa, for Fiscal Year Ended June 30, 2003

Mr. Hasselman reported that the University of Hawai'i at Mānoa Athletic Department had a deficit of $2.5 million in 2003. Furthermore, approximately $100,000 in receivables from Steinberg was still in dispute. The reason for the deficit was due to relatively flat revenues while the department continued to increase its expenditures by $2.6 million. Furthermore, according to Mr. Hasselman, there is currently no one in the department who understands financial management and budgeting. The department needs enough business background to turn expenses around.

Chairperson Lee asked why there was no one in the department overseeing the revenue and expenditures. Mr. Hasselman explained that there were people in the department who understood the fiscal and budget process but one left for another position and the fiscal person recently retired. In addition, the department had to fulfill its obligations under Title XI which contributed significantly to the escalating expenditures.

Regent Yamasato asked that next year's report be formatted to show comparisons by sport. Mr. Hasselman stated that such a report would show that the major losses occurred in women sports due to Title IX obligations.

Director Frazier provided a proposed five-year plan which included revenue projections and the hiring of a CFO with financial and business background by mid July. Regent Nunokawa commented that the department should have been looking for people with knowledge similar to those who left instead of having to now hire an additional person.

Regent Yamasato asked why revenues for some sports were leveling out. Director Frazier stated that they need to examine the number of games, particularly away games which incur travel expenses. He reiterated how the University is obligated to comply with Title XI regulations but at considerable expense without realizing much revenues for those sports. Regent Lagareta stated that Title IX is not new so what is the department doing to generate opportunities for new revenues. Director Frazier said they were looking at different guarantees for away sports. Corporate partnerships will be done in-house rather than paying out to Steinberg. TV contracts and Pay-for-view will be up for negotiations and increased revenues are expected from those sources.


Mr. Cebidae reported that PricewaterhouseCoopers (PWC) conducted an agreed-upon procedures audit of the School of Ocean and Earth Science and Technology (SOEST). PWC’s procedures which were determined by management were performed
solely to assist the University in evaluating the school’s compliance with Hawai‘i Revised Statutes, Hawai‘i Administrative Rules and the University Policies and Procedures for the period July 1, 1998 to June 30, 2003. He cited that SOEST had an account showing a cash balance representing working capital to cover deficits of other SOEST accounts at RCUH. Mr. Cebidae felt that this was a good practice for those who have several accounts at RCUH. However, he did cite a need for a better conflict of interest procedures because no one knows who and what needs to be disclosed. Other high risk findings included the collection of accounts receivable and billing of accounts receivable.

Regent Yamasato inquired about their internal controls. Mr. Hasselman said that it is a relatively good department with a competent fiscal staff so internal controls are sound.

Regent Kakuda moved to receive the audit and agreed upon procedures report of the Intercollegiate Athletic Department at the University of Hawai‘i at Mānoa for the fiscal year ended June 30, 2003 and the agreed-upon procedures report of the School of Ocean and Earth Science Technology for the period July 1, 1998 to June 30, 2003 as performed by PWC. The motion was seconded by Regent Haynes and unanimously carried.

Regent Yamasato informed the administration that the Committee would be transmitting a few questions for response. There being no further business before the Committee, the meeting was adjourned at 11:50 a.m.

Respectfully submitted,

David Iha, Secretary

Dated: July 27, 2004

Chairperson Patricia Y. Lee
Members, Committee on University Audits
Acting President David McClain
Chief of Staff Sam Callejo