

## Notice of Meeting

### UNIVERSITY OF HAWAI'I

#### BOARD OF REGENTS COMMITTEE ON INDEPENDENT AUDIT

Members: Regents McEnerney (Chair), Moore (Vice-Chair), Higaki, and Portnoy

**Date:** Friday, May 18, 2018  
**Time:** 12:00 p.m.  
**Place:** University of Hawai'i at Mānoa  
2465 Campus Road  
Executive Dining Room  
Honolulu, Hawai'i 96822

### AGENDA

- I. **Call Meeting to Order**
- II. **Approval of Minutes of the April 4, 2018 Meeting**
- III. **Public Comment Period:** All written testimony on agenda items received after posting of this agenda and up to 24 hours in advance of the meeting will be distributed to the board. Late testimony on agenda items will be distributed to the board within 24 hours of receipt. Written testimony may be submitted via US mail, email at [bor@hawaii.edu](mailto:bor@hawaii.edu), or facsimile at 956-5156. Individuals submitting written testimony are not automatically signed up for oral testimony. Registration for oral testimony on agenda items will be provided at the meeting location 15 minutes prior to the meeting and closed once the meeting begins. Oral testimony is limited to three (3) minutes. All written testimony submitted are public documents. Therefore, any testimony that is submitted verbally or in writing, electronically or in person, for use in the public meeting process is public information.
- IV. **Agenda Items**
  - A. For Action:
    1. Approval of Annual Review of Committee Charter
    2. Approval of Proposed Internal Audit Workplan for 2018-2019
    3. Acceptance of the Draft Committee on Independent Audit Annual Report to the Board
  - B. For Information & Discussion:
    1. Whistleblower Report
    2. Enterprise Risk Management Report
    3. Status of Financial Management Audit of Maunakea Activities
    4. Update on Travel Policy Compliance Review Corrective Actions
    5. Committee Annual Review
- V. **Adjournment**

Item IV.A.1.  
Approval of Annual  
Committee Charter

**ITEM TO BE  
DISCUSSED AT  
MEETING**

UNIVERSITY OF HAWAII  
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OFFICE OF INTERNAL AUDIT

Audit Plan

*For the Fiscal Year Ended June 30, 2019*



## Overview

The University of Hawai'i (University) Office of Internal Audit (Internal Audit) has developed this audit plan for the fiscal year ended June 30, 2019 as required by the Charter of the Office of Internal Audit of the University of Hawai'i (Charter). The primary purpose of the audit plan is to document Internal Audit's role, objectives, and goals underlying its intent to make a contribution to the University's continued success.

As set forth in its Charter, Internal Audit's mission is to assist the University's Board of Regents (BOR) and University Management (President, Senior Management Team, Chancellors and Vice Chancellors) in fulfilling their oversight, management, and operating responsibilities. This is accomplished through providing independent and objective assurance and consulting services conducted in a systematic and disciplined approach to evaluate, add value, and improve the University's operations while simultaneously mitigating the University's risk. Internal Audit services are described below:

### **Assurance Services**

Assurance services may vary depending on the nature of the engagement, its objectives and type of assurance desired. Assurance services include the following:

- Financial audits and reviews – determine the fairness, accuracy, and reliability of financial information presented in accordance with established or stated criteria.
- Attestation engagement – examination, review, or agreed-upon procedures on a subject matter, or an assertion about a subject matter (including financial information).
- Operational reviews – evaluate an area, department, or functional operation for the purpose of evaluating efficiency and effectiveness.
- Compliance reviews – address adherence to laws, regulations, policies and procedures, and terms and conditions of contracts/agreements.
- Follow-up – evaluate the status of corrective actions on internal or external audit findings reported in a previously completed audit report.

### **Consultation and Investigation Services**

Consultations are similar to operational reviews. The nature and scope of consultation services are to add value and improve the auditee's governance, risk management, and control processes without Internal Audit assuming management responsibility. Investigations may relate to fraud, waste and/or abuse complaints reported to the BOR office, University management or the whistleblower hotline.

Internal Audit is also consulted on generally accepted accounting principles and its application, accounting and operational process analyses and related internal control matters. Internal Audit also provides guidance and consults with auditees in connection with their implementation of Internal Audit recommendations. Throughout the year, Internal Audit seeks opportunities to become involved in planning committees, policy and guidance development, and other University strategic efforts in order to promote internal controls, quality processes, and the alignment of resources in the planning and implementation stages.

### **Audit Plan Development and Objectives**

As in prior years, the Audit Plan was developed using a risk-based approach and considered Internal Audit's available resources. Consistent with the fiscal 2018 Audit Plan, the Director of Internal Audit consulted and obtained feedback from the University's President and Vice President of Budget and Finance with respect to potential audit projects to be included in the fiscal 2019 Audit Plan. Criteria used



in selecting audit projects included providing coverage of higher risk departments/units/functions and areas of concern to the BOR and University management. The following were also considered in preparing Internal Audit's Audit Plan:

- Periodic meetings and discussions with the Committee on Independent Audit (Audit Committee) Chair and Vice Chair.
- Observations and findings contained in historical reports issued by Internal Audit. Certain University departments and/or functions may be reviewed as a result of:
  - audit issues identified in connection with fiscal 2018 audit projects that warrant further analysis
  - audit issues noted in departments and/or functions with similar operations and/or
  - unremediated audit findings.
- Review of the various Internal Control and Business Issues Reports issued by the University's external auditors.
- Meetings and discussions with Accuity LLP (Accuity) with respect to sensitive audit areas.
- Regulatory compliance.

Internal Audit designs audit procedures for projects listed in the Audit Plan to assess the following:

- Risks are appropriately identified and managed.
- Information is accurate, reliable and timely.
- Employee actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- Operations are efficient and effective.
- Resources are acquired economically, used efficiently and adequately protected.
- Accountability systems are in place to ensure organizational and program missions, goals, plans and objectives are achieved.

This Audit Plan is a living document, requiring continual monitoring and revision as conditions warrant. Flexibility is an inherently accepted part of the Audit Plan to accommodate management requests and other unanticipated priorities that arise throughout the year. Accordingly, an Audit Plan approved by the Audit Committee may be supplemented with additional projects due to the sensitivity, high risk and/or media exposure associated with the additional project. These additional projects may be the result of University President and Senior Management consultation with the BOR (including the Audit Committee). Audit projects that supplemented the fiscal 2018 Audit Plan were the "Review of Employee Cell Phone Charges" and the "Maunakea Financial Review". In addition, projects may be deferred as a result of a project's initially identified risk being resolved and/or mitigated prior to the commencement of work. All revisions to the approved Audit Plan require Audit Committee concurrence. Additionally, a few audit projects that commenced in 2018 are carried over for completion in fiscal 2019. The carryover projects were expected and in line with a normal audit process where audits commencing in the last few months of the fiscal year end are completed early in the following year.

Pursuant to the Bylaws of the BOR (Article II, Section D, 2.) and the Charter of the Audit Committee, the Audit Committee is responsible to review and approve the Audit Plan and significant changes to the Audit Plan. The Audit Committee is also responsible to evaluate the extent to which the Audit Plan addresses high risk areas. The ongoing support of the BOR, University Management, and other constituents in developing this plan and maximizing Internal Audit's effectiveness is greatly appreciated.



## **Proposed Audit Engagements July 1, 2018 to June 30, 2019**

### **External Audits**

#### **Overview:**

During April 2018, Accuity was re-engaged to provide external audit services to the University for the three year period ended June 30, 2020. The University has an option to extend the contract for an additional year. Accuity is scheduled to perform the following audits for the fiscal year ended June 30, 2018:

- Single Audit – University of Hawai‘i
  - Consolidated Financial Statements
  - Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- Intercollegiate Athletics – University of Hawai‘i at Mānoa (UHM Athletics)
  - NCAA Agreed-Upon Procedures

The University consistently issues its consolidated financial statements prior to the due date established by the State of Hawai‘i Comptroller for inclusion in the State of Hawai‘i’s Comprehensive Annual Financial Report.

Internal Audit has historically provided up to 1,000 hours of external audit assistance to Accuity to decrease external audit hours and the related audit fees. In addition to the 1,000 hours of external audit assistance, Internal Audit also participates in meetings (planning, status, financial statement review, etc.) impacting the audits and performs additional procedures as requested by Accuity.

Due to the substantial scope of carryover audits from fiscal year 2018 (specifically the Maunakea financial review), Internal Audit is unable to determine the nature and extent, if any, of external audit assistance that may be provided until late summer or early autumn of 2018.

#### **1. Single Audit (Uniform Guidance) – University of Hawai‘i**

Federal regulations require that organizations (state/local governments and non-profits) expending federal awards in excess of \$750,000 are subject to the Single Audit requirements of OMB Uniform Guidance. The University’s Schedule of Expenditures of Federal Awards for the year ended June 30, 2017 noted approximately \$519 million in federal expenditures.

A Single Audit requires an examination by an independent certified public accountant of the financial records, financial statements, federal award transactions and expenditures, and internal control systems of the auditee. The Single Audit consists of financial statement and compliance audit components. The Single Audit reports are required to be submitted to the federal government within 9 months after the organization’s year-end (March 31 for the University).

The University is responsible for preparing the Management Discussion and Analysis, consolidated financial statements and related notes, supplementary information accompanying the consolidated financial statements, and the Schedule of Expenditures of Federal Awards (SEFA) and related notes. The University’s independent auditor, Accuity is required to audit the University’s consolidated



financial statements and SEFA in accordance with *Government Auditing Standards* (Yellow Book) and the federal audit requirements of OMB Uniform Guidance.

Type:	Financial, Compliance
Period under audit:	July 1, 2017 – June 30, 2018
Est. time of performance:	September 2018 – December 2018

2. Intercollegiate Athletics – University of Hawai'i at Mānoa

UHM Athletics is subject to an annual agreed-upon procedures review pursuant to NCAA requirements. The NCAA manual requires that Division I institutions submit financial data detailing operating revenues, expenses and capital expenditures related to its intercollegiate athletics program on an annual basis. The financial data shall be subject to annual agreed-upon verification procedures conducted by a qualified independent accountant who is not a staff member of the institution and who is selected by the institution's chancellor or president or by an institutional administrator from outside the athletics department designated by the chancellor or president.

Type:	Attestation (agreed-upon procedures)
Period under audit:	July 1, 2017 – June 30, 2018
Est. time of performance:	July 2018 – December 2018



## **Audit Committee Assistance**

### 1. Whistleblower Hotline

The University whistleblower hotline and associated website was launched on June 15, 2016. The hotline/website is accessible globally 24 hours/day, 365 days/year and is available to University employees and the general public for the reporting of violations of law, rules or regulations in a confidential and anonymous manner.

Internal Audit and the Office of Risk Management have administrative roles with respect to the hotline and consult with campus personnel overseeing the investigation of claims received through the hotline. The Director of Internal Audit prepares and presents a “Whistleblower Hotline Tracking Report” at each Audit Committee meeting.

### 2. Audit Committee Reports

Internal Audit will continue to assist the Audit Committee prepare the following reports required by Hawai'i Revised Statutes §304A- 321:

- Annual report to the BOR and the Hawai'i State Legislature (Legislature), no later than twenty days prior to the convening of each regular session of the Legislature on matters that include the following:
  - All instances of material weakness in internal control, including the responses of University management (to these instances); and
  - All instances of fraud, including the responses of University management (to these instances).

Historical reports submitted to the Legislature included documents prepared by Accuity noting that Accuity did not identify any matters that they considered to be material weaknesses in internal control over financial reporting and that they noted no instances of fraud or illegal acts.

- Annual report to the BOR to evaluate the effectiveness of the Audit Committee.

## **Internal Audits**

### 3. Suspense and Clearing Accounts

In connection with fiscal 2018 audit projects, Internal Audit noted various transactions posted to Kualii Financial System (KFS) accounts identified as either a suspense or clearing account. These accounts were used to record transactions in which there was uncertainty regarding the proper KFS accounting classification of the transaction. It is the responsibility of accounting personnel to investigate and clarify the purpose of the transactions recorded to the suspense accounts and reclassify the transaction to the appropriate general ledger account to ensure accurate financial reporting.

As of April 2018, KFS had 951 accounts designated as an account type “Clearing” or “CL”. Of those, 332 were active (i.e., financial transactions were recorded to the account) during fiscal year 2018. As





of April 2018, the total balance within University suspense/clearing accounts was approximately \$9.5 million, with an average balance of approximately \$28,500 per active account. Internal Audit is also aware of other University accounts not designated as a CL, but which are used for a similar purpose. One example is the Banner Clearing Account, which carried a balance in excess of \$8 million as of June 30, 2017.

Given the large volume and dollar amounts of University suspense/clearing accounts, Internal Audit will evaluate the purpose and significance of these accounts and the processes and procedures implemented, if any, to investigate and reclassify transactions recorded in these accounts in a timely manner. Internal Audit will also determine if the processes and procedures conform to University policy, if any.

Type:	Operational, Compliance, Financial
Period under audit:	As of and for the year ended June 30, 2018
Est. time of performance:	January 2019 – March 2019

4. Student Organizations Cash Accounts

Each University campus may have various Chartered Student Organizations (CSO) supported by student fees. RP 7.202 defines a CSO as a “campus-wide student association organized to carry out functions or operations on behalf of the university for the purpose of serving the entire student body on its campus”. Relevant University policies with respect to Student Organizations include:

- RP 7.201, “Student Organizations”
- RP 7.202, “Chartered Student Organizations”
- EP 6.208, “Mandatory Student Fees”

CSO’s are expected to prepare annual budgets describing proposed uses of student fees. These annual budgets should be reviewed and approved by the respective Office of the Vice Chancellor for Students of each campus. Internal Audit was informed that CSO’s may have bank accounts external to the University. From an audit and business perspective, cash is a highly liquid asset and thus has a high risk of misappropriation. As a result of this risk, Internal Audit will evaluate the policies, procedures and related controls over the cash accounts of select CSO’s. Internal Audit will initially consult with the University’s Interim Associate Vice President of Student Affairs to identify the University CSO’s to evaluate in connection with this audit.

The objective of this audit is to determine and evaluate 1) if adequate internal controls have been implemented to safeguard the cash accounts; 2) the existence of proper segregation of duties; and 3) if the cash receipts and disbursements procedures and practices comply with University policies.

Type:	Operational, Financial, Compliance
Period under audit:	July 1, 2017 – June 30, 2018
Est. time of performance:	October 2018 – January 2019



5. UHM Bookstore

The UHM Bookstore (Bookstore) sells books, electronics, clothing, supplies and other items both at its store and via an online portal. In addition, the Bookstore took over the operations of the H-Zone from UHM Athletics during June 2017. The H-Zone sells Rainbow Warrior and Rainbow Wahine apparel and merchandise.

The Bookstore is responsible for all accounting functions of all University bookstore locations within the University. In connection with Internal Audit’s Business Office – Cash Collections project (see no. 12 below), Internal Audit identified operational, compliance and financial risks related to the Bookstore’s inventory management, monitoring of financial results and overall compliance with University policy. Internal Audit previously evaluated the Bookstore as a result of a material weakness in internal control comment by Accuity LLP in connection with its fiscal year 2009 audits. In Internal Audit’s December 2010 report, recommendations were provided to mitigate risks related to inventory management, internal controls and financial oversight.

Thus, Internal Audit will review operational, compliance and financial aspects of the Bookstore, including but not limited to the following:

- Inventory management and related accounting and operational controls
- Monitoring of outstanding accounts receivable and credit memos
- Monitoring and management of financial results

Type:	Operational, Compliance, Financial
Period under audit:	July 1, 2017 – June 30, 2018
Est. time of performance:	July 2018 – September 2018

6. Review of the Sodexo Food Service Contracts

The University enters into various food service contracts with Sodexo America, LLC (Sodexo). These food service contracts impact the following operations:

- board meal operations (meal plans) in the UHM student resident halls,
- board meal operations (meal plans) in the UHH student resident halls,
- retail operations at the UHM Campus Center and other student affairs related facilities (i.e., convenience store located at the UHM student housing complex),
- food and beverage concessions at UHM athletic events (Stan Sheriff Center, Murakami baseball stadium, etc.), and
- retail operations and the Culinary Arts Program at Maui College.

Internal Audit issued a report dated March 2013 noting that the UHM Director of Student Life Business Operations was diligently monitoring the UHM Campus Center food program contract and that the financial and operational results were relatively consistent with the budgets and goals established by the University. However, Internal Audit also noted that the contract provisions provided Sodexo with substantial rewards (reimbursement of expenses plus management fees) with minimal risks and incentives to manage this food program more efficiently and effectively, thereby minimizing the University’s amount of reimbursements to Sodexo. Fiscal 2017 audit projects related to UHM Student Housing and UHH Student Housing noted different terms and conditions with the



respective Sodexo contracts in addition to certain non-compliance issues with respect to the UHH Student Housing contract.

The objective of this audit is to read the University's contracts with Sodexo and determine if Sodexo is complying with the terms and conditions of the respective contracts. Internal Audit will also evaluate the contracts for terms and conditions that are beneficial to the University but that are not included in all contracts.

Type:	Operational, Compliance, Financial
Period under audit:	July 1, 2017 – June 30, 2018
Est. time of performance:	November 2018 - February 2019

### **Recurring:**

Internal Audit provides audit services to University units to reduce their burden of incurring audit fees for services provided by external auditors.

#### 7. Associated Students of the University of Hawai'i at Mānoa

The Constitution of Associated Students of the University of Hawai'i at Mānoa (ASUH) requires that an annual audit be performed of ASUH's financial statements. Senate Resolution 07-10 stipulates that the audit be performed no more than once every ten years by an external certified public accounting firm. Accuity audited ASUH's financial statements for the year ended June 30, 2008. The type or scope of audit is not defined in the ASUH Constitution or Senate Resolution. During fiscal year 2013, an ASUH resolution 04-13 was issued requiring internal fiscal reviews during fiscal years 2014 and 2017 and operational audits during fiscal years 2012, 2013, 2015, 2016, 2018, and 2019.

Senate Resolution 07-16 specifies that the fiscal year 2018 operational review will consist of a review of stipends and graduate test prep awards. Internal Audit will also perform follow-up procedures to evaluate the status of corrective action on the audit finding reported in Internal Audit's prior year management letter.

Type:	Attestation
Period:	July 1, 2017 – June 30, 2018
Est. time of performance:	August 2018 – October 2018

### **Follow-up:**

The following engagements relate to the performance of follow-up reviews to evaluate the status of corrective action of audit findings reported in reports issued in the prior year.

#### 8. Corrective Action – Auditee Status

Internal Audit performs follow-up reviews to evaluate the status of corrective action on audit findings reported in prior year audit reports. An assessment of the implementation of corrective action for historical Internal Audit projects will be performed during fiscal 2019. The report will document Internal Audit's prior year recommendations and the procedures performed to assess corrective action



implementation. Follow-up reviews in connection with fiscal 2018 audits are anticipated to include the following:

- Outreach College
- Student Fees for Professional Programs
- Capital Improvement Projects and Repairs and Maintenance
- Travel Policy Compliance
- Employee Cell Phone Charges
- Check Disbursements less than \$2,500
- ASUH (see no. 7 above)

Type:	Financial, Operational, Compliance
Period under audit:	Through December 31, 2018
Est. time of performance:	March 2019 – June 2019

In connection with several follow up reviews performed during fiscal 2018, Internal Audit determined that the implementation of a number of corrective actions were either in process or pending the occurrence of certain events. Accordingly, Internal Audit will perform additional reviews to assess the status of corrective action implementation for the following historical audits.

- UHM Athletics Equipment and Apparel
- UHM Commuter Services

Type:	Financial, Operational, Compliance
Period under audit:	Through June 30, 2018
Est. time of performance:	July 2018 – August 2018

**Carryover:**

9. University of Hawai'i – Maunakea

On February 22, 2018, the BOR adopted a resolution requesting an audit of relevant university-related entities engaged in Maunakea stewardship and management. The University of Hawai'i manages approximately 11,288 acres at the summit of Maunakea and a portion of the Summit Access Road, and also leases approximately 19.26 acres at Hale Pohaku, including mid-level support facilities and a visitor center (these areas are collectively referred to as the "Science Reserve"). Various university-related entities are involved in the management of the Science Reserve, including but not limited to the Office of Maunakea Management, Institute for Astronomy, and Maunakea Observatories Support Services, which receives administrative support through the Research Corporation of the University of Hawai'i.

Since March 2018, Internal Audit has met with management and personnel at each of the above noted entities to determine the organizational framework, governance structure and sources of revenues, expenses and other financial transactions. Internal Audit plans to compile and review financial results across the entities involved in the management and operations of Maunakea.



Type: Operational, Financial  
 Period under audit: Three years ended June 30, 2017 with select information updated through the end of fieldwork

10. Student Accounts Receivable

Since the year ended June 30, 2011, the year over year increases in the University’s gross and net (of allowance for doubtful accounts) student accounts receivable accounts are as follows:

	<b>June 30, (in 000’s)</b>						
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Gross	\$ 35,023	\$ 35,611	\$ 32,127	\$ 28,287	\$ 23,270	\$ 20,011	\$15,821
Allowance for							
D/A	(27,673)	(25,464)	(24,941)	(22,376)	(11,677)	(8,879)	(6,396)
Net	<u>\$ 7,350</u>	<u>\$ 10,147</u>	<u>\$ 7,186</u>	<u>\$ 5,911</u>	<u>\$ 11,593</u>	<u>\$ 11,132</u>	<u>\$9,425</u>

Source: KFS and the University of Hawai‘i’s audited financial statements.

The increasing receivable balance negatively impacts the University’s liquidity and thus its ability to fund projects and pay creditors.

Internal Audit is in the process of completing its review and analysis of the processes and procedures related to originating, recording, collecting, reserving and writing off student accounts receivable balances. Additionally, Internal Audit is completing its evaluation of compliance with University policies including AP 8.731, “Delinquent Financial Obligations.” A preliminary draft report has been prepared.

Based on the work performed to date, Internal Audit noted the following:

- Contrary to University policy, University campuses inconsistently cancel class registrations for students that registered for classes but did not make payment by stated deadlines.
- Disbursement of student financial aid prior to the start of the semester has increased gross student accounts receivables for students that were later determined to be ineligible to receive financial aid.
- There is a backlog of Banner and KFS error reports requiring resolution and gaps in the consequences levied on students with delinquent accounts. Internal Audit also identified financial information discrepancies between Banner and KFS and transactions that may not be properly recorded in KFS.

Type: Operational, Compliance, Financial  
 Period under audit: As of and for the year ended June 30, 2017

11. Business Office – Cash Collections

Each University campus has various cash collection points (business office, school, department, etc.) that are responsible for the collection and deposit of cash and credit card receipts. Cash collected may relate to tuition and fees, fines, housing and meals, tickets (theater, sport events, etc.), parking,



etc. From an audit and business perspective, cash is a highly liquid asset and thus has a high risk of misappropriation. In addition, almost all business transactions are ultimately settled in cash.

With the assistance of the University's Treasury Department, Internal Audit has identified the cash collection points for evaluation as follows:

1. Shidler College of Business
2. Kapi'olani Community College – Cashier's Office
3. Kapi'olani Community College – Office of Continuing Education and Training
4. Kapi'olani Community College – Culinary Program
5. Kapi'olani Community College – Lē'ahi Concept Kitchen
6. Leeward Community College – Cashier's Office
7. Leeward Community College – Office of Continuing Education and Workforce Development
8. Honolulu Community College – Cashier's Office
9. Honolulu Community College – Continuing Education and Lifelong Learning
10. UH Mānoa Hawaii English Language Program
11. UH Auxiliary Services Conference Center
12. UH Mānoa Athletics Ticket Office
13. UH Bookstores

For each cash collection point, Internal Audit is in the process of determining and evaluating 1) if adequate internal controls have been implemented to safeguard cash collection activities; 2) the existence of proper segregation of duties; and 3) if the cash collection procedures and practices at various cash collection points comply with University policies, including AP 8.701, "Receiving and Depositing of Funds Received by the University."

Based on the work performed to date, Internal Audit noted the following:

- Certain cash collection points did not reconcile subsidiary systems to KFS on a periodic basis and lacked appropriate segregation of duties in the cash receipts process.
- Several cash collection points were not in compliance with certain University policies.
- Treasury's process for compliance with the Payment Card Industry Data Security Standard (PCI DSS) should be improved to ensure all cash collection points accurately complete the correct Self-Assessment Questionnaire (SAQ).

Type:

Operational, Compliance, Financial

Period under audit:

As of December 2017

## 12. Evaluation of Corrective Action Status

As noted previously, Internal Audit performs follow-up reviews to evaluate the status of corrective action on audit findings reported in prior year audit reports. Follow-up reviews in process and that will be completed during fiscal 2019 include the following:

- University of Hawai'i Press
- UHM Student Housing
- UHH Student Housing



Audit fieldwork is substantially completed and a preliminary draft report has been prepared. Based on the work performed to date, Internal Audit noted the following:

University of Hawai'i Press- All corrective actions have been implemented. Internal Audit identified further improvements to one recommendation.

UHM Student Housing- Substantially all corrective actions are in the process of implementation.

UHH Student Housing- The majority of corrective actions are in the process of implementation.

Audit fieldwork with respect to these follow-up reviews is substantially complete and the related report is currently in the drafting process.

Type:	Financial, Operational, Compliance
Period under audit:	Through December 31, 2017



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# Committee on Independent Audit of the Board of Regents

Annual Report  
*For the Fiscal Year Ended June 30, 2018*

+ Office of Internal Audit: *Audit Results for the fiscal year ended June 30, 2018*



## **Summary**

This Annual Report is prepared pursuant to the provisions of Hawai‘i Revised Statutes (HRS) §304A-321, *Independent Audit Committee*. Similar to the fiscal year ended June 30, 2017 Annual Report, the June 30, 2018 Annual Report is organized by the following sections:

1. Committee on Independent Audit (Audit Committee) Charter
2. Role of the Audit Committee
3. Membership
4. Meetings

The Audit Committee has fulfilled its responsibilities pursuant to the Bylaws of the Board of Regents of the University of Hawai‘i (BOR Bylaws) and HRS §304A-321. Collectively, BOR Bylaws (Article II.D.2.e) and HRS §304A-321 functions as the Audit Committee’s Charter. This Annual Report includes and is complemented and supported by the “Audit Results” report prepared by the University of Hawai‘i (University or UH) Office of Internal Audit (Internal Audit) that summarizes Internal Audit’s activities during the fiscal year ended June 30, 2018.

## **Committee on Independent Audit (Audit Committee) Charter**

The duties and responsibilities of the Audit Committee are documented in HRS §304A-321 and BOR Bylaws. The Audit Committee’s duties and responsibilities include the following:

1. Undertake professional development to improve the financial expertise of the Audit Committee.
2. Provide oversight relating to enterprise risk management.
3. Hold meetings at least twice per year.
4. Review the Audit Committee’s effectiveness and prepare or oversee the preparation of an annual report to the BOR.
5. Review the procedures for the receipt, retention, and treatment of complaints received by the University regarding accounting, internal accounting controls, auditing matters, or suspected fraud that may be submitted by any internal or external party.
6. Review (1) significant findings of internal audits and auditee responses, (2) whether internal auditors have encountered difficulties in the course of their audits, (3) changes in the scope of internal audits, (4) the internal audit budget and staffing, (5) the annual internal audit plan, and (6) the annual report of the internal audit department.
7. Review the following with management and the external auditor: (1) UH’s annual financial statements and related footnotes, (2) all reports certified by the external auditor, (3) the external auditor’s judgments about the quality of UH’s accounting principles, (4) any significant changes required in the external auditor’s audit plan, (5) any difficulties or disputes encountered during the audit, and (6) matters pursuant to Statement on Auditing Standards No. 114 (critical accounting policies and practices, consultations with audit firms other than the external auditor, and any other information relating to significant estimates and judgments).
8. Review with the external auditor matters affecting internal control including (1) the adequacy of UH’s internal control, including computerized information system controls and security and (2) any related significant findings and recommendations of the internal and external auditors, together with the responses of UH.
9. Annually evaluate the external auditor and the internal audit function.
10. Recommend to the BOR, the external auditor to be retained by UH and their fees.
11. Submit an annual report to the BOR and the legislature no later than 20 days prior to the convening of each regular session of the legislature on matters that include (1) all instances of

material weaknesses in internal control, including the responses of UH management and (2) all instances of fraud, including the responses of UH management.

12. Internal auditors shall meet separately with any external auditor to coordinate audit plans to optimize the ability of the external auditor to rely upon the results of an internal audit team.
13. Perform such other functions as assigned by the BOR and/or its bylaws.

### **Role of the Audit Committee**

The Audit Committee members are appointed by the BOR Chair and serve for one year or until the appointment of successors. The Audit Committee Chair is selected by the members of the Audit Committee.

Pursuant to the BOR Bylaws, the Audit Committee has the authority to conduct or authorize investigations into any matter within its scope of responsibility with unrestricted and timely access to all University functions, books, records, information systems, data, personnel, and property as necessary to carry out its duties.

### **Membership**

The Audit Committee must consist of at least three members but not more than five members. During the fiscal year ended June 30, 2018, membership of the Audit Committee consisted of the following Regents:

1. Michael McEnerney, Chair
2. Randy Moore, Vice Chair
3. Wayne Higaki
4. Jeffrey Portnoy
5. Norma Doctor Sparks (resigned during calendar year 2018)

### **Meetings**

The Audit Committee is required to meet at least twice per year. During fiscal year 2018, the Audit Committee held seven meetings. The fiscal year 2018 Audit Plan was approved by the Audit Committee at the May 17, 2017 Audit Committee meeting. In addition to Audit Committee members, other BOR members attending fiscal year 2018 meetings included BOR Chair Sullivan, and Regents Acoba, Bal, Higa, Putnam, Shinsato, Tagorda, Wilson, and Yuen. Meeting attendees also included University executive management (President, Vice Presidents, Chancellors of various campuses, etc.), the Director of Internal Audit, and personnel from the University's external auditors (Accuity, LLP or Accuity). Other attendees consisted of University personnel from a University campus/department/function associated with an Audit Committee meeting agenda topic or matter.

The following summarizes the significant matters and topics discussed at Audit Committee meetings held during fiscal year 2018.

#### **August 10, 2017:**

1. The Audit Committee reviewed and accepted the following report presented by Internal Audit:
  - a. Follow up Report of Corrective Action Status – University Purchasing Card Program.
2. Internal Audit presented the Whistleblower Hotline Tracking Report.
3. Vice President for Administration Gouveia provided the inaugural FY17 Office of Risk Management annual report.

4. Audit Committee Vice Chair Moore explained that in May 2017 the Audit Committee reviewed the self-evaluation questionnaire prepared by the American Institute of Certified Public Accountants (AICPA) and that committee member responses would be incorporated into agendas for the year ended June 30, 2018.

**October 5, 2017:**

1. The Audit Committee reviewed and accepted the following reports presented by Internal Audit:
  - a. Follow up Report on Evaluation of Corrective Action Status – Kapi‘olani Community College Chancellor’s Office Accounts at UH Foundation.
  - b. Review of Travel Policy Compliance
2. The Director of Internal Audit presented the Whistleblower Hotline Tracking Report.
3. Vice President Gouveia provided a background on enterprise risk management efforts.

**December 7, 2017:**

1. Accuity discussed their professional responsibilities and required communications pursuant to Statement on Auditing Standards No. 114
2. The Audit Committee reviewed and accepted the following reports presented by Accuity:
  - a. University Audited Financial and Compliance Reports pursuant to Uniform Guidance for the year ended June 30, 2017
  - b. University Internal Control and Business Issues Report for the year ended June 30, 2017.
  - c. University of Hawai‘i at Mānoa (UHM) Intercollegiate Athletics NCAA Agreed-Upon Procedures Report for the year ended June 30, 2017
  - d. UHM Intercollegiate Athletics Department Internal Control and Business Issues Report for the year ended June 30, 2017
  - e. University of Hawai‘i at Hilo (UHH) Intercollegiate Athletics NCAA Agreed-Upon Procedures Report for the year ended June 30, 2017
  - f. UHH Intercollegiate Athletics Department Internal Control and Business Issues Report for the year ended June 30, 2017
3. The Audit Committee reviewed and accepted the following reports prepared and presented by Internal Audit:
  - a. Annual Report to the Legislature on Material Weaknesses and Fraud pursuant to HRS §304A-321. The report noted no material weaknesses or fraud.
  - b. Audit Plan Supplement: Review of Employee Cell Phone Charges
4. Internal Audit presented the Whistleblower Hotline Tracking Report.

**February 7, 2018:**

1. The Audit Committee reviewed and accepted the following reports prepared and presented by Internal Audit:
  - a. Associated Students of the University of Hawai‘i at Mānoa Financial Statements for the year ended June 30, 2017
  - b. Associated Students of the University of Hawai‘i at Mānoa Management Letter for the year ended June 30, 2017
  - c. Review of Employee Cell Phone Charges
  - d. UHM Outreach College Financial and Operational Review
2. The Audit Committee reviewed and accepted Accuity’s UHM Intercollegiate Athletics Report on Agreed-Upon Procedures for the 2017 Football Season attendance.
3. Internal Audit presented the Whistleblower Hotline Tracking Report.
4. Vice President Yoshimi presented the Enterprise Risk Management Update – Overview of Cybersecurity at University of Hawai‘i.

**March 8, 2018:**

1. The Audit Committee reviewed and accepted the following reports prepared and presented by Internal Audit:
  - a. Audit Plan Supplement: Financial Management Audit of Maunakea Activities
  - b. Review of Check Disbursements Less Than \$2,500
  - c. Review of Capital Improvement Projects and Repairs and Maintenance

**April 4, 2018:**

1. The Audit Committee reviewed and accepted Vice President for Budget and Finance/Chief Financial Officer Young's recommendation of Accuity as the University's external auditor for the years ended June 30, 2020, 2019 and 2018.

**May 18, 2018:**

1. The Audit Committee is expected to review the Audit Committee Charter
2. The Audit Committee is expected to review and accept the following reports prepared and presented by Internal Audit:
  - a. Proposed year ended June 30, 2019 Audit Plan
  - b. Year ended June 30, 2018 Annual Report of the Committee on Independent Audit
  - c. Year ended June 30, 2018 Audit Results of the Office of Internal Audit
3. Internal Audit is expected to present an updated Whistleblower Hotline Tracking Report and discuss the status of the Maunakea audit.
4. Other matters expected to be discussed are as follows:
  - a. Enterprise Risk Management
  - b. Corrective action status related to Internal Audit's Travel Policy Compliance review
  - c. Audit Committee self-evaluation

# UNIVERSITY OF HAWAII

Mānoa • Hilo • West O'ahu • Community Colleges

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OFFICE OF INTERNAL AUDIT

Audit Results

*For the Fiscal Year Ended June 30, 2018*

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For the Committee on Independent Audit of the Board of Regents

May 2018



## Executive Summary

### Introduction

The Office of Internal Audit (Internal Audit) prepares this Audit Results (or Annual Report) report to summarize their activities and accomplishments for the fiscal year ended June 30, 2018. The Bylaws of the Committee on Independent Audit of the Board of Regents (Audit Committee) require that the Audit Committee review this report. Additionally, the preparation of this report assists the Audit Committee review the internal audit function of the University of Hawai'i (University) as required by Hawai'i Revised Statutes (HRS) §304A-321, *Independent Audit Committee*. Pursuant to the Charter of the Office of Internal Audit of the University of Hawai'i (Internal Audit Charter), an annual audit plan is developed and submitted to the Audit Committee for review and approval. The fiscal year 2018 Audit Plan was approved by the Audit Committee on May 17, 2017.

### Overview of fiscal 2018 audit engagements

*Exhibit 1* summarizes the audit objective(s), audit scope, observations, findings, conclusions and status of the engagements included in the approved 2018 Audit Plan. The status, observations, findings and recommendations of these engagements were discussed with the Audit Committee Chair and Vice Chair continuously and throughout fiscal 2018. The following table categorizes the 25 engagements listed in *Exhibit 1*.

Fiscal 2018 engagements:	Completed reports		In process		Total
	Reviewed and accepted	For information	Substantially complete	Fieldwork ongoing	
New and carryover	5		2	1	8
Added to FY 2018 Audit Plan	1			1	2
H-Zone audit waived by landlord	NA				1
Audit Committee assistance	2	1			3
Follow-up	3		3	1	7
External assistance	4				4
<b>Total</b>	15	1	5	3	25

The two engagements added to the fiscal year 2018 Audit Plan consisted of the “Review of Cell Phone Charges” engagement (approved by the Audit Committee at the December 7, 2017 meeting) requested by Vice President for Budget and Finance/Chief Financial Officer Young and the “Maunakea Financial Review” engagement (in-process) pursuant to BOR Resolution. The Audit Committee assistance engagements related to the Whistleblower Hotline Program and related tracking reports, the annual report to the Hawai'i State Legislature noting no instances of material weaknesses and the Audit Committee's annual report evaluating their effectiveness. Substantial audit work has been completed with respect to the eight (8) in-process engagements. Draft reports associated with the substantially completed engagements have been distributed to auditees. The in-process engagements are anticipated to be completed during the first quarter of fiscal 2019.

With respect to the completed engagements, Unit (audited campus, college, department, etc.)



management concurred with all observations/findings and conclusions. Internal Audit produced recommendations ranging from 5 – 16 in connection with each engagement to mitigate identified operational, financial and compliance risks. Unit management have implemented or are in the process of implementing corrective action pursuant to these recommendations. Regarding the completed follow-up audits, Internal Audit verified implementation of corrective action for eleven (11) recommendations, noting one (1) recommendation for which corrective action was not implemented as management no longer believes the corrective action is reasonable given the current level of risk.

### **Conclusion**

In connection with the fiscal 2018 audit engagements, Internal Audit did not identify conditions that we believe are material weaknesses. Common recommendations included in fiscal 2018 audit reports included establishing or updating policies and procedures, the performance of periodic budget to actual analyses, and improving employee training in regards to policies and procedures.

Internal Audit recognizes the importance of building and sustaining effective relationships among the Audit Committee, University management and the external auditor. These relationships provide efficiencies and enhancements in the University's risk assessment and management processes and in the performance of internal and external audits. Accordingly, Internal Audit appreciates and thanks University management and staff for their cooperation and responsiveness in connection with the engagements summarized in *Exhibit 1*. Further, we thank the Audit Committee for their continued support of Internal Audit. Please call Glenn Shizumura at 956-7318 with any questions or comments with respect to the contents of this report.



## **Audit Resources & Competencies**

Internal Audit's staffing at the commencement of the fiscal year ended June 30, 2018 consisted of its Director and three full-time staff auditors. In August 2017, a full-time staff auditor resigned to pursue the supervising Fiscal Administrator position at a University of Hawaii campus. In late December 2017, another full-time staff auditor retired. To fill the open positions, two full-time staff auditors were hired (June 2017 and January 2018). Internal Audit's professionals have a substantial number of years of auditing and accounting experience within both the University environment and the private sector. Collectively, professionals have approximately 30 years of audit experience at international public accounting firms.

Internal Audit also employs University students majoring in accounting to provide the students with the opportunity to experience auditing from an internal audit perspective in addition to an external audit perspective. Assistance on Internal Audit projects include research and preparing working papers documenting the results of their research, verifying the mathematical accuracy of schedules and financial statements, obtaining and analyzing financial information from the University's general ledger, reviewing the contents of electronic and manual audit files for completeness, etc. Student auditor tasks may also include research on new or recently revised accounting and auditing literature. The work product of this research is an oral presentation and PowerPoint slide presentation to Internal Audit staff and student auditors. External audit assistance consists of assisting full-time staff perform audit procedures that can be relied upon by the University's external auditors (Accuity, LLP or Accuity). Audit experience gained through their employment at Internal Audit has benefited and assisted student auditors obtain internship and/or full-time employment opportunities with international and local accounting firms.

Internal Audit employed a total of eight students during the year ended June 30, 2018. During this period, three – five students were employed at any point in time. Employment fluctuations result from student internships at downtown accounting firms and graduation. Internal Audit encourages these internships and reserves the student auditor position for the student upon the completion of their internship.

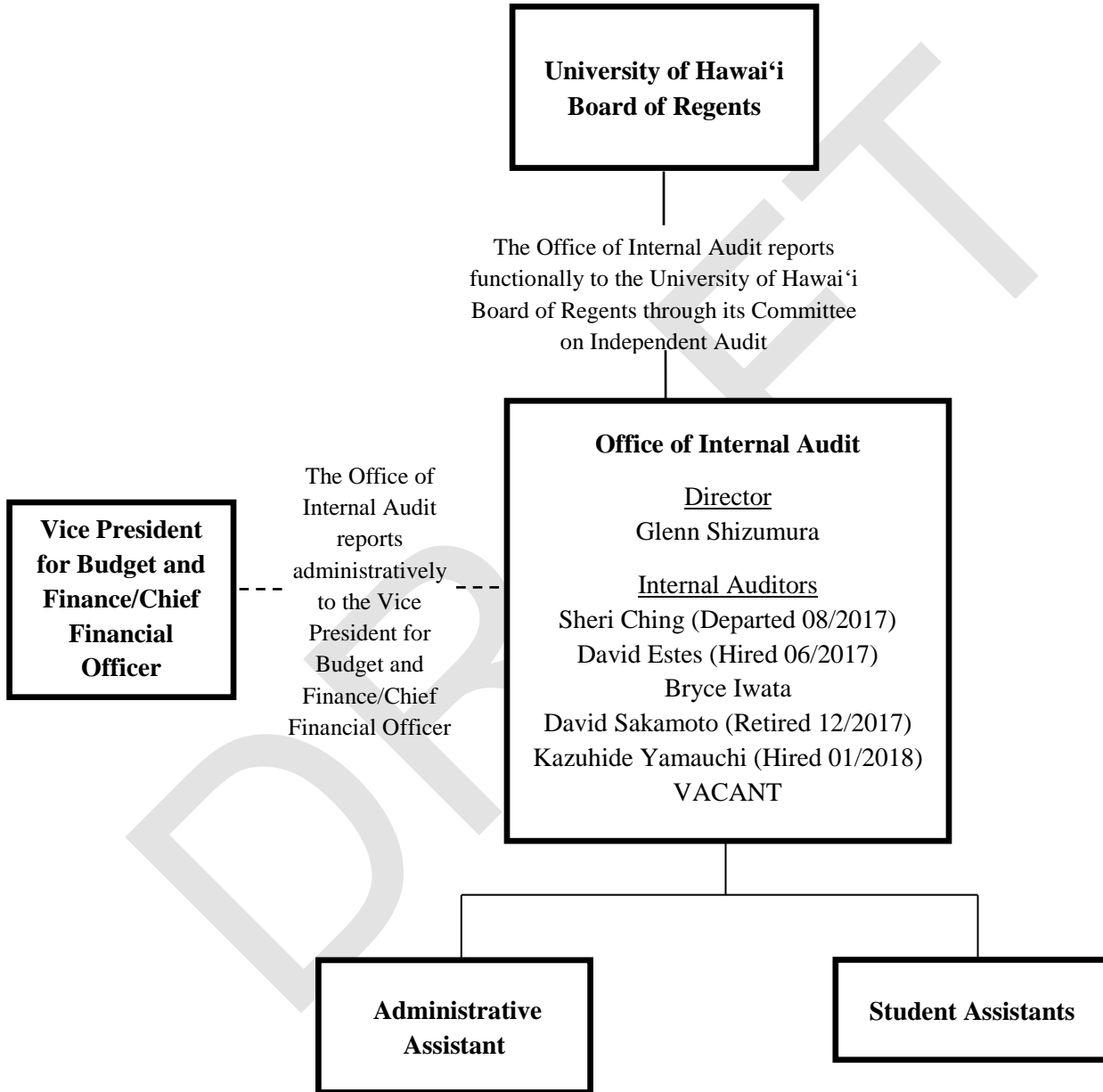
The administrative functions of the office are handled by a full-time Administrative Assistant and student auditors. Administrative duties consist primarily of the following:

- Provide information technology support.
- Manage the storage, back-up and security of Internal Audit's electronic files.
- Prepare and issue fiscal related documentation for procuring goods and processing payments.
- Coordinate work orders and auxiliary services for the office.
- Maintain office supplies and equipment, including routine security maintenance on computers.
- File and archive internal and external audit reports.
- Manage office information flow.
- Prepare monthly and year-to-date financial reports to track and monitor Internal Audit expenses.
- Compare and analyze current year-to-date expenses to budget and prior year expenses.





**Office of Internal Audit  
 Organization Chart  
 July 1, 2017 – June 30, 2018**





## Profile of the Office of Internal Audit

Name: Glenn Shizumura  
Title: Director  
Professional Designation: Certified Public Accountant (CPA) – Hawai'i 1990  
Academic Qualification: Bachelor of Business Administration (BBA)  
Work Experience: 23 years, Ernst & Young

- Executive Director/Principal
- Industry expertise – public sector, real estate, retail, insurance and not-for-profit

8 years Director of Internal Audit/University of Hawai'i

Name: Sheri Ching (departed 8/2017)  
Title: Internal Auditor  
Professional Designation: CPA – Hawai'i 2003  
Academic Qualifications: BBA/Masters in Accounting (MAcc)  
Work Experience: 4 years Public Accounting/PricewaterhouseCoopers

- Industry expertise – public sector, not-for-profit and hospitality

5 years Financial Accounting/Kyo-ya Hotels & Resorts  
9 years Internal Audit/University of Hawai'i

Name: David Estes  
Title: Internal Auditor  
Professional Designation: CPA – Pennsylvania 2004  
Academic Qualifications: BBA  
Work Experience: 6 years Public Accounting/PricewaterhouseCoopers

- Industry expertise – investment management, not-for-profit

2 years Operational Risk/Perpetual Ltd. (Sydney, Australia)  
1 year Internal Audit/University of Hawai'i

Name: Bryce Iwata  
Title: Internal Auditor  
Academic Qualifications: BBA/MAcc  
Work Experience: 4 years Public Accounting/Deloitte  
1 year Financial Accounting/Bishop Insurance Agency  
10 years Internal Audit/University of Hawai'i

Name: David Sakamoto (retired 12/2017)  
Title: Internal Auditor  
Professional Designation: Certified Internal Auditor - 2008  
Academic Qualification: BBA  
Work Experience: 17 years General Accounting and Business/University of Hawai'i  
13 years Internal Audit/University of Hawai'i

Name: Kazuhide Yamauchi  
Title: Internal Auditor  
Academic Qualification: BBA  
Work Experience: 3 years Public Accounting/MC Group Hawai'i



## Internal Audit Activity and Results

### Audit Plan

Internal Audit's fiscal 2018 Audit Plan was approved by the Audit Committee during its meeting held on May 17, 2017. The Audit Plan was developed using a risk-based approach and considered Internal Audit's available resources. Criteria used in selecting audit projects included providing coverage of higher risk departments/units/functions and areas of concern to the Board of Regents (BOR) and University management. The following are considered in preparing Internal Audit's Audit Plan:

- Periodic meetings and discussions with the Audit Committee Chair and Vice Chair.
- Meetings and discussions with certain members of University management.
- Observations and findings contained in historical reports issued by Internal Audit. Certain University departments and/or functions may be reviewed as a result of:
  - audit findings noted in departments and/or functions with similar operations and/or
  - unremediated audit findings.
- Review of the various University Internal Control and Business Issues Reports issued by the University's external auditors (Accuity).
- Meetings and discussions with Accuity with respect to sensitive audit areas.
- Regulatory compliance.

The following are the types of engagements (including examples of fiscal 2018 engagements) generally performed by Internal Audit:

- **Financial audits and reviews** – determine the fairness, accuracy, and reliability of financial information presented in accordance with established or stated criteria..
- **Attestation engagement** – examination, review, or agreed-upon procedures on a subject matter, or an assertion about a subject matter (including financial information). An example was the review of ASUH's financial statements (required every three years by the ASUH constitution). The performance of this engagement by Internal Audit precluded the need to engage an external audit firm.
- **Operational reviews** – evaluate an area, department, or functional operation with the objective of evaluating efficiency and effectiveness. Examples of operational review projects include reviews of travel policy compliance and capital improvement projects and repairs and maintenance.
- **Compliance reviews** – assess the adherence to laws, regulations, policies and procedures. A compliance review may also include assessing compliance with the terms and conditions of contracts/agreements.
- **Follow-up audits** – performed to identify and evaluate management actions implemented in response to a prior audit. Follow-up audits are generally performed during the year following the issuance of the report to assess if management actions have been effectively implemented or if senior management has accepted the risk of not taking action.

Internal Audit provides consultative services to University personnel when questions arise with respect to generally accepted accounting principles and its application, accounting and operational process analyses



and related internal control matters. Internal Audit also provides guidance and collaborates with auditees in connection with their implementation of Internal Audit recommendations. In addition, Internal Audit may perform and participate in investigation projects as a result of complaints to the BOR office and/or University management.

In addition to the services previously described, Internal Audit provides a maximum of 1,000 hours of external audit assistance to Accuity. External audit assistance provided by Internal Audit has significantly reduced Accuity's audit fees charged to the University. Assistance provided by Internal Audit during fiscal 2018 included the following:

- Prepared audit schedules and audited certain accounts related to the Consolidated Financial Statements and University of Hawai'i at Mānoa Intercollegiate Athletics agreed-upon procedures pursuant to NCAA regulations. Audit procedures performed by Internal Audit were used and relied upon by Accuity to reduce their extent of audit work.
- Reviewed the University's Consolidated Financial Statements for the fiscal year ended June 30, 2017. Accuity's report date was December 7, 2017.
- Reviewed the separate agreed-upon procedures audit (required pursuant to NCAA regulations) of UHM Athletics and UHH Athletics for the fiscal year ended June 30, 2017. Accuity's reports were dated December 7, 2017.
- Attended and participated in all audit status meetings with Accuity and Financial Management Office personnel.

The University's Consolidated Financial Statements were completed and issued prior to the date requested by the Department of Accounting and General Services of the State of Hawai'i for incorporation into the State of Hawai'i's Comprehensive Annual Financial Report.

The Director of Internal Audit and Audit Committee Chair and Vice Chair had conversations and meetings throughout fiscal 2018 to discuss various University topics and matters including the following:

- status of external and internal audit engagements;
- questions and comments on reports drafted by Internal Audit or external auditors;
- findings, observations, recommendations and risks identified in connection with projects performed by Internal Audit;
- Whistleblower Hotline matters;
- agenda matters for Audit Committee meetings;
- form and content of reports to be presented to the Audit Committee; and
- other issues or concerns.

### **Audit Phases**

Internal Audit's audit process commences with the above described Audit Plan. Summarized below are the typical audit phases utilized by Internal Audit in connection with each audit project. An overarching Internal Audit objective is frequent and constant communication with Unit personnel on an ongoing basis. Ongoing and effective communication is critical in validating potential audit issues/findings as well as determining feasible recommendations.

#### 1. Preliminary review:

Internal Audit gathers and reviews information to obtain a preliminary understanding of the operation, activity or process that will be audited. A preliminary assessment of risks relevant to the



audit is conducted.

2. Notification:

The Director of Internal Audit contacts appropriate University management regarding an audit project(s) that will impact their Unit. The audit purpose and objective, scope, time period covered by the audit, etc. are also discussed.

3. Initial meeting:

An initial meeting is scheduled to establish the tone for the audit and to discuss the audit's scope, objectives, timing and expectations. Internal Audit will also request the auditee to describe their Unit's operations that will be impacted by the audit as well as available resources (personnel, facilities, systems, etc.) and any other issues or concerns.

4. Planning:

Written documentation of relevant processes and controls is requested and analyzed. Internal Audit will perform a walk-through to confirm the documented processes and controls. Subsequent to the completion of the preliminary risk assessment, an audit plan and program are developed to assist in the performance of an efficient and effective audit. Internal Audit has developed a quality assurance checklist to utilize on all engagements to ensure compliance with applicable professional authoritative literature and Internal Audit's in-house policies.

5. Fieldwork:

Fieldwork consists of gathering evidence and analyzing and evaluating that evidence pursuant to the audit program. Audit procedures are performed such that the most significant and high risk audit risk areas are completed first. Internal Audit utilizes Microsoft One Note to manage and electronically file audit documentation and workpapers. All engagement documentation and workpapers are reviewed by the designated supervisor(s).

6. Report draft:

The drafting of the audit report commences during the performance of fieldwork. Internal Audit schedules a meeting with Unit management to discuss the form and content of the draft report and provides a copy of the draft report concurrently with or subsequent to this meeting. From a timing perspective, Internal Audit generally provides the preliminary draft report to the auditee at least four (4) weeks prior to the next scheduled Audit Committee meeting. The auditee is requested to provide draft report comments by an agreed upon due date of receiving the initial draft report. Internal Audit incorporates relevant and appropriate comments received by the auditee into the report draft. A revised draft report is generally distributed to the auditee within one business day.

7. Report distribution to the Audit Committee Chair, Vice Chair and BOR Office:

Subsequent to incorporating auditee comments into the draft report, the report draft will be distributed to the Audit Committee Chair and Vice Chair for review and comment. Subsequent to review by the Audit Committee Chair and Vice Chair, the report draft will be forwarded to the BOR Office for distribution to Audit Committee members prior to the Audit Committee meeting. The report draft will be presented by the Director of Internal Audit at the Audit Committee meeting.

8. Management response:

Unit management is generally requested to provide a written response to Internal Audit's report. Depending upon the timing of management's preparation of their written response, the Director of



Internal Audit forwards and generally discusses the written response with the Audit Committee Chair and Vice Chair prior to distribution to Audit Committee members. Unit management personnel are requested to attend the Audit Committee meeting to respond to possible Audit Committee member questions and comments.

9. Final report distribution:

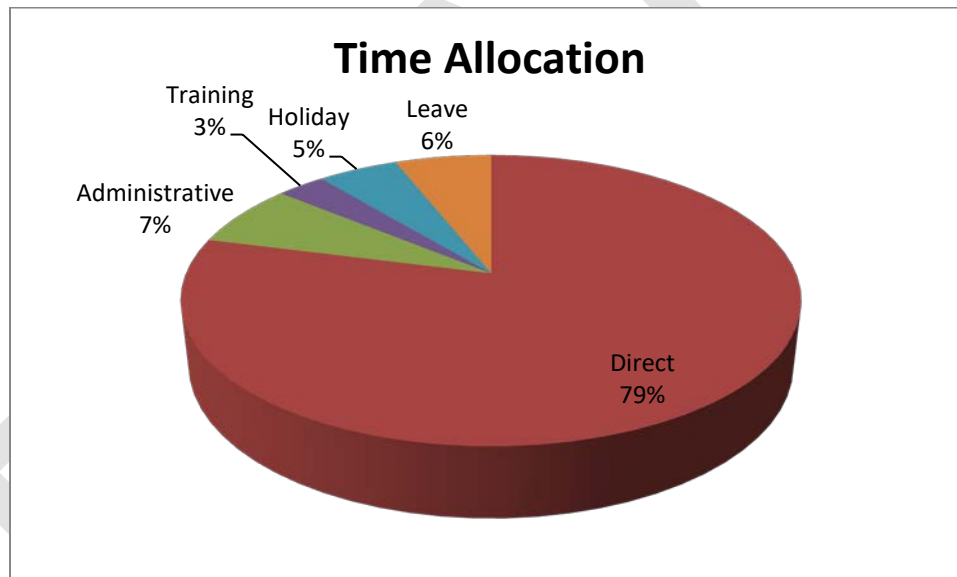
Subsequent to the Audit Committee's review and acceptance of the draft report, Internal Audit finalizes and distributes printed and electronic copies of the report to Unit management and appropriate senior management personnel of the University.

10. Follow-up:

Approximately one year subsequent to audit report issuance, Internal Audit performs a follow-up audit to assess the implementation of Internal Audit's recommendations and Unit corrective action.

**Time Allocation**

Similar to other professionals in accounting and auditing, Internal Audit tracks time spent on each project and task. The following chart summarizes the time allocation for the fiscal year ended June 30, 2018 (actual time through April 15<sup>th</sup> and estimate to complete through June 30<sup>th</sup>):

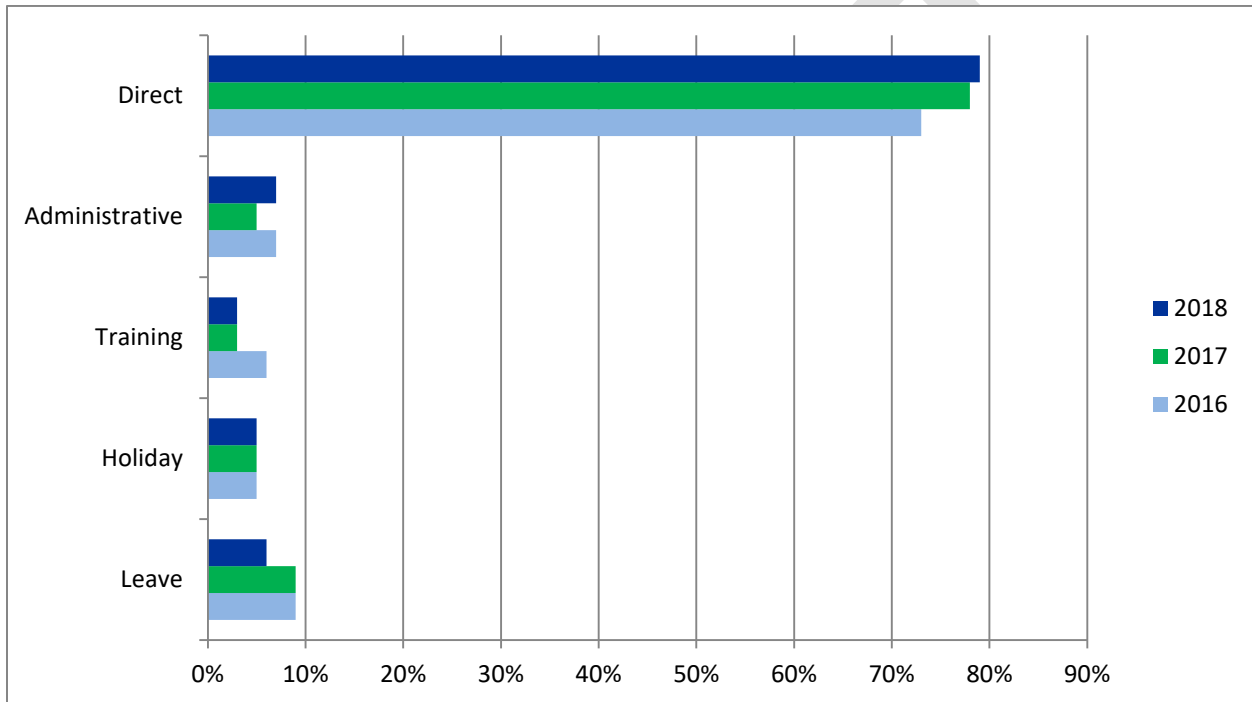


Administrative time primarily includes various human resource related functions (e.g., performance of employee evaluations, student hiring, etc.) and office management functions (e.g., review of current year-to-date expenses to budget and prior year expenses, engagement scheduling, etc.). Training time includes the reading of various professional organization periodicals (Association of College and University Auditors, National Association of College and University Business Officers, Journal of Accountancy, etc.) and participating in webinars and on-line courses relating to emerging accounting, auditing and operational issues primarily affecting governmental entities and higher education institutions.

The following table and chart compares Internal Audit's allocation of total time for the fiscal years ended June 30, 2018, 2017, and 2016:

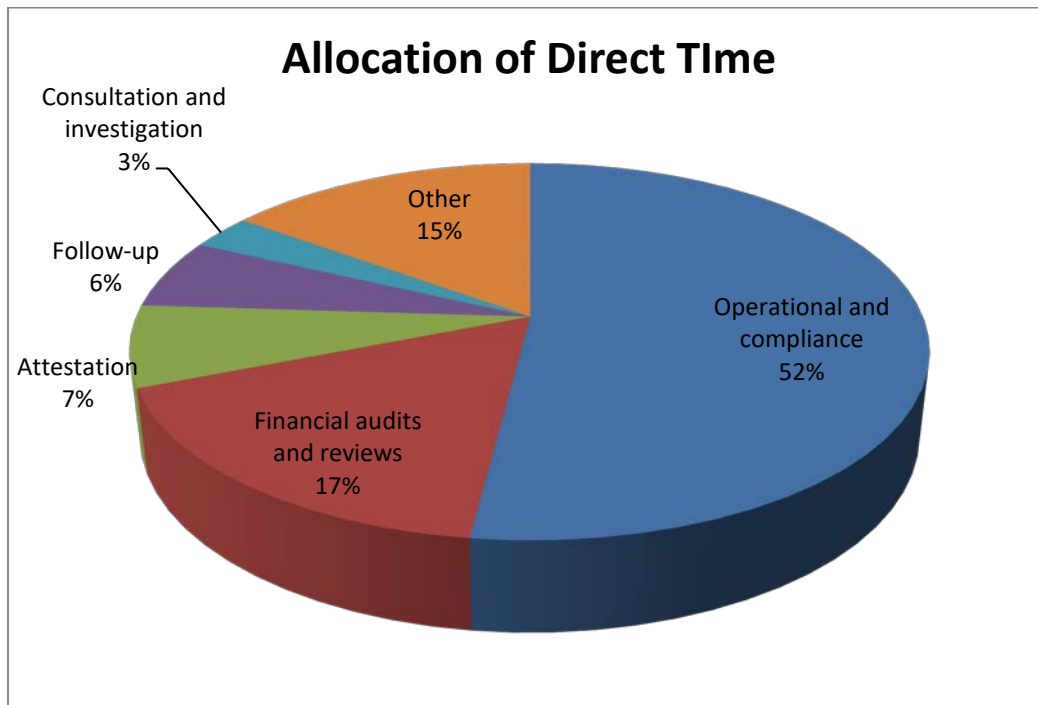


	Fiscal Year Ended June 30,		
	2018	2017	2016
Direct	79%	78%	73%
Administrative	7%	5%	7%
Training	3%	3%	6%
Holiday	5%	5%	5%
Leave	6%	9%	9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



**Direct Time**

Direct time represents services directly benefiting the University. The following chart summarizes the allocation of direct time by engagement type for the fiscal year ended June 30, 2018:

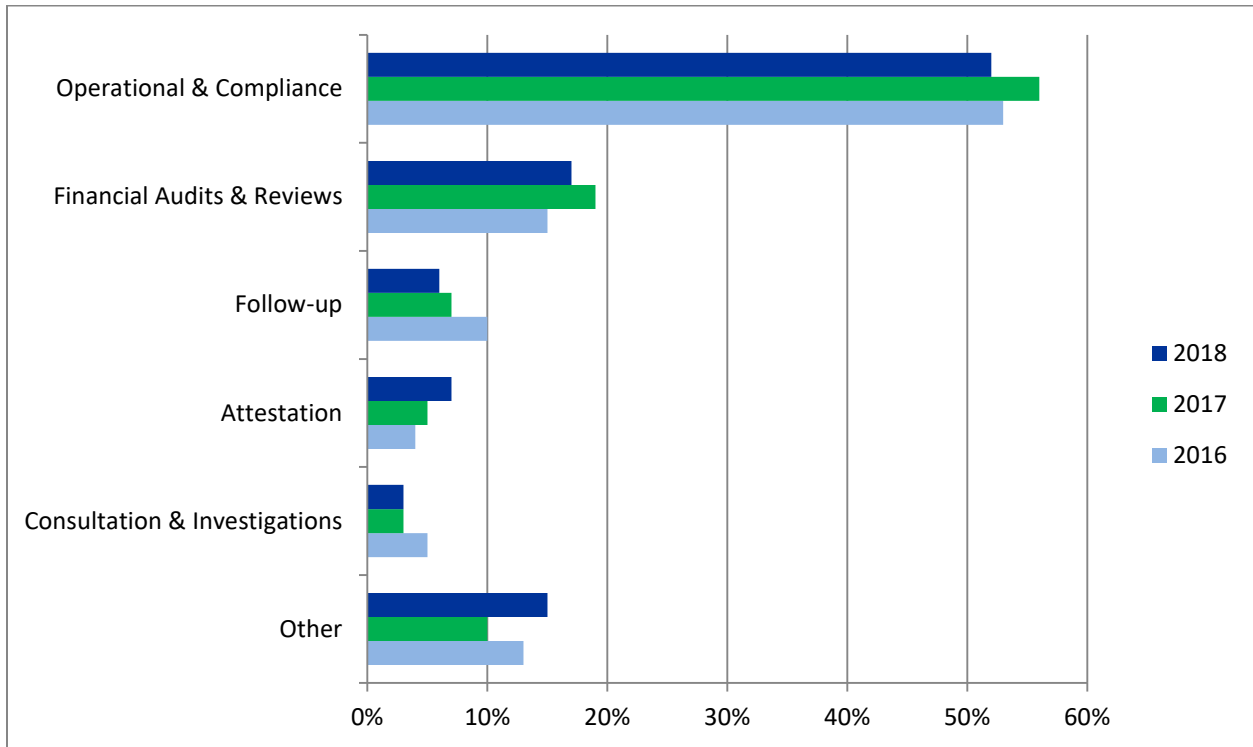


Other time represents audit related functions, such as preparing for and attending Audit Committee meetings and Audit Committee planning meetings, as well as the preparation of documents for the Audit Committee.

The following table and chart compares Internal Audit's allocation of direct time for the fiscal years ended June 30, 2018, 2017, and 2016:

	Fiscal Year Ended June 30,		
	2018	2017	2016
Operational & Compliance	52%	56%	53%
Financial Audits & Reviews	17%	19%	15%
Follow-up	6%	7%	10%
Attestation	7%	5%	4%
Consultation & Investigations	3%	3%	5%
Other	15%	10%	13%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>





DRY

**Office of Internal Audit  
Summary of Audit Engagements  
Fiscal Year Ended June 30, 2018**

Engagement	Primary Objective(s)/ Audit Scope	Findings/Conclusions & Comments	Status
<b>EXTERNAL AUDIT ASSISTANCE</b>			
<b>1. University of Hawai'i (Consolidated) Financial Reports</b> <ul style="list-style-type: none"> <li>• Type: Financial</li> <li>• Period: Year ended June 30, 2017</li> </ul>	Audits pursuant to federal requirements. <ul style="list-style-type: none"> <li>• Provide audit assistance under the direction of Accuity, LLP (Accuity).</li> <li>• Provide support and assistance in connection with all audit reports.</li> <li>• Participate in periodic status meetings with Accuity and Financial Management Office personnel.</li> </ul>	Accuity's report noted: <ul style="list-style-type: none"> <li>• Unmodified audit opinion.</li> <li>• No material weaknesses in internal controls over financial reporting.</li> </ul>	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on December 7, 2017.</li> </ul>
<b>2. University of Hawai'i (Uniform Guidance) Reports</b> <ul style="list-style-type: none"> <li>• Type: Compliance</li> <li>• Period: Year ended June 30, 2017</li> </ul>		Unmodified audit opinion <ul style="list-style-type: none"> <li>• Total expenditures of federal awards - \$519 million.</li> <li>• No material weaknesses in internal controls over financial reporting.</li> </ul>	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on December 7, 2017.</li> </ul>
<b>3. UHM Athletics agreed-upon procedures (AUP) report</b> <ul style="list-style-type: none"> <li>• Type: Attestation (NCAA agreed-upon procedures)</li> <li>• Period: Year ended June 30, 2017</li> </ul>	AUP pursuant to NCAA regulations. <ul style="list-style-type: none"> <li>• Provide AUP assistance under the direction of Accuity.</li> <li>• Provide support and assistance in connection with the AUP report.</li> </ul>	Accuity's report noted no exceptions.	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on December 7, 2017.</li> </ul>
<b>4. UHH Athletics agreed-upon procedures (AUP) report</b> <ul style="list-style-type: none"> <li>• Type: Attestation (NCAA agreed-upon procedures)</li> <li>• Period: Year ended June 30, 2017</li> </ul>	AUP pursuant to NCAA regulations. <ul style="list-style-type: none"> <li>• Provide support and assistance in connection with the AUP report.</li> </ul>	Accuity's report noted no exceptions.	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on December 7, 2017.</li> </ul>

**Office of Internal Audit  
Summary of Audit Engagements  
Fiscal Year Ended June 30, 2018**

Engagement	Primary Objective(s)/ Audit Scope	Findings/Conclusions & Comments	Status
<b>AUDIT COMMITTEE ASSISTANCE</b>			
<p><b>5. Whistleblower Hotline</b></p> <ul style="list-style-type: none"> <li>• Type: Audit Committee Assistance</li> <li>• Period: Ongoing</li> </ul>	<p>The Audit Committee will be provided with a “Whistleblower Tracking Report” summarizing the type, nature, status, etc. of hotline reports received during their periodic meetings.</p>	<p>Most frequently reported complaints relate to human resource matters. Administrators continue to oversee the resolution of reported cases.</p>	<ul style="list-style-type: none"> <li>• Continuous.</li> <li>• Report provided for the Aug. 2017, Oct. 2017, Dec. 2017, Feb. 2018, and May 2018 Audit Committee meetings.</li> </ul>
<p><b>6. Audit Committee Reports – Annual Report to the Board of Regents (BOR) and Hawai‘i State Legislature</b></p> <ul style="list-style-type: none"> <li>• Type: Audit Committee Assistance</li> <li>• Period: July 1, 2016 – June 30, 2017</li> </ul>	<p>Assisting the Audit Committee prepare an annual report to the Board of Regents (BOR) and Hawai‘i State Legislature identifying 1) all instances of material weakness in internal controls and 2) all instances of fraud required by HRS §304A-321.</p>	<p>Annual report to the Hawai‘i State Legislature dated December 7, 2017 noted no instances of material weaknesses in internal controls over financial reporting and no instances of fraud or illegal acts.</p>	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on December 7, 2017.</li> </ul>
<p><b>7. Audit Committee Reports – Annual Report to the BOR</b></p> <ul style="list-style-type: none"> <li>• Type: Audit Committee Assistance</li> <li>• Period: July 1, 2017 – June 30, 2018</li> </ul>	<p>Assisting the Audit Committee prepare an annual report to the BOR regarding the Audit Committee’s effectiveness required by HRS §304A-321.</p>	<p>Annual report to the BOR notes that the Audit Committee fulfilled its HRS §304A-321 and Charter responsibilities for the fiscal year ended June 30, 2018.</p>	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• To be presented at the May 2018 Audit Committee meeting.</li> </ul>

**Office of Internal Audit  
Summary of Audit Engagements  
Fiscal Year Ended June 30, 2018**

Engagement	Primary Objective(s)/ Audit Scope	Condensed Conclusions & Comments	Management Response/Action Plan	Implementation Status	Status
<b>INTERNAL AUDITS</b>					
<p><b>8. Travel Policy Compliance</b></p> <ul style="list-style-type: none"> <li>• Type: Operational, Compliance, Financial</li> <li>• Period: July 1, 2016 – June 30, 2017</li> </ul>	<p>Evaluate the frequency and severity of policy non-compliance, identify trends in non-compliance and determine the impact of non-compliance on University operations and financial results. Emphasis should be allocated to non-compliance associated with travel advances.</p>	<p>University travelers have generally complied with travel policies, laws, rules and regulations. Disbursing currently remits a reimbursement check in less than five calendar days from receipt of a Travel Completion Report. Additionally, eTravel is an excellent tool for managing and monitoring travel expenses and Disbursing’s pre-audit group were effective in mitigating risks related to University travel.</p> <p>Improvement opportunities identified include:</p> <ul style="list-style-type: none"> <li>• Specifying in AP 8.851 the manner in which travel approval should be documented.</li> <li>• Researching the feasibility of providing other optional travel payment methods as an alternative to travel advances.</li> <li>• Change the number of days an advance can be outstanding to 21 days from 30 days to be consistent with submission of Travel Completion Reports.</li> <li>• Clarify the meaning of “no other travel advances outstanding.”</li> <li>• Implement a series of escalating consequences for noncompliance with travel advance policies.</li> <li>• Collaborate with RCUH to develop an audit approach and testing strategy such that RCUH processed travel</li> </ul>	<p>Management response letter dated September 22, 2017 agreed with all findings and recommendations.</p> <p>The expected date of addressing all findings and recommendations ranged from March 2018 – June 2018.</p>	<p>An evaluation of corrective action status will be performed during fiscal year 2019 by Internal Audit.</p>	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on October 5, 2017.</li> </ul>

**Office of Internal Audit  
Summary of Audit Engagements  
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Engagement	Primary Objective(s)/ Audit Scope	Condensed Conclusions & Comments	Management Response/Action Plan	Implementation Status	Status
		<p>disbursements are included in the testing population to comply with HRS §40-1.</p> <ul style="list-style-type: none"> <li>• Add a data field in eTravel to document the repayment date of excess advances, as well as a data field to record the document/reference number for each repayment.</li> <li>• Enhance eTravel to validate the travel request at multiple points in the process rather than only at the beginning, thereby reducing the effectiveness of an eTravel automated control.</li> </ul>			
<p><b>9. Associated Students of the University of Hawai'i at Mānoa (ASUH)</b></p> <ul style="list-style-type: none"> <li>• Type: Financial, Compliance</li> <li>• Period: July 1, 2016 – June 30, 2017</li> </ul>	<p>Perform a financial statement review in conformity with AICPA standards on ASUH's financial statements for the year ended June 30, 2017.</p>	<p>Based on I/A's review, I/A is not aware of any material modifications that should be made to ASUH's financial statements as of and for the year ended June 30, 2017 in order for the financial statements to be in accordance with GAAP.</p> <p>I/A noted the ASUH investment portfolio was not actively managed or monitored for compliance with Board of Regents Policy (RP) 8.207 during the period May 2015 through August 2017 due to the delay in hiring Graystone Consulting. Accordingly, I/A's management letter recommended that ASUH should implement investment compliance monitoring activities during periods where no investment consultant is contracted to perform such activities.</p>	<p>Management response letter dated January 24, 2018 agreed with the management letter recommendation noting that ASUH will draft and present revisions of RP 8.207 to the BOR by June 2019 to address this matter.</p>	<p>An evaluation of corrective action status will be performed during fiscal year 2019 by Internal Audit.</p>	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on February 7, 2018.</li> </ul>

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Engagement	Primary Objective(s)/ Audit Scope	Condensed Conclusions & Comments	Management Response/Action Plan	Implementation Status	Status
<p><b>10. Review of Employee Cell Phone Charges</b></p> <ul style="list-style-type: none"> <li>• Type: Operational, Compliance</li> <li>• Period under audit: As of December 2017</li> </ul>	<p>Evaluate the adequacy and consistency of University procedures and practices in regards to employee cell phone payments, and identify risks with respect to such procedures and practices in connection with federal and State of Hawai‘i income tax matters.</p>	<p>The lack of University policies regarding employee cell phone payments has resulted in the following:</p> <ul style="list-style-type: none"> <li>• Inconsistent documentation supporting these payments as well as the goods and services associated with these payments.</li> <li>• Potential income tax matters with respect to classifying employee cell phone payments as non-compensatory business expenses.</li> <li>• Cell phone plans with the various wireless service providers were not always the most cost efficient.</li> </ul> <p>I/A recommended that University management consult with the University’s Tax Manager to mitigate potential income tax exposures and prepare and implement a cell phone policy that includes:</p> <ul style="list-style-type: none"> <li>• A description of the job function or position eligible for employee cell phone payments.</li> <li>• The nature and extent of required supporting documentation.</li> <li>• Whether employee reimbursements will be permitted.</li> <li>• The monthly maximum and/or standard amounts to be paid, as well as the treatment of excess charges.</li> <li>• The types of phones that will be provided, as well as any limitations on the costs of such devices.</li> </ul>	<p>Management response letter dated January 22, 2018 agreed with all findings and recommendations.</p> <p>The expected date of addressing all findings and recommendations is December 31, 2018.</p>	<p>An evaluation of corrective action status will be performed during fiscal year 2019 by Internal Audit.</p>	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on February 7, 2018.</li> </ul>

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Engagement	Primary Objective(s)/ Audit Scope	Condensed Conclusions & Comments	Management Response/Action Plan	Implementation Status	Status
<p><b>11. University of Hawai‘i at Manoa Outreach College</b></p> <ul style="list-style-type: none"> <li>• Type: Operational, Financial</li> <li>• Period under audit: Four years ended June 30, 2017</li> </ul>	<p>Review historical Outreach College financial and operational risks and opportunities.</p>	<p>Outreach College generates substantial tuition and fee revenues annually (\$35 m - \$40m) but lacks written policies or a formalized process to determine and approve the disposition of surplus cash. In addition, Outreach College is providing learning opportunities for students that are unable to attend UHM classes during the day. I/A recommended the following:</p> <ul style="list-style-type: none"> <li>• Develop policies and procedures related to the handling and disposition of surplus cash.</li> <li>• Consider preparing annual cash forecasts to estimate operational cash requirements.</li> <li>• Analyze a schedule comparing quarterly budgeted to actual revenues and expenses to identify significant and/or unexpected variances.</li> <li>• Consider limiting or eliminating the preparation of separate MOAs for each course by developing a policy incorporating terms and conditions included in current MOAs that would be applicable and consistently applied to all Credit and Professional Program courses.</li> <li>• Develop a written strategic or business plan to document financial and operational goals and objectives.</li> <li>• Determine whether the tuition policy related to Credit Programs should be modified for full-time UHM students attending the regular day program.</li> </ul>	<p>Management response letter dated January 31, 2018 agreed with all recommendations.</p> <p>The expected date of addressing all recommendations range from the Fall 2018 semester to the Spring 2019 semester except that the 10-week NICE program course recommendation may be impacted by the campus reorganization.</p>	<p>An evaluation of corrective action status will be performed during fiscal year 2019 by Internal Audit.</p>	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on February 7, 2018.</li> </ul>

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Engagement	Primary Objective(s)/ Audit Scope	Condensed Conclusions & Comments	Management Response/Action Plan	Implementation Status	Status
		<ul style="list-style-type: none"> <li>• Ensure that the 10-week NICE program and the courses offered by the UHM Dept. of Linguistics Hawai'i English Language Program are sufficiently diversified to eliminate the risk of offering similar courses.</li> <li>• Consider utilizing a single database system for the International and Professional Programs.</li> </ul>			
<p><b>12. Check Disbursements less than \$2,500</b></p> <ul style="list-style-type: none"> <li>• Type: Operational, Compliance, Financial</li> <li>• Period: July, 2016 – June 30, 2017</li> </ul>	<p>Verify University policy compliance and assess efficient and effective use of resources with respect to purchases less than \$2,500.</p>	<p>The University processes approximately \$50 million of checks annually with check amounts less than \$2,500. Within the \$0.01 - \$1.00 range, there were two checks amounting to \$0.01, three checks amounting to \$0.03, one check amounting to \$0.04, and eighteen checks amounting to between \$0.05 and \$0.10.</p> <p>I/A believes increasing the use of PCards for purchases less than \$2,500 will provide cost savings and increase PCard rebates from First Hawaiian Bank. I/A recommended the following to decrease the volume of checks less than \$2,500.</p> <ul style="list-style-type: none"> <li>• Provide on-demand online PCard training with real-time scoring of the examination.</li> <li>• Consider relaxing the restrictions on travel-related MCCs given the effective travel expense controls performed by Disbursing's pre-audit group (see "Travel Policy</li> </ul>	<p>Management response letter dated March 2, 2018 agreed with all recommendations but will analyze the risks and benefits associated with the MCC restrictions and penalties for policy non-compliance.</p> <p>The expected date of addressing all recommendations is March 2019.</p>	<p>An evaluation of corrective action status will be performed during fiscal year 2019 by Internal Audit.</p>	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on March 8, 2018.</li> <li>• The Audit Committee requested that University Administration map out the processes for PCard, purchase order and check transactions to determine which process is more efficient.</li> </ul>



**Office of Internal Audit  
Summary of Audit Engagements  
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Engagement	Primary Objective(s)/ Audit Scope	Condensed Conclusions & Comments	Management Response/Action Plan	Implementation Status	Status
		<p>Compliance” summary above).</p> <ul style="list-style-type: none"> <li>• Clarifying the “after-the-fact” purchase policy.</li> <li>• Imposing P-Card restrictions on non-compliant cardholders rather than the entire Unit.</li> <li>• Determine alternative uses for surplus rebate account balances.</li> </ul>			
<p><b>13. University of Hawai‘i – Capital Improvement Projects and Repairs and Maintenance</b></p> <ul style="list-style-type: none"> <li>• Type: Operational, Compliance, Financial</li> <li>• Period under audit: As of January 2018</li> </ul>	<p>Evaluate the current processes, procedures and practices to determine if the significant risks identified in historical evaluations and reviews with respect to managing and monitoring the timing and costs associated with Capital Improvement Projects as well as managing the timing of service provided on Repair and Maintenance Projects have been mitigated.</p>	<p>The reorganization of the Office of Planning and Facilities (OPF) and the University’s Office of Capital Improvement (OCI) has resulted in the implementation of improvements to mitigate a significant number of risks identified in the historical evaluations and reviews. However, Internal Audit’s review of quarterly CIP progress reports from June 30, 2016 through December 31, 2017 indicate ongoing issues with respect to the completion of CIP on time and within contract amounts.</p> <p>Internal Audit noted the following improvement opportunities.</p> <p>Procurement of CIP:</p> <ul style="list-style-type: none"> <li>• Adopt electronic signatures for Form 1.</li> <li>• Establish goals for the expected duration of each procurement activity for both RFPs and IFBs.</li> </ul> <p>CIP Management:</p> <ul style="list-style-type: none"> <li>• Review and update the Construction</li> </ul>	<p>Management response letter dated March 2, 2018 agreed with all recommendations.</p> <p>The expected date of addressing all recommendations was December 2018. Certain recommendations were implemented subsequent to I/A finalizing this report but prior to presentation to the Audit Committee.</p>	<p>An evaluation of corrective action status will be performed during fiscal year 2019 by Internal Audit.</p>	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on March 8, 2018.</li> </ul>

**Office of Internal Audit  
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Engagement	Primary Objective(s)/ Audit Scope	Condensed Conclusions & Comments	Management Response/Action Plan	Implementation Status	Status
		<p>Management Manual dated July 22, 2015 for changes to processes and procedures.</p> <ul style="list-style-type: none"> <li>• Update policies and procedures for the establishment of CIP contingencies.</li> <li>• Update policies and procedures to address change orders resulting from University (owner) requests.</li> <li>• Create a standard checklist for the pre-design phase, as well as guidelines to be included in the Due Diligence Report or criteria package.</li> <li>• Review CIP progress against the overall CIP schedule at Owner-Architect-Contractor meetings.</li> <li>• Include total CIP costs (design, construction and contingency) in the quarterly reports to increase transparency with the Planning and Facilities Committee.</li> <li>• Allow electronic approvals for change orders in e-Builder.</li> </ul> <p>Repair and Maintenance Projects:</p> <ul style="list-style-type: none"> <li>• Prepare written policies and procedures of unwritten practices.</li> <li>• Track the average time for each Shop to complete work orders.</li> <li>• Perform a periodic detailed review of open work orders to validate the accuracy of the AiM database.</li> <li>• Require the Key Shop to follow the same processes and procedures as other Shops.</li> <li>• Provide a work order performance</li> </ul>			

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Engagement	Primary Objective(s)/ Audit Scope	Condensed Conclusions & Comments	Management Response/Action Plan	Implementation Status	Status
		date at least a day in advance. <ul style="list-style-type: none"> <li>• Review the Campus Operations and Facilities e-mail notification template to determine if additional information would be valuable in providing customer service.</li> <li>• Train employees on all policies and procedures and add controls for the Shop Manager to monitor that all Shops are in compliance with inventory policies and procedures.</li> </ul>			
<b>14. Sales Audit of the H-Zone</b>	The UHM Athletics Department has decided not to renew the H-Zone lease agreement (termination date of June 30, 2017). The lease agreement requires a sales audit through lease termination date.	UHM Athletics informed Internal Audit that the H-Zone landlord waived the requirement of a sales audit through lease termination date.	N/A	N/A	N/A
<b>15. UHM Student Fees for Professional Programs</b> <ul style="list-style-type: none"> <li>• Type: Operational, Compliance, Financial</li> <li>• Period: Three years ended June 30, 2017</li> </ul>	Evaluate the methodology of determining the professional fee amount charged in addition to evaluating the adequacy, appropriateness and usage of these fees by the respective professional program. Additionally, compliance with RP 6.203 will also be assessed.	At UHM, the following programs charge professional fees (Fee/semester): <ol style="list-style-type: none"> <li>1. College of Engineering (\$500)</li> <li>2. School of Nursing (\$1,000) and Dental Hygiene (\$500)</li> <li>3. Shidler College of Business (\$500)</li> <li>4. School of Architecture (\$500)</li> </ol> <p><u>Preliminary:</u></p> <ul style="list-style-type: none"> <li>• Perform an annual review to validate whether the Fee amount is reasonable based on past and expected future expense levels.</li> <li>• Implement processes and procedures for budgeting, tracking and</li> </ul>	Preliminary comments provided on draft audit report. Additional comments forthcoming.	N/A	<ul style="list-style-type: none"> <li>• Fieldwork complete.</li> <li>• Draft audit report provided to auditee on April 19, 2018.</li> </ul>

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Engagement	Primary Objective(s)/ Audit Scope	Condensed Conclusions & Comments	Management Response/Action Plan	Implementation Status	Status
		monitoring of Fees and the associated expenses. <ul style="list-style-type: none"> <li>• Enhance transparency by disclosing the purpose of the Fee and the expenses incurred annually associated with the Fees on each Program’s respective website.</li> </ul>			
<b>16. Accounts Receivable – Student Accounts</b> <ul style="list-style-type: none"> <li>• Type: Operational, Compliance, Financial</li> <li>• Period: As of and for the year ended June 30, 2017</li> </ul>	The objective of this audit is to review and analyze the process and policies related to originating, collecting and recording transactions impacting the student accounts receivable balances. In addition, Internal Audit will evaluate compliance with University policies.	The gross student A/R balance has increased from \$16m to \$35m during the period June 30, 2011 to June 30, 2017. <p><u>Preliminary:</u></p> <ul style="list-style-type: none"> <li>• University campuses inconsistently cancel class registrations for students that registered for classes but did not make payment by stated deadlines contrary to University policy.</li> <li>• Disbursement of student financial aid prior to the start of the semester has increased gross student A/R’s for students that were later determined to be ineligible to receive financial aid.</li> <li>• Internal Audit noted a backlog of Banner and KFS error reports requiring resolution and gaps in the consequences levied on students with delinquent accounts. Internal Audit also identified financial information discrepancies between Banner and KFS and transactions that may not be properly recorded in KFS.</li> </ul>	Preliminary comments provided on draft audit report. Additional comments forthcoming.	N/A	<ul style="list-style-type: none"> <li>• Fieldwork complete.</li> <li>• Draft audit report provided to auditee on May 8, 2018.</li> </ul>

**Office of Internal Audit  
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Engagement	Primary Objective(s)/ Audit Scope	Condensed Conclusions & Comments	Management Response/Action Plan	Implementation Status	Status
<p><b>17. Business Office – Cash Collections</b></p> <ul style="list-style-type: none"> <li>• Type: Operational, Compliance, Financial</li> <li>• Period: As of December 31, 2017</li> </ul>	<p>Determine and evaluate 1) if adequate internal controls have been implemented to safeguard cash collection activities; 2) the existence of proper segregation of duties; and 3) if the procedures and practices at various cash collection locations comply with University policies.</p>	<p>Internal Audit met and collaborated with the University of Hawai‘i Bursar (Bursar) and Treasury Office and determined that audit procedures would be performed on 13 cash collection locations.</p> <p><u>Preliminary:</u></p> <ul style="list-style-type: none"> <li>• Certain cash collection locations did not reconcile subsidiary systems to KFS on a periodic basis and lacked appropriate segregation of duties in the cash receipts process.</li> <li>• Several cash collection points were not in compliance with certain University policies.</li> <li>• Treasury’s process for compliance with the Payment Card Industry Data Security Standard (PCI DSS) should be improved to ensure all cash collection locations accurately and properly complete the Self-Assessment Questionnaire (SAQ).</li> </ul>	<p>N/A</p>	<p>N/A</p>	<ul style="list-style-type: none"> <li>• In Progress</li> </ul>
<p><b>18. University of Hawai‘i – Maunakea</b></p> <ul style="list-style-type: none"> <li>• Type: Operational, Financial</li> <li>• Period: Three years ended June 30, 2017 with select information updated through the end of fieldwork</li> </ul>	<p>Compile and review financial results related to the management and operations of Maunakea.</p>	<p>Meetings and consultations have occurred with personnel from the following organizations:</p> <ul style="list-style-type: none"> <li>• Office of the Vice President of Research and Innovation</li> <li>• RCUH</li> <li>• Office of Maunakea Management</li> <li>• Maunakea Management Board</li> <li>• Institute for Astronomy</li> <li>• UHH fiscal office</li> <li>• Maunakea Observatories Support Services</li> </ul>	<p>N/A</p>	<p>N/A</p>	<ul style="list-style-type: none"> <li>• In Progress</li> </ul>

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Engagement	Primary Objective(s)/ Audit Scope	Condensed Conclusions & Comments	Management Response/Action Plan	Implementation Status	Status
		Information requests (verbal and written) have been provided to the above organizations. Internal Audit reviews the requested information when received.			
<b>FOLLOW-UP</b>					
<b>19. Evaluation of Corrective Action Status – University Purchasing Card Program</b> <ul style="list-style-type: none"> <li>• Type: Follow-up</li> <li>• Period: As of July 2017</li> </ul>	Assess the implementation status of corrective action.	Three (3) recommendations identified in the prior year.	Management informed Internal Audit that identified risks noted in the prior year have been addressed	Two (2) of the three (3) recommendations were implemented although implemented inconsistently. PCard mgt. now believes the third recommendation regarding Merchant Category Codes (MCC) is not reasonable given the current level of risk.	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on August 10, 2017.</li> <li>• The Audit Committee requested that PCard mgt. report the frequency of MCC unblock requests to the Audit Committee during fiscal 2019.</li> </ul>
<b>20. Evaluation of Corrective Action Status – KCC Chancellor’s Office Accounts at UHF</b> <ul style="list-style-type: none"> <li>• Type: Follow-up</li> <li>• Period: As of September 2017</li> </ul>	Assess the implementation status of corrective action.	Four (4) recommendations identified in the prior year.	Management informed Internal Audit that all recommendations have been implemented.	I/A noted that all recommendations have been implemented. However, I/A identified improvements to increase the effectiveness of	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on October 5, 2017.</li> </ul>

**Office of Internal Audit  
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Engagement	Primary Objective(s)/ Audit Scope	Condensed Conclusions & Comments	Management Response/Action Plan	Implementation Status	Status
				implementation that were agreed to by KCC mgt.	
<p><b>21. Corrective Action</b>  <b>Auditee Status – Associated Students of the University of Hawai‘i</b></p> <ul style="list-style-type: none"> <li>• Type: Follow-up</li> <li>• Period: As of December 31, 2017</li> </ul>	Assess the implementation status of corrective action.	<ul style="list-style-type: none"> <li>• Five (5) findings and recommendations identified in the prior year.</li> <li>• Update incorporated into current ASUH report (see no. 9 above).</li> </ul>	Four (4) recommendations have been implemented. One (1) recommendation regarding policy non-compliance was not fully implemented. ASUH has revised their policy to minimize the reoccurrence of policy non-compliance.	I/A noted that all five (5) corrective actions have been implemented or other actions have been taken to remediate each finding.	<ul style="list-style-type: none"> <li>• Complete.</li> <li>• Accepted by the Audit Committee on February 7, 2018.</li> </ul>
<p><b>22. Corrective Action</b>  <b>Auditee Status – University of Hawai‘i Press</b></p> <ul style="list-style-type: none"> <li>• Type: Follow-up</li> <li>• Period: As of January 2018</li> </ul>	Assess the implementation status of corrective action.	Six (6) recommendations identified in the prior year.	Management agreed with all findings and recommendations and will implement recommendations from June 2017 – December 2017.	<u>Preliminary:</u> I/A noted that all corrective actions have been implemented. I/A identified further improvements to one recommendation.	<ul style="list-style-type: none"> <li>• Fieldwork complete.</li> <li>• Draft audit report provided to auditee on May 9, 2018.</li> </ul>
<p><b>23. Corrective Action</b>  <b>Auditee Status – UHM Student Housing Services</b></p> <ul style="list-style-type: none"> <li>• Type: Follow-up</li> <li>• Period: As of December 31, 2017</li> </ul>	Assess the implementation status of corrective action.	Fourteen (14) recommendations identified in the prior year.	Management response letter dated September 29, 2016 agreed with all findings and recommendations. UHM Student Housing provided a management response update dated January 13, 2017 noting that implementation of	<u>Preliminary:</u> Substantially all corrective actions are in the process of implementation.	<ul style="list-style-type: none"> <li>• Fieldwork complete.</li> <li>• Draft audit report provided to auditee on May 10, 2018.</li> </ul>

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			the majority of recommendations were in process.  Revised completion dates ranged from March 1, 2017 – June 30, 2018.		
<b>24. Corrective Action Auditee Status – UHH Student Housing</b> <ul style="list-style-type: none"> <li>• Type: Follow-up</li> <li>• Period: As of December 2017</li> </ul>	Assess the implementation status of corrective action.	Ten (10) recommendations identified in the prior year.	Management response letter dated January 27, 2017 agreed with all findings and recommendations.  The expected date of addressing all findings and recommendations ranged from February 2017 – June 2018.	<u>Preliminary:</u> The majority of corrective actions are in the process of implementation.	<ul style="list-style-type: none"> <li>• Fieldwork complete.</li> <li>• Draft audit report provided to auditee on May 10, 2018.</li> </ul>
<b>25. Corrective Action Auditee Status –</b> <ul style="list-style-type: none"> <li>• UHM Athletics Equipment and Apparel</li> <li>• UHM Commuter Services</li> </ul>	In connection with these follow up reviews, Internal Audit determined that the implementation of a number of corrective actions were either in process or pending the occurrence of certain events. Accordingly, Internal Audit will perform additional reviews.	<u>Athletics Equipment and Apparel</u> Five (5) pending recommendations were assigned to the Head Equipment Mgr who was expected to be hired in the prior year.  <u>Commuter Services</u> Four (4) pending recommendations were to be fully implemented by December 2017.	N/A	N/A	N/A



**University of Hawaii**  
**Whistleblower Tracking Report**  
**June 15, 2016 - May 11, 2018**

Case #	Campus	Classification	Submitted by	Date	Status		Description
				Opened	In process	Closed	
257	Windward CC	Employee misconduct	Employee	05/09/18	x		HR matter under investigation
256	UH - Hilo	Violation of University policy	Employee	05/02/18	x		HR matter under investigation
255	Kapiolani CC	Violation of University policy	Employee	04/30/18		x	HR matter investigated. No violation.
254	Kapiolani CC	No violation alleged	Employee	04/30/18	x		Staff competency.
253	System	Hazardous condition	Non-employee	04/29/18		x	Soil issue. No violation.
252	UH - Hilo	Employee misconduct	Non-employee	04/26/18		x	HR matter investigated. No violation.
251	System	Employee misconduct	Employee	04/24/18	x		HR matter under investigation
250	Hawaii CC	Violation of University policy	Employee	04/20/18	x		Alcohol complaint under investigation.
249	UH - Manoa	Employee misconduct	Employee	04/19/18	x		HR matter under investigation
248	UH - Manoa	Employee misconduct	Employee	04/18/18	x		HR matter under investigation
247	System	Violation of University policy	Non-employee	04/16/18		x	Inappropriate use of UH network investigated. No violation.
246	UH - Manoa	Violation of University policy	Employee	04/08/18	x		HR matter under investigation
245	UH - Manoa	No violation alleged	Employee	04/02/18	x		Employee service awards. Addtl information requested.
244	UH - Manoa	Violation of University policy	Employee	03/31/18	x		Alcohol complaint. Addtl information requested.
243	System	Violation of University policy	Employee	03/22/18	x		HR matter. Addtl info. requested.
242	UH - Manoa	No violation alleged	Non-employee	03/21/18		x	Complaint against volunteer investigated. No violation.
241	Kapiolani CC	Violation of University policy	Employee	03/20/18		x	HR matter investigated. No violation.
240	Windward CC	Violation of University policy	Employee	03/18/18		x	HR matter investigated. No violation.
239	UH - West Oahu	Employee misconduct	Employee	03/16/18		x	HR matter reviewed and resolved.
238	UH - Hilo	No violation alleged	Non-employee	03/16/18		x	Faculty living off island.
237	UH - Hilo	No violation alleged	Non-employee	03/16/18		x	Faculty competency.
236	UH - Manoa	Employee misconduct	Employee	03/14/18		x	Faculty complaint. Addtl info. requested but not provided.
235	UH - Hilo	No violation alleged	Employee	03/09/18		x	Against the appointment of an interim dean.
234	UH - Manoa	Employee misconduct	Non-employee	03/02/18		x	HR matter reviewed and resolved.
233	UH - Manoa	Violation of University policy	Employee	03/02/18		x	Hiring practice. Addtl info. requested but not provided.
232	UH - Manoa	No violation alleged	Employee	03/01/18		x	Process to distribute documents.
231	UH - Manoa	Violation of University policy	Employee	02/23/18		x	Identical to case 230.
230	UH - Manoa	Violation of University policy	Employee	02/23/18		x	Individual smoking on campus. Forwarded to Public Safety.
229	Hawaii CC	Violation of University policy	Employee	02/22/18	x		HR matter under investigation
228	UH - Manoa	No violation alleged	Employee	02/22/18		x	Flag presentation at facility.
227	UH - Manoa	No violation alleged	Employee	02/20/18		x	No report submitted.
226	UH - Manoa	No violation alleged	Employee	02/14/18		x	Protocol non-compliance at the Warrior Rec Center.
225	UH - Manoa	Violation of University policy	Employee	02/10/18		x	HR matter reviewed and resolved.
224	UH - Hilo	No violation alleged	Non-employee	02/01/18		x	Untimely meeting notification.
223	UH - Hilo	No violation alleged	Non-employee	01/31/18		x	Identical to case 221.
222	UH - Hilo	No violation alleged	Non-employee	01/30/18		x	Identical to case 221.
221	UH - Hilo	No violation alleged	Non-employee	01/30/18		x	Guinea pig in dorm room reviewed and resolved.
220	UH - Manoa	Employee misconduct	Non-employee	01/29/18		x	HR matter reviewed and resolved.
219	UH - Manoa	Student misconduct	Employee	01/29/18		x	Non-compliance with policies and regulations reviewed and resolved.
218	UH - Manoa	Violation of University policy	Employee	01/23/18		x	Non-compliance with policies and regulations reviewed and resolved.
217	Hawaii CC	Violation of University policy	Employee	01/20/18		x	Conflict of interest reviewed. No violation.
216	System	Violation of University policy	Employee	01/17/18		x	HR matter reviewed and resolved.

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Case #	Campus	Classification	Submitted by	Date Opened	Status		Description
					In process	Closed	
215	UH - Manoa	No violation alleged	Non-employee	01/17/18		x	Identical to case #213.
214	UH - Manoa	No violation alleged	Non-employee	01/16/18		x	Identical to case #213.
213	UH - Manoa	No violation alleged	Non-employee	01/16/18		x	Crowded classroom resolved by moving to a larger class.
212	UH - Manoa	Violation of University policy	Employee	01/15/18		x	HR matter. Addtl info. requested but not provided.
211	UH - Hilo	Employee misconduct	Employee	01/13/18		x	HR matter reviewed and resolved.
210	Windward CC	No violation alleged	Non-employee	01/13/18		x	Inappropriate Facebook post.
209	UH - Manoa	Student misconduct	Non-employee	01/13/18		x	Alcohol and drug complaint. Investigated and resolved.
208	UH - Hilo	Employee misconduct	Non-employee	01/12/18		x	HR matter reviewed and resolved.
207	UH - Manoa	Violation of University policy	Non-employee	01/12/18		x	Non-compliance with policies, laws and regulations.
206	UH - Manoa	Violation of University policy	Employee	01/12/18		x	Individuals smoking on campus. Forwarded to Public Safety.
205	UH - West Oahu	Violation of University policy	Non-employee	01/12/18		x	Individuals not smoking in designated areas. No violation.
204	UH - Hilo	No violation alleged	Employee	01/10/18		x	HR matter reviewed and resolved.
203	Hawaii CC	Violation of University policy	Non-employee	01/08/18		x	Title IX. Addtl info. requested but not provided.
202	Kapiolani CC	Hazardous condition	Employee	01/02/18		x	Caution tape blocking flooded stairwell. Campus addressed matter
201	Hawaii CC	Violation of University policy	Employee	12/27/17	x		HR matter under investigation
200	UH - Hilo	Violation of University policy	Employee	12/20/17		x	HR matter under investigation. Addtl info requested from reporter.
199	UH - Manoa	Student misconduct	Non-employee	12/14/17		x	Student cheated on exam. Forwarded to Office of Judicial Affairs.
198	Honolulu CC	No violation alleged	Non-employee	12/12/17		x	Inappropriate Facebook post.
197	Kapiolani CC	Hazardous condition	Employee	12/04/17		x	Equipment stored in hallways. Reviewed and resolved.
196	Kapiolani CC	Violation of University policy	Employee	12/04/17		x	HR matter reviewed and resolved.
195	UH - Manoa	Violation of University policy	Employee	12/03/17		x	Addtl info. requested from reporter. Addtl info not provided.
194	Hawaii CC	No violation alleged	Employee	11/27/17		x	Identical to case #190.
193	UH - Hilo	No violation alleged	Employee	11/26/17		x	Competency of staff personnel.
192	Windward CC	Violation of University policy	Non-employee	11/23/17	x		Title IX. Investigation ongoing.
191	System	Employee misconduct	Non-employee	11/19/17		x	Addtl info. requested from reporter. Addtl info not provided.
190	Hawaii CC	No violation alleged	Employee	11/18/17		x	Inequitable work shifts. Reviewed and resolved.
189	Kapiolani CC	Violation of University policy	Employee	11/01/17		x	Policy violation allegation investigated. No violation.
188	UH - Hilo	No violation alleged	Non-employee	10/31/17		x	Identical to case #185.
187	UH - Hilo	No violation alleged	Non-employee	10/31/17		x	Identical to case #185.
186	UH - Hilo	No violation alleged	Non-employee	10/31/17		x	Identical to case #185.
185	UH - Hilo	No violation alleged	Non-employee	10/31/17		x	Competency of staff personnel.
184	UH - Hilo	Employee misconduct	Non-employee	10/23/17		x	HR matter reviewed and resolved.
183	System	Violation of University policy	Employee	10/18/17		x	Non-compliance with laws/regs. Addtl info requested not provided.
182	UH - Manoa	Violation of University policy	Employee	10/17/17	x		Non-compliance with University policies
181	Windward CC	Violation of University policy	Employee	10/12/17		x	Title IX. Addtl info. requested. Addtl info not provided.
180	UH - Manoa	No violation alleged	Non-employee	10/11/17		x	Academic grievance forwarded to departmental personnel.
179	UH - Hilo	Employee misconduct	Non-employee	10/10/17		x	HR allegation reviewed and resolved
178	UH - Manoa	Employee misconduct	Non-employee	10/09/17		x	Identical to case #177.
177	UH - Manoa	Employee misconduct	Non-employee	10/09/17		x	Academic grievance forwarded to departmental personnel.
176	Honolulu CC	Violation of University policy	Employee	10/09/17		x	Addtl info. requested from reporter. Addtl info not provided.
175	UH - Manoa	No violation alleged	Employee	10/03/17		x	Service animal.
174	Kapiolani CC	Violation of University policy	Employee	09/14/17		x	Conflict of interest reviewed. No violation.

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Case #	Campus	Classification	Submitted by	Date	Status		Description
				Opened	In process	Closed	
173	UH - Manoa	Violation of University policy	Employee	09/13/17		x	Addtl info. requested from reporter. Addtl info not provided.
172	Kapiolani CC	Violation of University policy	Employee	09/13/17		x	Conflict of interest reviewed. No violation.
171	System	Violation of University policy	Employee	09/11/17		x	Conflict of interest reviewed and resolved.
170	UH - Manoa	Employee misconduct	Non-employee	09/09/17		x	Addtl info. requested from reporter. Addtl info not provided.
169	Honolulu CC	Violation of University policy	Employee	09/05/17		x	Addtl info. requested from reporter. Addtl info not provided.
168	UH - Manoa	Violation of University policy	Non-employee	09/03/17		x	HR matter reviewed and resolved.
167	Kapiolani CC	Student misconduct	Non-employee	09/01/17		x	Free speech. Forwarded to departmental personnel.
166	UH - Manoa	Employee misconduct	Employee	09/01/17		x	Smoking allegation forwarded to departmental personnel.
165	UH - Manoa	Violation of University policy	Employee	09/01/17		x	HR allegation reviewed and resolved
164	Windward CC	Violation of University policy	Employee	08/25/17		x	HR matter investigated. No violation.
163	UH - Manoa	No violation alleged	Employee	08/23/17		x	Academic grievance reviewed and resolved.
162	UH - Hilo	Violation of University policy	Non-employee	08/21/17		x	HR allegation reviewed and resolved
161	UH - Manoa	No violation alleged	Non-employee	08/19/17		x	No violation.
160	Maui College	No violation alleged	Non-employee	08/18/17		x	HR allegation reviewed and resolved
159	UH - Hilo	Violation of University policy	Employee	08/18/17		x	HR allegation reviewed and resolved
158	System	Violation of University policy	Employee	08/16/17		x	HR allegation reviewed and resolved
157	UH - Manoa	No violation alleged	Non-employee	08/16/17		x	Academic grievance forwarded to departmental personnel.
156	Windward CC	Violation of University policy	Employee	08/15/17		x	Conflict of interest. No violation.
155	Windward CC	No violation alleged	Employee	08/15/17		x	HR matter investigated. No violation.
154	UH - Manoa	Violation of University policy	Employee	08/08/17		x	Addtl info. requested from reporter. Addtl info not provided.
153	System	Violation of University policy	Employee	08/07/17		x	Conflict of interest reviewed and resolved.
152	System	No violation alleged	Employee	07/28/17		x	Expense reimbursement policy investigaed. No violation.
151	UH - Manoa	No violation alleged	Non-employee	07/28/17		x	Argument at faculty housing
150	UH - Manoa	Violation of University policy	Employee	07/05/17		x	HR allegation reviewed and resolved
149	Hawaii CC	Violation of University policy	Employee	07/03/17		x	HR allegation reviewed and resolved
148	UH - Manoa	Student misconduct	Non-employee	07/03/17		x	Academic dishonesty. Forwarded to Office of Judicial Affairs.
147	UH - Manoa	No violation alleged	Employee	07/01/17		x	Addtl info. requested from reporter. Addtl info not provided.
146	Kapiolani CC	Violation of University policy	Employee	06/20/17		x	Misuse of facilities. Matter resolved.
145	Kapiolani CC	Violation of University policy	Employee	06/13/17		x	HR matter investigated. No violation.
144	Kapiolani CC	Violation of University policy	Employee	06/09/17		x	HR matter investigated. No violation.
143	UH - Manoa	Violation of University policy	Employee	06/09/17		x	HR allegation reviewed and resolved
142	Kapiolani CC	No violation alleged	Non-employee	05/23/17		x	Academic grievance. Reviewed with action taken.
141	UH - Manoa	Violation of University policy	Non-employee	05/23/17		x	Allegation is identical to #133.
140	UH - Manoa	Violation of University policy	Employee	05/22/17		x	Hiring policy investigated with appropriate action taken.
139	System	Violation of University policy	Non-employee	05/21/17		x	Allegation is identical to #133.
138	UH - Hilo	Violation of University policy	Non-employee	05/21/17		x	Allegation is identical to #133.
137	UH - Manoa	Violation of University policy	Non-employee	05/20/17		x	Allegation is identical to #133.
136	UH - Manoa	Violation of University policy	Non-employee	05/20/17		x	Allegation is identical to #133.
135	System	Violation of University policy	Non-employee	05/19/17		x	Allegation is identical to #133.
134	UH - Manoa	Violation of University policy	Non-employee	05/19/17		x	Allegation is identical to #133.
133	System	Violation of University policy	Non-employee	05/18/17		x	Free speech. Reviewed by administration and resolved.
132	Kapiolani CC	Violation of University policy	Employee	05/17/17		x	HR allegation reviewed and resolved

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131	UH - Manoa	No violation alleged	Non-employee	05/15/17		x	Professor misrepresentation. Forwarded to appropriate office.
130	System	Violation of University policy	Non-employee	05/12/17		x	Improper use of University vehicle. Investigated and determined that vehicle is not owned by the University.
129	Honolulu CC	Violation of University policy	Employee	05/10/17		x	Conflict of interest. No violation.
128	Kapiolani CC	Violation of University policy	Non-employee	05/03/17		x	HR allegation reviewed and resolved
127	UH - Manoa	Violation of University policy	Non-employee	05/02/17		x	Hiring policy investigated. No violation.
126	UH - Manoa	Violation of University policy	Non-employee	05/02/17		x	Hiring policy investigated. No violation.
125	Honolulu CC	Violation of University policy	Employee	05/01/17		x	HR matter.Addtl info. requested from reporter but not provided.
124	UH - Manoa	Violation of University policy	Employee	04/27/17		x	HR allegation reviewed and resolved
123	UH - Hilo	Violation of University policy	Employee	04/20/17		x	Procurement of goods/services reviewed and resolved.
122	UH - Manoa	No violation alleged	Non-employee	04/14/17		x	Bird in dorm room investigated and resolved.
121	UH - Manoa	Violation of University policy	Non-employee	04/13/17		x	Title IX
120	UH - Manoa	Violation of University policy	Non-employee	04/12/17		x	Title IX
119	Kapiolani CC	Violation of University policy	Employee	04/11/17		x	Former employee has campus keys. Reviewed by admin and resolved
118	Kapiolani CC	Violation of University policy	Employee	04/11/17		x	Former employee on campus.Reviewed by admin and resolved.
117	UH - Manoa	Violation of University policy	Employee	04/05/17		x	HR matter. Addtl info. requested from reporter but not provided.
116	Kapiolani CC	No violation alleged	Non-employee	03/24/17		x	Culinary operations. Matter resolved.
115	Kapiolani CC	Violation of University policy	Employee	03/21/17		x	Casual hiring policy. No violation.
114	Kapiolani CC	Violation of University policy	Employee	03/20/17		x	Hiring policy investigated. No violation.
113	Kapiolani CC	Violation of University policy	Employee	03/20/17	x		HR matter investigation completed in 11/2017. Pending VC decision.
112	Kapiolani CC	No violation alleged	Non-employee	03/15/17		x	Academic grievance. Investigation completed and resolved.
111	UH - Manoa	No violation alleged	Employee	03/14/17		x	Vague allegation. Addtl info. requested. None rec'd.
110	UH - Manoa	No violation alleged	Non-employee	03/11/17		x	Academic grievance.
109	UH - Hilo	Violation of University policy	Employee	03/10/17		x	Casual hiring policy. Addtl info. requested. None rec'd.
108	Kapiolani CC	Violation of University policy	Employee	03/09/17		x	HR matter investigated. No violation.
107	UH - West Oahu	No violation alleged	Non-employee	03/03/17		x	Health center hours of operation. Signage at health center updated.
106	Kapiolani CC	Violation of University policy	Employee	03/02/17		x	Former empl loitering on campus. Reviewed by admin and resolved
105	System	Violation of University policy	Employee	03/01/17		x	Employee grievance investigated. No violation.
104	UH - Manoa	Violation of University policy	Employee	02/28/17		x	HR allegation reviewed and resolved
103	UH - Manoa	Violation of University policy	Non-employee	02/17/17		x	Free speech. Reviewed by administration and resolved.
102	UH - Hilo	Violation of University policy	Employee	02/17/17		x	HR allegation reviewed and resolved
101	Kapiolani CC	Violation of University policy	Employee	02/16/17		x	HR allegation reviewed and resolved
100	Kapiolani CC	Violation of University policy	Employee	02/16/17		x	Policy violation allegation investigated. No violation.
99	Kapiolani CC	Violation of University policy	Employee	02/16/17		x	HR allegation reviewed and resolved
98	UH - Manoa	No violation alleged	Employee	02/15/17		x	Inappropriate use of e-mail allegation investigated. No violation.
97	Hawaii CC	No violation alleged	Employee	02/15/17		x	Improper paint disposal allegation investigated. No violation.
96	Kauai CC	Violation of University policy	Employee	02/13/17		x	HR allegation reviewed and resolved
95	UH - Manoa	No violation alleged	Employee	02/10/17		x	Inappropriate use of parking pass. Forwarded to appropriate dept.
94	Kapiolani CC	Violation of University policy	Employee	02/10/17		x	Addtl info. requested from reporter. Addtl info not provided.
93	Kapiolani CC	Violation of University policy	Employee	02/10/17		x	HR matter investigated. No violation.
92	Kauai CC	No violation alleged	Employee	02/10/17		x	Service animals. Investigated and resolved.
91	Kapiolani CC	Violation of University policy	Employee	02/10/17		x	Outdated policies allegation reviewed and resolved.

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90	Kapiolani CC	Violation of University policy	Employee	02/09/17		x	HR allegation reviewed and resolved
89	UH - Manoa	No violation alleged	Non-employee	02/08/17		x	Academic grievance.
88	Leeward CC	Violation of University policy	Employee	02/06/17		x	HR allegation reviewed and resolved
87	UH - Hilo	No violation alleged	Non-employee	02/05/17		x	Academic grievance
86	Kapiolani CC	Violation of University policy	Non-employee	01/26/17		x	HR matter investigated. No violation.
85	Kapiolani CC	Campus maintenance	Non-employee	01/20/17		x	Poor classroom condition resolved to complainant satisfaction.
84	UH - Manoa	Violation of University policy	Employee	01/17/17		x	HR allegation forwarded to departmental personnel.
83	Hawaii CC	Violation of University policy	Employee	01/17/17		x	Free speech. Reviewed by administration and resolved.
82	Maui College	Violation of University policy	Non-employee	01/15/17		x	Financial aid. Reviewed by administration and resolved.
81	UH - Hilo	No violation alleged	Non-employee	01/11/17		x	HR allegation reviewed and resolved
80	UH - Manoa	No violation alleged	Non-employee	01/11/17		x	Academic grievance
79	Kauai CC	No violation alleged	Non-employee	01/10/17		x	HR allegation reviewed and resolved
78	UH - Manoa	No violation alleged	Non-employee	01/09/17		x	Loud music
77	Kapiolani CC	Violation of University policy	Employee	01/09/17		x	HR matter under investigation
76	UH - Hilo	Violation of University policy	Employee	01/08/17		x	HR allegation reviewed and resolved
75	UH - Hilo	Violation of University policy	Non-employee	01/08/17		x	Federal reg. non-compliance. Reviewed by admin and resolved
74	Kapiolani CC	No violation alleged	Employee	01/06/17		x	Former empl loitering on campus. Reviewed by admin and resolved
73	Kapiolani CC	Violation of University policy	Employee	01/05/17		x	HR allegation reviewed and resolved
72	UH - Hilo	Violation of University policy	Employee	12/26/16		x	HR allegation reviewed and resolved
71	UH - Hilo	Employee misconduct	Employee	12/26/16		x	Compliance with UHF policies. Reviewed by admin and resolved.
70	UH - Manoa	Violation of University	Non-employee	12/25/16		x	Addtl info. requested from reporter. Addtl info not provided.
69	UH - Manoa	Violation of University policy	Employee	12/23/16		x	HR allegation reviewed and resolved
68	UH - Manoa	Violation of University policy	Non-employee	12/15/16		x	Allegation withdrawn by reporter
67	UH - Manoa	No violation alleged	Employee	12/08/16		x	Use of handicap parking pass
66	UH - Manoa	Violation of University policy	Employee	11/17/16		x	Addtl info. requested from reporter. Addtl info not provided.
65	UH - Hilo	No violation alleged	Employee	11/09/16		x	HR allegation reviewed and resolved
64	UH - Manoa	No violation alleged	Employee	11/09/16		x	No-smoking policy
63	Hawaii CC	Violation of University policy	Non-employee	10/30/16		x	Addtl info. requested from reporter. Addtl info not provided.
62	UH - Hilo	Violation of University policy	Employee	10/28/16		x	HR allegation reviewed and resolved
61	Honolulu CC	No violation alleged	Non-employee	10/26/16		x	HR allegation reviewed and resolved
60	Hawaii CC	No violation alleged	Non-employee	10/24/16		x	Addtl info. requested from reporter. Addtl info not provided.
59	Maui College	Employee misconduct	Employee	10/24/16		x	HR allegation reviewed and resolved
58	Honolulu CC	No violation alleged	Employee	10/21/16		x	HR allegation reviewed and resolved
57	Maui College	Violation of University policy	Employee	10/21/16		x	HR allegation reviewed and resolved
56	Maui College	No violation alleged	Employee	10/21/16		x	HR allegation reviewed and resolved
55	Maui College	No violation alleged	Employee	10/21/16		x	HR allegation reviewed and resolved
54	UH - Hilo	Violation of University policy	Employee	10/20/16		x	HR allegation reviewed and resolved
53	Honolulu CC	Violation of University policy	Employee	10/19/16		x	Health insurance. Reviewed by administration and resolved.
52	UH - Manoa	Violation of University policy	Non-employee	10/18/16		x	Unreconciled account balances. Reviewed and resolved by admin.
51	UH - Manoa	Violation of University policy	Employee	10/16/16		x	Addtl info. requested from reporter. Addtl info not provided.
50	UH - Hilo	Employee misconduct	Non-employee	10/12/16		x	HR allegation reviewed and resolved
49	UH - Manoa	Hazardous condition	Employee	09/20/16		x	Cluttered stairwell

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48	UH - Manoa	Violation of University policy	Employee	09/20/16		x	HR allegation reviewed and resolved
47	Windward CC	No violation alleged	Non-employee	09/01/16		x	Addtl info. requested from reporter. Addtl info not provided.
46	UH - Hilo	Violation of University policy	Non-employee	08/29/16		x	Free speech. Reviewed by administration and resolved.
45	UH - Hilo	Violation of University policy	Employee	08/27/16		x	HR allegation reviewed and resolved
44	UH - Manoa	Student misconduct.	Non-employee	08/24/16		x	Alcohol complaint
43	Hawaii CC	Employee misconduct	Employee	08/24/16		x	HR allegation reviewed and resolved
42	UH - Manoa	Violation of University policy	Employee	08/22/16		x	HR allegation reviewed and resolved
41	UH - Manoa	Employee misconduct	Employee	08/19/16		x	Addtl info. requested from reporter. Addtl info not provided.
40	UH - Manoa	Violation of University policy	Non-employee	08/18/16		x	HR allegation reviewed and resolved
39	UH - Manoa	Violation of University policy	Employee	08/17/16		x	HR allegation reviewed and resolved
38	UH - Manoa	Employee misconduct	Non-employee	08/16/16		x	HR allegation reviewed and resolved
37	UH - Manoa	Violation of University policy.	Non-employee	08/08/16		x	Allegation withdrawn by reporter
36	System	Violation of University policy	Employee	08/04/16		x	Addtl info. requested from reporter. Addtl info not provided.
35	System	Violation of University policy.	Employee	07/27/16		x	HR allegation reviewed and resolved
34	UH - Manoa	Violation of University policy.	Employee	07/19/16		x	Use of general funds. Reviewed by administration and resolved.
33	Honolulu CC	Campus maintenance	Employee	07/14/16		x	Addtl info. requested from reporter. Addtl info not provided.
32	UH - Manoa	Violation of University policy	Non-employee	07/14/16		x	Parking safety allegation reviewed by administration. No violation.
31	System	Violation of University policy	Employee	07/12/16		x	HR allegation reviewed and resolved
30	UH - Manoa	Violation of University policy	Non-employee	07/11/16		x	HR allegation reviewed and resolved
29	UH - Manoa	Student misconduct	Non-employee	07/11/16		x	Title IX
28	UH - Hilo	Violation of University policy	Non-employee	07/05/16		x	HR allegation reviewed and resolved
27	UH - Hilo	Violation of University policy	Non-employee	07/01/16		x	HR allegation reviewed and resolved
26	UH - Manoa	Campus maintenance	Employee	06/30/16		x	Dirty parking facility
25	Kapiolani CC	Violation of University policy	Employee	06/27/16		x	HR allegation reviewed and resolved
24	UH - West Oahu	Violation of University policy	Employee	06/21/16		x	HR allegation reviewed and resolved
23	Kapiolani CC	Violation of University policy	Employee	06/19/16		x	HR allegation reviewed and resolved
22	Kapiolani CC	Violation of University policy	Employee	06/17/16		x	HR allegation reviewed and resolved
21	Kapiolani CC	Violation of University policy	Employee	06/16/16		x	HR allegation reviewed and resolved
20	UH - Manoa	Hazardous condition	Employee	06/16/16		x	HR allegation reviewed and resolved
19	UH - Manoa	Violation of University policy	Employee	06/16/16		x	Allegation does not involve the University
18	UH - Hilo	Violation of University policy	Non-employee	06/16/16		x	HR allegation reviewed and resolved
17	System	Violation of University policy	Employee	06/16/16		x	Addtl info. requested from reporter. Addtl info not provided.
16	UH - Manoa	Violation of University policy	Employee	06/15/16		x	HR allegation reviewed and resolved
15	Leeward CC	Employee misconduct	Employee	06/15/16		x	HR allegation reviewed and resolved
14	Kapiolani CC	Violation of University policy	Employee	06/15/16		x	Allegation was previously reported, resolved and closed.
13	Kapiolani CC	No violation alleged	Employee	06/15/16		x	Information request.
12	UH - Manoa	No violation alleged	Employee	06/15/16		x	Addtl info. requested from reporter. Addtl info not provided.
11	Hawaii CC	Violation of University policy	Non-employee	06/15/16		x	HR allegation reviewed and resolved
10	UH - Manoa	Hazardous condition	Employee	06/15/16		x	Mold. Resolved by Work Coord Ctr and Envir Hlth & Safety Office

Cases #1 - #9 were test/pilot cases entered by administrators to familiarize themselves with the system.

Item IV.B.2.  
Enterprise Risk  
Management Report

**NO MATERIALS**

**ORAL REPORT**

**Item IV.B.3.  
Status of Financial  
Management Audit of  
Maunakea Activities**

**NO MATERIALS**

**ORAL REPORT**



# Management Corrective Actions Update on the Review of Travel Policy Compliance by Office of Internal Audit

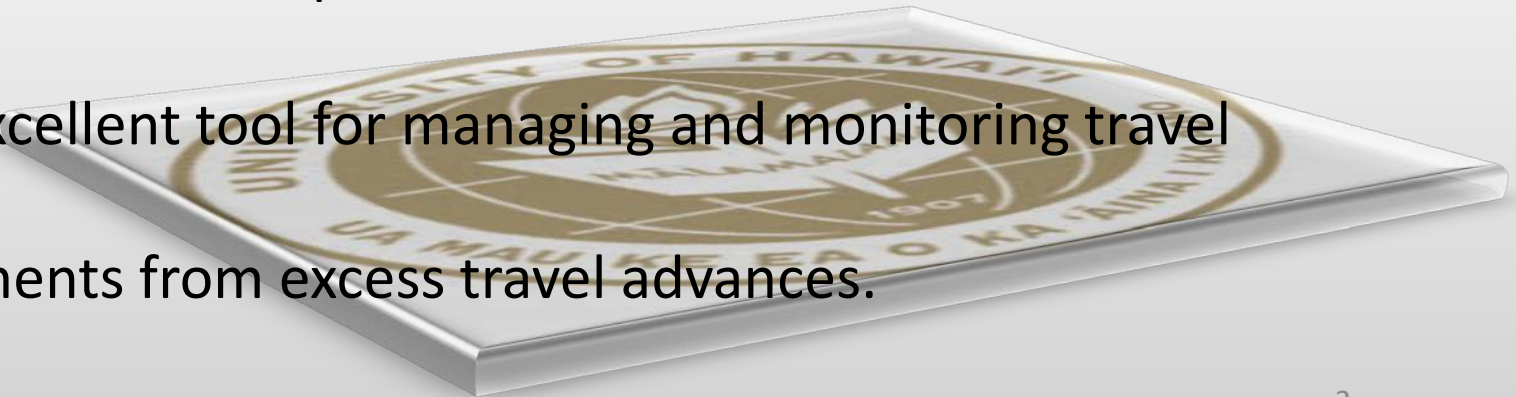
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University of Hawai'i System



# Background

- Office of Internal Audit completed the review of Travel Policy Compliance on September 2017.
  - **Summary of the observations:**
    - 8 of 12 travel requests for non-advance travel didn't include all necessary approvals in eTravel prior to travel departure date.
    - Instances of noncompliance with respect to travelers receiving additional advances when deemed not eligible.
    - RCUH travel reimbursement audit process is inconsistent with UH and HRS 40-1.
    - eTravel system is an excellent tool for managing and monitoring travel expenses.
    - Significant late repayments from excess travel advances.



# Corrective Action 1

- **Recommendation**

- Clarify Section III, E of the policy (Travel Requests): “All travel must be approved. Any travel expense that is not approved in advance is at the risk of the traveler and may become the traveler’s personal expense. Individual departments are allowed to use their discretion in the establishment of internal control requirements.”

- **Actions Taken**

- The policy has been revised to state :“All travel must be approved in writing. Any travel expense that is not approved in advance is at the risk of the traveler and may become the traveler’s personal expense. Individual departments are allowed to use their discretion in the establishment of internal control requirements.”
- The revised policy is in the consultation process with the Unions.



# Corrective Action 2

- Recommendation

- Disbursing's pre-audit group should consider collaborating with RCUH to develop an audit approach and testing strategy such that RCUH processed travel disbursements (including those over \$10,000) are included in the testing population to comply with HRS §40-1. Alternatively, AP 8.851 can be revised to explicitly state that all travel transactions, including extramurally funded travel for University travelers, must also be processed through eTravel.

- Actions Taken

- Disbursing Office met with RCUH on the IA recommendations
- However, RCUH has reviewed their current travel process and stated that the travel processed currently via RCUH complies with HRS Section 40-1, since each and every transaction of all dollar amounts is preaudited by a Fiscal Administrator (FA).
  - Each transaction requires five people's approval : initiator/traveler, PI approval, traveler's supervisor approval, Dean approval (for out-of-state travel for UH employees), and FA approval.
  - The responsibility of the FA is to verify compliance with RCUH Travel Policies 2.601, 2.602 and 2.603. Accordingly, the FA approval is the preaudit.

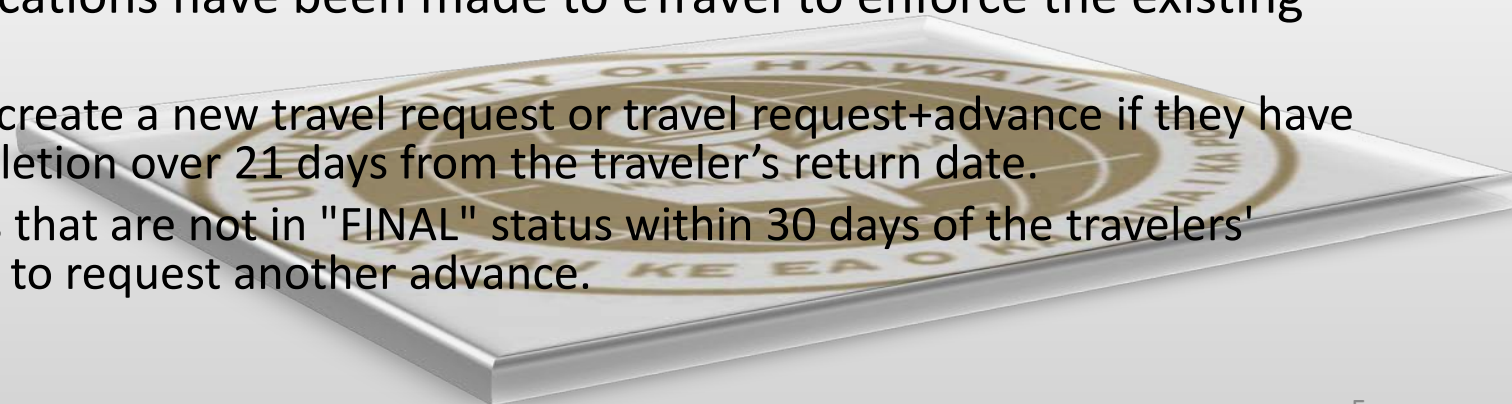
# Corrective Action 3

- **Recommendation**

- Revise the travel policy section on Travel Advance eligibility as follows:
  - Change the number of days an advance can be outstanding to 21 days from 30 days to be consistent with submission of Travel Completion Reports.
  - Clarify the meaning of “no other travel advances outstanding”. Suggested verbiage may consist of “excess advance amounts not repaid in full”.

- **Actions Taken**

- As indicated in the prior Management Response, we would not make any changes to the policy. However, modifications have been made to eTravel to enforce the existing policy as of May 1, 2018.
  - Traveler will not be able to create a new travel request or travel request+advance if they have an outstanding travel completion over 21 days from the traveler’s return date.
  - In addition, travel advances that are not in "FINAL" status within 30 days of the travelers' return date will not be able to request another advance.



# Corrective Action 4

- **Recommendation**

- eTravel should be modified to add an Advance Deposit field for the eDoc number associated with repayment of the advance.

- **Actions Taken**

- Effective May 1, 2018, an advance deposit field was added for the eDoc number associated with repayment of the advance. If the travelers' advance exceeds their reimbursable expenses, the advance deposit field is required.
- A process has been developed to follow up late repayments of excess advance.



# Corrective Action 5

- **Recommendation**

- Consider the feasibility of providing travel cards for advances and revising the policy on travel advance eligibility.

- **Actions Taken**

- Met with FHB on the feasibility of providing other optional travel payment methods as an alternative to travel advances. Based on preliminary discussions with FHB and other UH stakeholders (e.g. Manoa, Hilo, West Oahu, Community Colleges, Athletics - Manoa & Hilo, etc.), it was determined that a declining balance credit card might be the best option.
- However, in discussions with IT on modifications required to eTravel to support a travel card, IT determined that it would take at least one year to redesign eTravel in order to support a travel card process.
- We will continue the dialogue with OPRPM, UH stakeholders, FHB, and IT to find a long-term solution to minimize the financial exposures/travel advances.



# Questions





**Item IV.B.5.  
Committee Annual  
Review**

**ITEM TO BE  
DISCUSSED AT  
MEETING**