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**Notice of Meeting
UNIVERSITY OF HAWAI'I**

BOARD OF REGENTS COMMITTEE ON INDEPENDENT AUDIT

Members: Regents Akitake (Chair), Lee (Vice-Chair), Abercrombie, Higaki, and Paloma

Date: Thursday, October 5, 2023

Time: 12:30 p.m.

Place: University of Hawai'i at Mānoa
Information Technology Building
1st Floor Conference Room 105A/B
2520 Correa Road
Honolulu, Hawai'i 96822

See the Board of Regents website to access the live broadcast of the meeting and related updates: www.hawaii.edu/bor

AGENDA

- I. Call Meeting to Order**
- II. Approval of Minutes of the September 7, 2023 Meeting**
- III. Public Comment Period for Agenda Items:**

Individuals who are unable to provide testimony at this time will be allowed an opportunity to testify when specific agenda items are called.

All written testimony on agenda items received after posting of this agenda and up to 48 hours in advance of the meeting will be distributed to the board. Late testimony on agenda items will be distributed to the board at the beginning of the meeting. Written testimony may be submitted via the board's website through the testimony link provided on the Meeting Agendas, Minutes and Materials page. Testimony may also be submitted via email at bor.testimony@hawaii.edu, U.S. mail at 2444 Dole Street, Bachman 209, Honolulu, HI 96822, or facsimile at (808) 956-5156.

Those wishing to provide oral testimony virtually may register [here](#). Given the constraints with the format of hybrid meetings, individuals wishing to orally testify virtually must register no later than 7:30 a.m. on the day of the meeting in order to be accommodated. Registration for in-person oral testimony on agenda items will also be provided at the meeting location 15 minutes prior to the meeting and closed at the posted meeting time. It is highly recommended that written testimony be submitted in addition to registering to provide oral testimony. Oral testimony will be limited to three (3) minutes per testifier.

Although remote oral testimony is being permitted, this is a regular meeting and not a remote meeting by interactive conference technology under Section 92-3.7,

If you need an auxiliary aid/service or other accommodation due to a disability, contact the Board Office at (808) 956-8213 or bor@hawaii.edu as soon as possible. Requests made as early as possible have a greater likelihood of being fulfilled. We will try to obtain the auxiliary aid/service or accommodation, but we will not guarantee that the request will be fulfilled. Upon request, this notice is available in alternate/accessible formats.

Hawai'i Revised Statutes (HRS). Therefore, the meeting will continue notwithstanding loss of audiovisual communication with remote testifiers or loss of the public broadcast of the meeting.

All written testimony submitted are public documents. Therefore, any testimony that is submitted orally or in writing, electronically or in person, for use in the public meeting process is public information and will be posted on the board's website.

IV. Agenda Items

- A. Approval of Audit Plan Supplement for the University of Hawai'i at Mānoa Student Housing for Fiscal Year ended June 30, 2024

V. Adjournment

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DISCLAIMER – THE FOLLOWING ARE DRAFT MINUTES AND ARE SUBJECT TO FURTHER REVIEW AND CHANGE UPON APPROVAL BY THE COMMITTEE

MINUTES

BOARD OF REGENTS COMMITTEE ON INDEPENDENT AUDIT MEETING

SEPTEMBER 7, 2023

I. CALL TO ORDER

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

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

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

II. APPROVAL OF MINUTES

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

Regent Tochiki arrived at 9:06 a.m.

III. PUBLIC COMMENT PERIOD

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

Raiyan Rafid, Treasurer of the Campus Center Board, provided oral comments on the Warrior Recreation Center (WRC) audit citing his knowledge of, and involvement in, this issue. He also stated that he would be available to answer any questions the Regents may have regarding this matter at the appropriate time.

IV. AGENDA ITEMS

Chair Akitake stated that, barring any objections, the agenda items would be taken up in reverse order. No objections were raised.

C. Discussion on Additional Subjects for Independent Audit Committee

Chair Akitake reiterated her belief about the tremendous opportunity the committee offered as a vehicle to not only review potential problems within the university system but also to serve as a tool to assist the university in a more proactive rather than reactionary manner and continued to urge committee members and the administration to start thinking of the committee less in an adversarial light and more as an integral partner in making the university better and stronger. She also emphasized that the intent of these discussions was not to overburden the Office of Internal Audit (OIA) with additional work. Rather, it was to bring to light topics that Regents feel are worthy of consideration for addition to the Audit Work Plan for Fiscal Year 2023-2024 (Work Plan) or future audit work plans. She stated that, should consensus among committee members be reached on the possibility of including a particular subject matter in either the current or a future audit work plan during these deliberations, OIA Director Glenn Shizumura has agreed to provide the committee with a brief summary of the proposed supplemental audit at the committee's October meeting for further analysis and dialogue.

Referencing conversations related to the committee goals and objectives for the 2023-2024 academic year that took place during the August 3, 2023, committee meeting, Chair Akitake stated that suggestions were made to possibly include an examination of internal controls related to cyberattack risks as well as the topic of student housing to the committee's work plan for the year. While student housing is an issue she thinks is deserving of further consideration, matters related to cyberattack risks appeared to be beyond the scope of expertise of OIA per Director Shizumura. However, it was noted that the administration intends to have the VP for Information Technology/Chief Information Officer provide a report to either the committee or the board to discuss cyberattack risks and actions being taken by the university to address them. She asked regents to share their thoughts on including a review of student housing, as well as any other subjects, to the audit work plan.

Committee members expressed their general support for inclusion of a review of student housing in the current audit work plan although a suggestion was made to include faculty and staff housing in this audit.

Vice-Chair Lee remarked that it was his understanding that the administration was in the process of hiring a third-party consultant to examine student housing issues at UHM and questioned whether it would be premature to add this project to the audit work plan

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

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

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

Robust discussions ensued on the committee's and OIA's roles and responsibilities. Although auditing bodies have historically focused on assurance services related to compliance and financial activities, as well as the investigation of issues as they arose, Chair Akitake noted that there is an evolving concept that transforms the functions of these entities to one that balances assurances with proactive, forward-looking, strategic advisory services focused on matters of systemwide significance particularly in light of the emerging dynamics and new realities of higher education. While some committee members voiced their concerns that this forward-looking approach could be viewed as committee overreach and an expansion of committee duties beyond its statutory intent, the majority of committee members concurred with and were in favor of Chair Akitake's transformative vision for the committee opining that this change in direction was well within the parameters for the committee established by statute and Regents Policy.

Committee members also expressed their belief that internal audits need to be attended to in a more collegial and less adversarial manner so as to obtain the best outcomes for the university and that there should be a greater sense of urgency when it comes to addressing an audit's findings and recommendations. Chair Akitake also opined that issues facing the university must be addressed in a timely and forward-looking manner so that the institution will not be ill prepared or caught off guard should unexpected challenges occur in the future.

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

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

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

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

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

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

A. Progress Update on Addressing Audit Findings and Implementation of Corrective Action Plan for WRC

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

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

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

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

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

V. ADJOURNMENT

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

Respectfully Submitted,

Yvonne Lau

Executive Administrator and Secretary
of the Board of Regents

University of Hawai‘i Office of Internal Audit
Audit Plan - Supplement
For the Fiscal Year ended June 30, 2024

This document supplements the fiscal year ended June 30, 2024 Audit Plan (Audit Plan) presented by the University of Hawai‘i (University) Office of Internal Audit (Internal Audit) at the June 1, 2023 meeting of the Committee on Independent Audit (Audit Committee). At the September 7, 2023 Audit Committee meeting, the Audit Committee requested the preparation of an Audit Plan Supplement related to an audit of the University of Hawai‘i at Mānoa (UHM) Student Housing.

I. Background

A. Residence halls and apartments:

UHM offers on-campus housing to registered, full-time undergraduate and graduate students. The table below describes UHM’s residence halls and apartment complexes for the 2023-2024 academic year.

Resident Halls			
Name	Annual rent per occupant	# of Rooms per Unit	Occupancy per Room
<u>Private Bath</u>			
Frear Hall (810 beds)	\$7,663	2	Double with shared private bath
	\$9,209	4	Single with shared private bath
	\$11,265	2	Single with shared private bath
	\$12,880	1	Single with private bath
Gateway House (208 beds)	\$6,278	2	Double with private bath
	\$7,506	1	Double with private bath
<u>Community Bath</u>			
Johnson Hall (191 beds)	\$6,278	1	Double
Hale Kahawai (156 beds)	\$6,278	1	Double
Hale Laulima (160 beds)	\$6,278	1	Double
	\$9,061	1	Single
Hale Anuenue (41 beds)	\$9,061	1	Single
Hale Aloha Ilima (260 beds)	\$6,278	1	Double
Hale Aloha Lehua (260 beds)	\$6,278	1	Double
Hale Aloha Lokelani (260 beds)	\$6,278	1	Double
Hale Aloha Mokihana (260 beds)	\$6,278	1	Double
Apartment Complex (includes private kitchen)			
Name	Annual Apartment Rent	Rooms per Apt.	Occupancy per Apartment
Hale Wainani (650 beds)	\$6,843	2	Double
	\$8,688	1	Double
	\$11,633	2	Single (graduate students only)
	\$17,117	1	Families only
Hale Noelani			Closed for the 2023-2024 academic year

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 Audit Plan - Supplement
 For the Fiscal Year ended June 30, 2024**

All residence halls and apartments are furnished with beds, desks, chairs, desk lamps and closets. Apartment kitchens are equipped with a range, refrigerator, sink and dining table. Air conditioning is only provided at Frear Hall and Hale Anuenue.

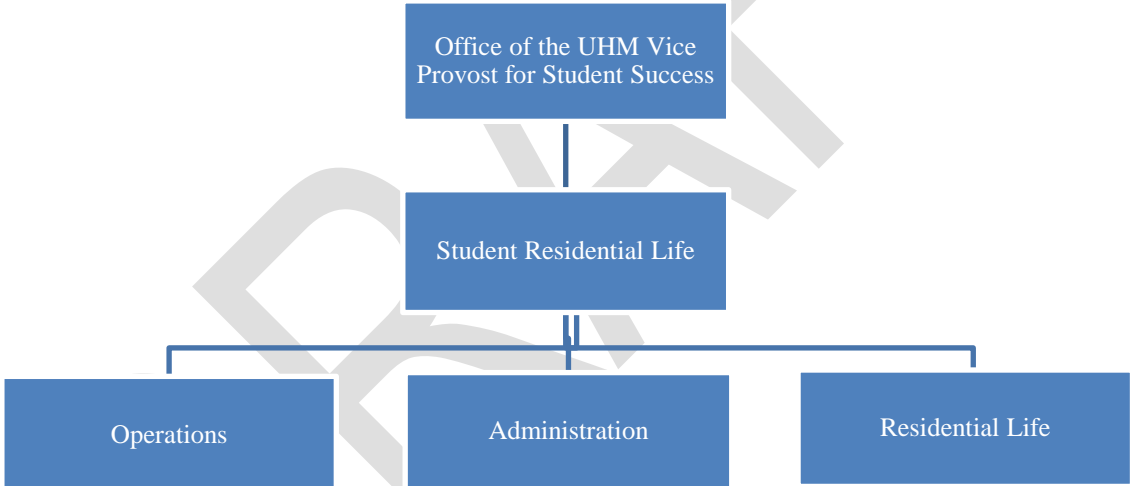
B. Relevant University policies:

1. Board of Regents policy (RP) 7.205 *Student Housing*
 This RP provides guidance with respect to the following:
 - a. Student Housing goals for the University
 - b. Objectives of the Student Housing Program
 - c. Student Housing Assignment Priorities
 - d. Student Housing Room Rates

2. Executive policy (EP) 7.102 *Delegation of Authority to Negotiate and Establish Housing Rate for Conference*
 This EP provides guidance with respect to negotiating and establishing housing rates for conferences held in University facilities.

C. Organizational structure:

The following is a condensed organizational chart of UHM Student Housing as of June 30, 2023.



Subsequent to July 1, 2023, all responsibility to manage UHM Student Housing was temporarily transferred to the University’s Office of the Vice President for Administration (OVPA). The organizational chart depicted above remains current with the exception of “Student Residential Life” temporarily reporting to the OVPA. No formal reorganization is planned at this time.

II. UHM Student Housing consultant

Internal Audit was informed that the OVPA has engaged KMH LLP, a Hawaii based professional service organization, to provide consulting services to UHM Student Housing. Internal Audit was informed that KMH commenced their services in September and anticipates providing the OVPA with preliminary conclusions and recommendations prior to the commencement of the 2024-2025 academic year. In general, KMH’s services will address various financial, operational and compliance matters associated with UHM Student Housing with an initial objective of developing a financial model that could be used as a tool by UHM Student Housing to establish the rental rates charged to students.

University of Hawai‘i Office of Internal Audit

Audit Plan - Supplement

For the Fiscal Year ended June 30, 2024

KMH stated that the areas anticipated to be addressed are fluid and may be modified as their work progresses. Accordingly, a final project end date is not determinable. KMH is committed to meet with and provide the OVPA with project updates monthly. The audit work performed by Internal Audit is not intended to address or include the scope of the KMH audit.

III. Audit work to be performed by Internal Audit

The Audit Committee has requested that Internal Audit gather historical UHM Student Housing information to assist the University’s Board of Regents in formulating a strategy to align student housing with the University’s strategic plan. This information may include the year that the residence hall or apartment complex was placed in service, the amount and description of major renovations, number of revenue beds, occupancy percentages, number of students applying for student housing that were denied, etc. In addition, Internal Audit will review the student housing priority policy, obtain and review any student housing resident surveys and research relevant student housing information of other public universities.

The Audit Committee has also requested that Internal Audit participate in the OVPA’s monthly project status update meetings with KMH. Internal Audit believes that participation in these meetings will mitigate the risk of any duplication of work in addition to allowing Internal Audit to independently evaluate KMH’s project status. To the extent that KMH identifies issues in connection with their work that they believe can be more appropriately addressed by Internal Audit, Internal Audit will first consult with the Vice President of Administration (VPA) and the Audit Committee regarding whether the identified issues warrant an audit. Internal Audit will proceed to perform audit procedures with respect to these issues only with the approval of the Audit Committee.

IV. Audit procedures and timing

The tentative audit procedures are as follows:

1. Obtain historical information by residence hall and apartment complex (year placed in service, major renovations, square footage, number of rooms, amenities, etc.)
2. Obtain occupancy-related data by residence hall and apartment complex for the past three years by semester (number of revenue beds, occupancy percentages, number of students applying for student housing that were denied, etc.)
3. Request and read any student housing surveys distributed since 2020 and inquire as to the actions taken to address issues identified in the surveys.
4. Review the student housing priority policy and perform inquiries to evaluate the process to ensure compliance
5. Research and compare student housing information at other public universities to UHM. Information to research includes number and age of residence halls/apartment complexes, number of beds, amenities, occupancy percentages, etc.
6. Participate with the OVPA in the monthly status meetings with KMH.
7. Evaluate the reasonableness and workability of KMH conclusions and recommendations.
8. Collaborate with KMH and the VPA regarding issues identified by KMH that would more appropriately be performed by Internal Audit.
9. Other procedures as deemed appropriate.

Internal Audit will commence its work subsequent to Audit Committee approval of this audit plan supplement.