The Audit Committee Meeting was called to order at 8:45 am.


Also in attendance: Board Secretary Presley Pang, Internal Auditor Elaine Chun, and Personnel Specialist Brenda Shin.

Secretary Pang explained that this meeting is organized in two parts. In the first part, the committee will focus on the filling the vacant position of the director of the office of internal audits. Several candidates will be interview for the position, and these interviews will be conducted in executive session. In the second part of the meeting, the committee will be briefed on the status of audit reports for the University Bond System and on the consolidated financial statements. This briefing will be done in a public session.

At 9:05 a.m., upon motion by Regent Karr, and second by Regent Migita, and the re being unanimous accord, the Committee moved to executive session pursuant to HRS § 92-5(a)(2) to evaluate candidates for the position of Director of the Internal Audit Office.

At 12:15 p.m., the Committee recessed from executive session and returned to public session. Vice President Howard Todo briefed the Regents on the status of the audit reports on the University Bond system and the consolidated financial statements of the University. VP Todo explained that the University targets the end of March for the Board to accept the reports for several reasons: there is a deadline to file the reports concerning the bond system with a clearinghouse; the federal OMB A-133 compliance report is also due at end of March, although the University was given a 3 month extension this year; audited financial statements are needed as part of the documentation to sell the $100 million bonds scheduled for end of March.

There were several reasons why the reports have been delayed:

1. The University is waiting for the Foundation to accept the Foundation’s audit reports, which will be relied upon by the University to complete the University’s audit reports. The Foundation is expected to meet within the week.

2. There is a new requirement to book a liability for post retirement benefits. There is a disagreement between the State and the University as to how this liability should
be apportioned among the state agencies. The University has obtained its own estimate of the liability, and this issue should not cause further delay.

3. The University has reached its own level of comfort in accounting for any funds held in auction rate securities. The University does not see the need to book an impairment, and any impairment allocated by the State to the University will probably not be significant.

4. The amount owed by UCERA to the University will probably be approximately $6.3 million. The University and UCERA are working out a way to account for this receivable now and in the future.

5. The bookstore implemented a new inventory system. The bookstore is part of the bond system.

6. The student housing, also a part of the bond system, should book as receivable an amount currently in dispute with the UH Athletics Department.

In light of the circumstances, the Audit Committee requested a draft Management’s discussion and Analysis by next week. The Committee scheduled a meeting at 8:30 a.m., March 20, 2009, before the full Board of Regents meet at 9:00 a.m. At this meeting, the Committee will review the UH Consolidated Financial statements, and the UH Bond System Financial Statements. The OMB A-133 Financial and Compliance Audit has been deferred to a future date. The Internal Control and Business issues Report related to the Bond System will not be reviewed at this meeting.

At 1:20 pm, the Committee recessed from public session and returned to executive session briefly then returned to public session at 1:30 pm.

The Committee adjourned at 1:30 pm.

Respectfully Submitted,

[Signature]

Presley Pang
Interim Secretary
Board of Regents