

MINUTES

BOARD OF REGENTS COMMITTEE ON INDEPENDENT AUDIT MEETING

MAY 18, 2018

I. CALL TO ORDER

Committee Chair Michael McEnerney, called the meeting to order at 12:06 p.m. on Friday, May 18, 2018, at the University of Hawai'i at Mānoa, 2465 Campus Road, Executive Dining Room, Honolulu, Hawai'i 96822.

Committee members in attendance: Committee Chair Michael McEnerney; Regent Jeffrey Portnoy.

Committee members excused: Committee Vice Chair Randy Moore; Regent Wayne Higaki.

Others in attendance: Board Chair Jan Sullivan (ex-officio voting member); Board Vice Chair Ben Kudo; Regent Simeon Acoba; Regent Brandon Marc Higa; Regent Lee Putnam; Regent Douglas Shinsato; Regent Stanford Yuen (ex officio committee members); President/Interim UH-Mānoa (UHM) Chancellor David Lassner; Vice President for Administration Jan Gouveia; Vice President for Community Colleges John Morton; Vice President for Legal Affairs/University General Counsel Carrie Okinaga; Vice President for Academic Planning & Policy Donald Straney; Vice President for Information Technology/Chief Information Officer Garret Yoshimi; Vice President for Budget & Finance/Chief Financial Officer Kalbert Young; Interim UH-Hilo (UHH) Chancellor Marcia Sakai; Executive Administrator and Secretary of the Board of Regents Kendra Oishi; and others as noted.

II. APPROVAL OF MINUTES OF THE APRIL 4, 2018 MEETING

Regent Portnoy moved to approve the minutes of the April 4, 2018, meeting, seconded by Board Chair Sullivan, and the motion carried unanimously.

III. PUBLIC COMMENT PERIOD

Executive Administrator and Secretary of the Board Kendra Oishi announced that the Board Office received no written testimony, and no individuals had signed up to give oral testimony.

IV. AGENDA ITEMS

A. For Action:

1. Approval of Annual Review of Committee Charter

Committee Chair McEnerney explained that the charter is set forth in the bylaws and Section 304A-321, Hawai'i Revised Statutes (HRS), and together these items provide the charter of operations for the committee for the coming year.

Regent Portnoy, moved to approve the annual review of the committee charter, seconded by Board Chair Sullivan, and the motion carried unanimously.

2. Approval of Proposed Internal Audit Workplan for 2018-2019

Internal Auditor Glenn Shizumura explained that the workplan was developed in consultation with administration and included a summary of services provided by the Office of Internal Audit and a breakdown of new, carryover, and follow-up projects for 2018-2019. He provided a status update on the financial management audit of Maunakea activities. The Office of Internal Audit has met with various individuals to gather information and will be scheduling follow-up meetings. A rough draft of the audit report should be ready by September and no external assistance is anticipated at this time.

Regent Putnam arrived at 12:12 p.m.

A question was raised to Internal Auditor Shizumura on his understanding of the scope of the audit on Maunakea activities. He explained that the purpose of the audit is to gain an understanding of the sources and flow of revenues and expenses, and gather information with respect to capital assets.

A question was raised as to whether information or assistance would be provided to the State Auditor should the legislature request a separate audit of Maunakea activities. The Office of Internal Audit will provide any assistance or information the State Auditor determines useful.

The committee requested a Gantt chart of the projects contained in the workplan and that regular progress reports be provided to allow the board and Committee on Independent Audit to provide direction regarding priorities, as needed.

Regent Portnoy moved to approve the proposed internal audit workplan for 2018-2019, seconded by Board Chair Sullivan, and the motion carried unanimously.

3. Acceptance of the Draft Committee on Independent Audit Annual Report to the Board

Internal Auditor Shizumura explained that the annual report is prepared pursuant to the provisions of Section 304A-321, HRS. This annual report also includes the Office of Internal Audit's Audit Results for the Fiscal Year Ended June 30, 2018, which summarizes the services provided during the past fiscal year and projects included in last year's audit plan with current status, findings, and recommendations. He indicated that the committee had met all the statutory requirements.

Regent Portnoy moved to accept the draft Committee on Independent Audit Annual Report to the Board, seconded by Board Chair Sullivan.

Committee Chair McEnerney noted that the Committee on Internal Audit's self-evaluation was listed as item 4.c. on page v of the Annual Report, and if there were no objections that item would be deferred so that committee leadership can contact the current committee members for input and the revised review will be brought back to the committee. There were no objections.

There having been a motion that was moved and seconded, the motion to accept the draft Committee on Independent Audit Annual Report to the Board was put to a vote and carried unanimously.

B. For Information & Discussion:

1. Whistleblower Report

The committee reviewed the latest whistleblower report that includes complaints made to date and their status. Case 113 at Kapi'olani Community College (KapCC), the oldest outstanding case, closed earlier this week, and it was determined there was no violation.

A question was raised regarding the process to assure whistleblower reports are properly handled and no reports are being quashed. Internal Auditor Shizumura and members of the UH System Office of Risk Management are the administrators who receive the reports, monitor the cases, and follow up with the campuses if cases are not researched in a timely manner. The investigators at the respective campuses have the primary responsibility for assuring that whistleblower reports and investigations are properly handled. The level of detail provided in the system varies depending on the type of case. VP Gouveia explained that there is a check and balance system built into the whistleblower report structure, and there is systemwide oversight for all whistleblower reports or complaints received.

Cases are then assigned to campuses, and a whistleblower coordinator is responsible for making further case assignments within the campus. Cases are not assigned to individuals who are the subject of a complaint. For Title IX and human resources complaints, those are assigned to the Title IX coordinator or the human resources representative. The whistleblower coordinator is the only person who can input results of the finding or disposition of the complaint into the system. Reports on overall complaints by category are done annually, which helps identify spikes in numbers or campuses that may require further evaluation.

A question was raised as to why it took so long to close Case 113. Internal Auditor Shizumura explained that the investigation was completed in November 2017, and the information was provided to a vice chancellor who prepared the memorandum for the employee involved in the complaint indicating the resolution. It is unclear why it took so long for the final paperwork to be completed. The System level coordinator overseeing the community colleges was in contact with the campus to bring the case to resolution.

A question was raised on whether the complaints seem to focus on any particular campus. Internal Auditor Shizumura explained that the number of cases seems to

correlate with the size of the campus, with UHM having the most, followed by UHH and KapCC, but that it is not unexpected based on the enrollment at those campuses.

2. Enterprise Risk Management Report

VP Gouveia provided an update on enterprise risk management. Cybersecurity was one of the top risk areas that administration was focused on this year. At the last meeting, the committee discussed updating or developing a board of regents policy on cybersecurity. Administration is working on a draft cybersecurity policy, and the policy is expected to be brought forward for review and approval at the next committee meeting, after union consultation.

A question was raised regarding whether there had been any change to the university's risk heat map since last year and VP Gouveia responded that there has been no change.

VP Gouveia recognized Interim UHH Chancellor Sakai's leadership at both UHH and in coordinating the campuses efforts with Hawai'i Community College with regard to the impacts to the university due to the volcanic activity on Hawai'i Island. There has been a very concerted effort to get out timely and relevant information to the campus community. The committee viewed the joint [UHH-HawCC website](#), which was operational shortly after the first fissure opened. The website provides information on what to do in the event of an earthquake and is a helpful resource for the campus community and their families.

Chancellor Sakai noted that initial communications were directed to students and employees who lived in the affected area outlining the support that UHH could provide. Students were able to stay in the residence halls at no cost during the week of finals, and they could negotiate if they needed to stay for a longer period of time; only a handful of students stayed for an extended period. The same offer regarding housing was also made to employees.

Various UH personnel and programs have been involved in providing information or assistance related to the volcanic activity and its impact on the community. VP Gouveia noted that Interim Vice Chancellor for Academic Affairs Ken Hon is the emergency manager for UHH who coordinates with civil defense officials on Hawai'i Island and provides both UHH and System administration with daily updates. UH System Spokesperson Dan Meisenzahl developed an internal communication structure that keeps everyone abreast of what is happening in a timely manner. VCAA Hon is a subject matter expert relied upon by state and county officials, and has been involved in providing solutions related to the geothermal plant. The UHM School of Ocean and Earth Science and Technology (SOEST) model is being used by state and county officials to map air quality.

The committee commended administration for their responsiveness and taking action in caring for students, employees, and the community.

3. Status of Financial Management Audit of Maunakea Activities

An update was provided during the discussion on the proposed Internal Audit Workplan for 2018-2019, agenda item IV.A.2.

4. Update on Travel Policy Compliance Review Corrective Actions

VP Young provided an update on the status of travel policy compliance review corrective actions. Five corrective actions were reviewed which include proposed policy changes, discussions with the Research Corporation of the University of Hawai'i on travel processes and disbursements, modifications to the eTravel system, and exploring alternative travel payment methods to travel advances.

Questions were raised regarding the penalty for failure to repay any portion of the travel advance that exceeded their reimbursable expenses and the effectiveness of such penalties. VP Young explained that travelers have 21 calendar days from the return date to submit their travel completions, and 7 additional calendar days beyond that to repay any portion of the travel advance that exceeded their reimbursable expenses. The eTravel system prevents employees with an outstanding travel completion more than 21 calendar days from the return date from booking any future travel. Travelers who have not repaid excess travel advance monies within the 30 calendar days are also prevented from booking any future travel. Current statistics indicate that deadlines for employees to submit all paperwork and close up their obligations has decreased, and the number of employees exceeding the stated time period has significantly reduced.

Questions were raised regarding the average amount an employee owes the university and the aggregate amount. UH System Director, Financial Management & Controller Susan Lin, indicated that average amount for fiscal year 2017 varied by department. The aggregate amount for delayed repayment is not significant. There is room for improvement, but the enhancements implemented related to travel advances will create efficiencies.

Questions were raised related to the impacts of potentially using travel cards, including benefits such as points or other rewards. Ms. Lin clarified that any potential travel card would be a mechanism to pay for a travel advance instead of issuing a check, and would not impact any travel reimbursement documentation. If a travel card is implemented, it would require extensive technology to integrate transactions from the financial institution into eTravel to make it easier for the traveler to do their travel completion.

The committee requested administration provide a follow-up report when they are closer to implementing the corrective actions.

5. Committee Annual Review

This item was deferred and committee leadership will contact the current committee members for input and bring a revised review back to the committee.

V. ADJOURNMENT

There being no further business, Board Chair Sullivan moved to adjourn, and Regent Portnoy seconded, and with unanimous approval, the meeting was adjourned at 12:54 p.m.

Respectfully Submitted,

/S/

Kendra Oishi
Executive Administrator and Secretary
of the Board of Regents