

## **MINUTES**

### **BOARD OF REGENTS COMMITTEE ON INDEPENDENT AUDIT MEETING**

**OCTOBER 4, 2018**

#### **I. CALL TO ORDER**

Committee Chair Michael McEnerney called the meeting to order at 9:45 a.m. on Thursday, October 4, 2018, at the University of Hawai'i at Mānoa, Information Technology Building, 1<sup>st</sup> Floor Conference Room 105A/B, 2520 Correa Road, Honolulu, Hawai'i 96822.

Committee members in attendance: Committee Chair Michael McEnerney; Committee Vice Chair Wayne Higaki; Board Vice Chair Jeffrey Portnoy; Regent Douglas Shinsato.

Committee members excused: Regent Simeon Acoba.

Others in attendance: Board Chair Lee Putnam (ex-officio voting member); Regent Randy Moore; Regent Ernest Wilson Jr. (ex officio committee members); Vice President for Administration Jan Gouveia; Vice President for Legal Affairs/University General Counsel Carrie Okinaga; Vice President for Academic Planning and Policy Donald Straney; Vice President for Information Technology/Chief Information Officer Garret Yoshimi; Vice President for Budget and Finance/Chief Financial Officer Kalbert Young; Interim UH-Hilo (UHH) Chancellor Marcia Sakai; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Kendra Oishi; and others as noted.

#### **II. APPROVAL OF MINUTES OF THE AUGUST 2, 2018 MEETING**

Committee Vice Chair Higaki moved to approve the minutes of the August 2, 2018, meeting, seconded by Board Vice Chair Portnoy, and the motion carried unanimously.

#### **III. PUBLIC COMMENT PERIOD**

Board Secretary Oishi announced that the Board Office received no written testimony, and no individuals signed up to provide oral testimony.

#### **IV. AGENDA ITEMS**

##### **A. For Review & Acceptance:**

##### **1. Acceptance of the Office of Internal Audit Report on the University of Hawai'i Review of Student Accounts Receivable and Management Response**

Internal Auditor Glenn Shizumura noted that the gross student accounts receivable balance has increased to greater than \$35 million as of June 30, 2017. The related

estimate for uncollectible student accounts receivable balances has increased to approximately \$28 million. The Office of Internal Audit reviewed the policies, processes, and procedures for originating receivables, collections, and write-offs, and made compliance, operational, and financial recommendations to potentially increase collections.

Board Chair Putnam and Regent Wilson arrived at 9:48 a.m.

Questions were raised regarding whether there was an increase in the number of days outstanding, and whether collection efforts were handled by the university or outsourced. Internal Auditor Shizumura explained that he was not certain whether there had been an increase in the number of days outstanding, but there was a general improvement in collection times, although there are still some outstanding receivables in excess of five years. Collection efforts are initially handled by university staff and later outsourced to a collection agency after a period of time. If the collection agency is not able to obtain payment, the delinquent account is returned to the university.

Questions were raised regarding whether the Family Educational Rights and Privacy Act (FERPA) consent form that authorizes parents or guardians access to student financial information, including outstanding accounts receivables is part of UH's registration process; whether follow-up occurs with students who do not sign or submit the consent form; and whether there has been any analysis of who does or does not sign the form. Internal Auditor Shizumura noted that the FERPA form is optional and provided to students upon request during the registration process. Other universities include the form during the registration process, which allows parents to access financial information and make payments. VP Young indicated that it was his understanding that the form is provided in the registration packet, but primarily through the financial aid process, so not all students receive the form. Financial administration and academic administration are working to resolve these process issues. Interim Associate Vice President for Student Affairs Hae Okimoto explained that the form is available to all students in the Banner Student Information System as part of the registration process, but not all students opt to sign the consent form. The form is always available for students to sign later. For example, when tuition reminders are sent, students are directed to the payment site and have the option to sign the consent form at that time. No analysis had been done regarding the types of students (e.g., traditional or non-traditional) that opt to sign the form.

Questions were raised regarding the percentage of revenue these receivables represent, and how that compares to other institutions. Internal Auditor Shizumura responded that the university collects approximately \$1 billion in tuition revenue annually and was unable to find publicly available financial information for comparative purposes.

A question was raised regarding the collection agency fee, and whether the collection agencies are re-selling the outstanding receivables. Internal Auditor Shizumura responded that the fee ranges from 21% to 30%, and is usually on the

higher end of that range. The collection agencies typically return the delinquent account to the university after one year and do not re-sell to other collection agencies.

VP Young explained that the management response agreed with most of the Internal Auditor's recommendations, but expressed concerns regarding recommendations that would impact student financial aid disbursements and access to grades. Administration has identified areas where improvements can be made. VP Young's office is working with the university comptroller and general counsel's office to clear or write-off the aged outstanding receivables, which will alleviate some of the receivables balance.

The Internal Auditor's recommendation to centralize billing services has revealed the need to better manage financial obligation holds on student accounts and the impacts of such holds on student registration. The audit revealed that coordination between financial business operations and the academic objectives for student enrollment could be improved to encourage students to make timely payments and make it easier for them to do so.

Timelines for implementation of the audit recommendations are included in the administration's response. Some recommendations will be addressed immediately, while others such as centralized billing service and improvements to the financial obligation holds process will require additional time and capital resource investment to implement.

A question was raised regarding the impact on debt covenants. VP Young explained that debt covenants were not impacted, but it is reflected on financial statements and could be one of several factors that impact credit calculations for ratings.

Questions were raised regarding the backlog of unresolved Banner and Quali Financial System discrepancies and errors due to position turnover. Wendall Ho, the UH System Bursar, explained that position was filled and all errors and discrepancies have been subsequently resolved and everything has been kept updated. Reports are received if there are any input errors into the accounting system, and administration is considering the possibility of consolidating all errors into a single report.

Committee Vice Chair Higaki moved to accept the report, seconded by Board Vice Chair Portnoy, and the motion carried unanimously.

## **2. Acceptance of the Office of Internal Audit Report on the UH Mānoa Review of Student Fees for Professional Programs and Management Response**

Internal Auditor Shizumura noted that this review arose based on feedback from students regarding the lack of transparency relating to student fees. The College of Engineering (Engineering), School of Nursing and Dental Hygiene, Shidler College of Business (Business), and the School of Architecture charge fees ranging from \$500 to

\$1,000 per semester. The Office of Internal Audit met with the deans and personnel from each of the professional programs and toured the facilities. Engineering does a good job tracking costs and its website discloses how the fees are being utilized. Other colleges varied in their level of ability to track and monitor costs. The Internal Auditor recommended that an annual fee review be conducted to determine whether the fees are reasonable. All colleges followed the appropriate policies and procedures for fee approval, but Business was not able to provide documentation of board approval to establish fees.

UHM Vice Chancellor for Administration, Finance and Operations Kathy Cutshaw indicated that the management response generally agreed with the Internal Auditor's findings and recommendations. There needs to be better communication regarding the role of the Campus Fee Advisory Committee, and a memo on the fee proposal process has been transmitted to deans and directors. Administration has the responsibility to budget and be transparent regarding expenditures of student fees, and will be performing quarterly budget-to-actual analysis of fees to determine if they are still appropriate. Administration is developing a policy and will be conducting training on the fee process.

Committee Vice Chair Higaki moved to accept the report, seconded by Regent Shinsato, and the motion carried unanimously.

## **B. For Information & Discussion:**

### **1. Whistleblower Report**

Internal Auditor Glenn Shizumura reviewed the latest whistleblower report that includes complaints made to date and their status. He noted that modifications to the whistleblower report format included a summary by unit, grouping cases by length of time they have been open, and providing additional information in the description field. The committee requested that the report be sorted by classification.

### **2. Enterprise Risk Management Update**

VP Gouveia identified cybersecurity and enrollment management as priority areas of risk to be addressed. She noted that cybersecurity was recently addressed through policy, and introduced VP Straney to review enrollment management.

VP Straney provided an update on enrollment management activities and noted that a full presentation on enrollment management practices and plans will be provided during the November Committee on Academic and Student Affairs meeting. The presentation will include an assessment of each unit's fall 2018 enrollment and plans for the next three years including specific enrollment targets. An update on early college efforts will also be provided.

## **V. ADJOURNMENT**

There being no further business, Committee Vice Chair Higaki moved to adjourn, and Regent Shinsato seconded, and with unanimous approval, the meeting was adjourned at 10:20 a.m.

Respectfully Submitted,

/S/

Kendra Oishi  
Executive Administrator and Secretary  
of the Board of Regents