

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

AUGUST 5, 2021

Note: On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 a public health emergency of international concern, subsequently declaring it a pandemic on March 11, 2020. On March 16, 2020, Governor David Y. Ige issued a supplementary proclamation that temporarily suspended Chapter 92, Hawai'i Revised Statutes (HRS), relating to public meetings and records, "to the extent necessary to enable boards to conduct business in person or through remote technology without holding meetings open to the public."

I. CALL TO ORDER

Chair Benjamin Kudo called the meeting to order at 8:31 a.m. on Thursday, August 5, 2021. The meeting was conducted virtually with regents participating from various locations.

Committee members in attendance: Chair Benjamin Kudo; Vice-Chair Simeon Acoba; and Regent Diane Paloma.

Committee members excused: Regent Wayne Higaki and Regent Alapaki Nahale-a.

Others in attendance: Board Chair Randy Moore; Regent Eugene Bal; Regent William Haning; Regent Robert Westerman (ex officio committee members); President David Lassner; Vice President (VP) for Administration Jan Gouveia; VP for Community Colleges Erika Lacro; VP for Legal Affairs/University General Counsel Carrie Okinaga; VP for Research and Innovation Vassilis Syrmos; VP for Information Technology/Chief Information Officer Garret Yoshimi; VP for Budget and Finance/Chief Financial Officer Kalbert Young; UH Mānoa Provost Michael Bruno; UH Hilo (UHH) Chancellor Bonnie Irwin; UH West O'ahu Chancellor Maenette Benham; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Kendra Oishi; and others as noted.

II. APPROVAL OF MINUTES

Vice-Chair Acoba moved to approve the minutes of the June 2, 2021, meeting, seconded by Board Chair Moore, who serves as an ex officio voting member of the committee, and noting the excused absences of Regent Higaki and Regent Nahale-a, the motion carried, with all members present voting in the affirmative.

III. PUBLIC COMMENT PERIOD

Board Secretary Oishi announced that the Board Office did not receive any written testimony, and no individuals signed up to provide oral testimony.

IV. AGENDA ITEMS

Prior to commencing with the agenda items, Chair Kudo spoke on the passing of Regent Emeritus Michael T. McEnerney who served as chair of the committee for three years and recognized him for his significant contributions he made to both the board and the university, particularly in the area of risk management. Chair Kudo further stated that Regent McEnerney's patience, leadership, professionalism, guidance, mentorship, and friendship will be sorely missed; and offered condolences to his wife Irene and their family.

A. Committee Work Plan

Chair Kudo referenced the Committee Work Plan (Work Plan) that was provided in the materials packet stating that it would be used as an outline to guide the work to be performed by the committee during the coming year and inquired if Regents had any comments.

Noting that the Work Plan included enterprise risk management (ERM) updates, Vice-Chair Acoba asked whether VP Gouveia would continue serving as the administration's liaison on this issue and provide the ERM reports to the committee. President Lassner responded in the affirmative.

B. Office of Internal Audit (OIA) – Audit Plan Development

Glenn Shizumura, Director of OIA, explained that, at the committee meeting held on June 2, 2021, the former committee chair requested OIA to provide information to the committee on the process it used to develop the Internal Audit Work Plan (Audit Plan) as part of an effort to determine how the committee could better utilize the services of OIA in the future. OIA was also requested to compare the processes it uses to those used by audit departments at other institutions in order to provide better context for the development of OIA's Audit Plan.

Internal Auditor Shizumura reviewed the process used by OIA in developing its Audit Plan, noting that it is developed in consultation with the administration and that OIA's plan development process is consistent with audit departments at other higher education institutions.

Stating that he had previously broached the subject of establishing a periodic schedule for certain types of audits or for certain operating units of the university based upon risk categorization and prioritization, Chair Kudo asked whether other universities had systems in place whereby periodic audits were conducted on a rolling basis in relation to risk management. Internal Auditor Shizumura replied in the affirmative stating that other university auditors do perform periodic reviews and analyses of their respective university's risk management reports. He reiterated that OIA consults with the administration prior to the development of the Audit Plan to identify potential areas of risk that should be evaluated during the year. Historically, some of the areas

identified through this consultation have been included in OIA's Audit Plan. While OIA does not conduct audits on a scheduled basis per se, it conducts follow-up audits which typically indicate that corrective actions have been implemented. If it is discovered that corrective actions have not been taken, OIA continues to monitor the situation until the issues are resolved. However, he noted that conducting periodic audits of certain units of the university is possible and would defer to the administration to help identify areas or units where scheduled audits would be most beneficial and effective.

Chair Kudo stated that he was unaware of an independent risk analysis being performed on university operations but hoped that OIA could develop a system whereby it would include annual evaluations of perhaps three offices or areas of the university, based upon risk management, in the Audit Plan presented to the committee. Internal Auditor Shizumura replied that, given VP Gouveia's intimate knowledge of ERM within the university, OIA would work to include her input when consulting with the administration on the Audit Plan. Chair Kudo thanked Internal Auditor Shizumura and requested that he report back to the committee on these efforts at the next meeting.

Board Chair Moore thanked Internal Auditor Shizumura for his work and stated that he found it interesting that auditors at other universities have similar processes to OIA in developing their audit plans.

Referencing Internal Auditor Shizumura's statement that OIA reviews the audit work plans of other institutions when developing its own plan, Vice-Chair Acoba asked if this was done on a regular basis and whether audit projects have been added to OIA's Audit Plan as a result of these reviews. Internal Auditor Shizumura replied that OIA performs cursory reviews of the work plans of other university audit departments on an annual basis. While OIA does not necessarily rely on information it attains in these reviews to develop the Audit Plan, there are several audit projects included in the Audit Plan that involve similar topics such as student housing, faculty housing, and bookstore operations.

Vice-Chair Acoba requested clarification on several audit projects included in the Audit Plan including the external audit of UHH Athletics that is conducted every three years and a project pertaining to conflicts of interest. Internal Auditor Shizumura responded that, in accordance with National Collegiate Athletic Association requirements for Division II programs, the establishment and external audit of agreed-upon engagement procedures for UHH Athletics is conducted by Accuity LLC every three years. While Accuity's next audit of the UHH Athletic Department is not scheduled until 2023, OIA will be conducting a follow-up review on the status of corrective action for a deficiency in internal control procedures that was identified in the previous audit. As such, this project has been included in the 2021-2022 Audit Plan. The audit project involving conflicts of interest is an ongoing project which includes reviewing university policies and procedures with regard to identifying and disclosing potential conflicts of interest; determining compliance with these policies and procedures; and comparing these policies and procedures with those at other colleges and universities to determine and establish best practices.

Noting that OIA's work plan includes a follow-up audit on the Associated Students of the University of Hawai'i (ASUH), Vice-Chair Acoba stated that it was his understanding that this audit had already been completed. Internal Auditor Shizumura explained that the appendix of audit projects contained within the Audit Plan included reviews conducted by OIA over the last seven years. He confirmed that the follow-up audit on ASUH had already been completed and was presented to the committee earlier this year.

C. Update on OIA Emergency Response Plan (ERP)

Internal Auditor Shizumura stated that OIA was requested to develop an ERP in 2020 that would ensure the continuance of operations during emergency situations. He highlighted the changes made to OIA's ERP since it was last presented to the committee during the June 4, 2020 meeting stating that the plan has remained fairly consistent with only minor changes being made to reflect a decrease in OIA personnel.

Recalling concerns raised regarding the electronic storage of audit files when OIA's ERP was first presented to the committee, Chair Kudo asked whether these concerns have been addressed. Internal Auditor Shizumura replied that questions were raised about the manner in which OIA was backing-up the information and files contained on its server. He noted that OIA's paper documents are scanned and converted to electronic files and that all electronic files are backed-up weekly. OIA also saves all of its electronic files on digital video disc.

Vice-Chair Acoba stated that OIA might consider defining the term terrorism that is used in the ERP and asked whether the issue of physical threats should be added to the list of emergency situations addressed by the ERP. Internal Auditor Shizumura replied that OIA can make those changes to the ERP.

Stating that he requested information on a security plan for Regents when in-person meetings are held at various locations, Vice-Chair Acoba asked whether a security plan was in place should Regents be faced with physical threats at a meeting. Board Secretary Oishi replied that she can address this issue during the presentation on the Board Office's ERP at the meeting of the Committee on Personnel Affairs and Board Governance which will take place immediately after this meeting.

Vice-Chair Acoba questioned whether OIA's electronic audit files are also stored at an offsite location. Internal Auditor Shizumura replied that OIA's electronic files are saved to both the main server located in the OIA office and two encrypted, external hard drives which are kept at offsite locations. Vice-Chair Acoba suggested that OIA consider housing these files in a secure, offsite location rather than maintaining them on external hard drives. President Lassner offered to have the university's information technology staff work with OIA on a more structured approach to offsite data storage.

D. Audit Project Status Update

Internal Auditor Shizumura provided a status update on the projects and audits outlined in the 2021-2022 Work Plan and presented a chart indicating new and ongoing carryover projects and their current status.

Vice-Chair Acoba asked what the Clery Act compliance audit entailed. Internal Auditor Shizumura replied that the Clery Act compliance audit involved a review and assessment of the submittal of timely annual campus security reports by the university's security office in accordance with federal law.

V. ADJOURNMENT

There being no further business, Board Chair Moore moved to adjourn, seconded by Vice-Chair Acoba, and noting the excused absences of Regent Higaki and Regent Nahale-a, and with all members present voting in the affirmative, the meeting was adjourned at 9:03 a.m.

Respectfully Submitted,

Kendra Oishi
Executive Administrator and Secretary
of the Board of Regents