

MINUTES

BOARD OF REGENTS COMMITTEE ON INDEPENDENT AUDIT MEETING

JUNE 1, 2023

I. CALL TO ORDER

Chair Wayne Higaki called the meeting to order at 10:30 a.m. on Thursday, June 1, 2023, at the University of Hawai'i 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 Wayne Higaki; Vice-Chair Gabriel Lee; Regent William Haning; and Regent Laurel Loo.

Committee members excused: Regent Dianne Paloma.

Others in attendance: Board Chair Randy Moore; Regent Alapaki Nahale-a; Regent Laurie Tochiki; and Regent Ernest Wilson (ex officio committee members); President David Lassner; Vice President (VP) for Administration Jan Gouveia; VP for Academic Affairs Debora Halbert; VP for Legal Affairs/University General Counsel Carrie Okinaga; VP for Research and Innovation Vassilis Symos; VP for Information Technology/Chief Information Officer Garret Yoshimi; 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 Higaki inquired if there were any corrections to the minutes of the April 6, 2023, committee meeting which had been distributed. Hearing none, the minutes were approved.

III. PUBLIC COMMENT PERIOD

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

IV. AGENDA ITEMS

A. Review and Acceptance of the Status of the Waikīkī Aquarium (Aquarium) Corrective Actions – Follow-Up

Glenn Shizumura, Director of the Office of Internal Audit (OIA), explained that, in March 2022, the committee was provided with a report on the status of corrective actions taken by the Aquarium to address improvement opportunities and mitigate risks documented in a report dated January 29, 2021, entitled "University of Hawai'i at Mānoa

Review of the Waikīkī Aquarium”. Although the March 2022 report found that corrective actions to address the risks and challenges of certain financial and operational matters were implemented, it also noted that other matters such as the implementation of gift shop inventory adjustment procedures and the recordation of third-party vendor payments on behalf of the Aquarium were either not implemented or were in process of resolution. Accordingly, OIA conducted a follow-up audit to assess the Aquarium’s implementation of the remaining corrective action recommendations. As described in OIA’s follow-up report, corrective actions have not been implemented for eight of the remaining 15 identified risks. OIA believes this results in significant risk to the Aquarium and recommends that UHM senior leadership manage and monitor the Aquarium’s implementation of corrective actions on a monthly basis.

Vice-Chair Lee inquired about the party responsible for ensuring that corrective actions for the Aquarium are implemented on a timely basis. Internal Auditor Shizumura replied that, in general, OIA deals directly with an auditee to ensure that corrective actions are being addressed. In this case, OIA has been working with Aquarium management. However, he stated that Aquarium management is experiencing some difficulties in addressing and implementing OIA’s recommendations which prompted the suggestion that UHM senior leadership take a more active role in this issue. President Lassner added that the Aquarium Director reports directly to UHM Provost Michael Bruno and that the administration is currently reviewing this management structure based upon the set of issues noted in OIA’s reports.

Vice-Chair Lee moved to accept the follow-up report on the Aquarium status of corrective action, seconded by Regent Haning, and noting the excused absence of Regent Paloma, the motion carried with all members present voting in the affirmative.

B. Update on Status of Warrior Recreation Center (WRC) Corrective Actions

Lori Ideta, Vice Provost for Student Success at UHM, and Teresa Crichfield, Associate Vice Provost for Student Success and Dean of Students at UHM, acknowledged that the Office of Student Life and Development (OSLD) does not generate separate financial statements for the WRC. Vice Provost Ideta stated that the Office of the Vice Provost for Student Success will undertake the exercise of constructing stand-alone financial reports for the WRC before December 31, 2023, and will be seeking guidance from OIA on the format and contents of these reports. The Campus Center Board and OSLD will also be engaged in this project.

Board Chair Moore asked if it was fair to say that the administration was accepting the recommendations of OIA and would be working to implement them. Vice Provost Ideta replied that the administration has concerns about OIA’s recommendations and will be meeting with the aforementioned parties to discuss this matter further.

C. Approval of the Proposed Internal Audit Work Plan for Fiscal Year (FY) 2023-2024

Internal Auditor Shizumura stated that the proposed Work Plan for FY 2023-2024 was an outline of work to be performed by OIA during the coming year. He remarked

that the Work Plan is developed in consultation with the administration; furnished a summary of services provided by OIA to the committee, as well as the university's external auditor, Accuity, LLP; and presented a breakdown of new, carryover, and follow-up projects for FY 2023-2024.

Regent Nahale-a inquired about the process OIA uses to develop the list of projects contained within the Work Plan. Internal Auditor Shizumura replied that OIA first examines what other universities and colleges have done from an internal audit perspective. Meetings are then held with VP Young, VP Gouveia, and President Lassner to review a preliminary list of audit projects prior the list being finalized and included in the Work Plan. He also emphasized that projects can be added to the Work Plan throughout the course of the year which has happened on numerous occasions.

Regent Haning moved to approve the proposed Work Plan for FY 2023-2024, seconded by Vice-Chair Lee, and noting the excused absence of Regent Paloma, the motion carried, with all members present voting in the affirmative.

D. Review and Acceptance of the Draft Committee on Independent Audit (IA Committee) Annual Report to the Board

Internal Auditor Shizumura explained that the Annual Report, which highlights the IA Committee's activities over the past year, is prepared pursuant to Section 304A-321, Hawai'i Revised Statutes (HRS), and the board bylaws. The Annual Report also includes, among other things, OIA's audit results for FY 2023, a summary of the services provided by OIA during the past fiscal year, and information on projects included in last year's Work Plan that were completed or are ongoing. He noted that the committee met all statutory and bylaw requirements.

Vice-Chair Lee asked if any other entities besides the IA Committee, such as an accrediting agency, reviewed and accepted this report. Internal Auditor Shizumura replied that the report is for internal purposes only and is not reviewed or accepted by any other body, although the university's external auditor, Accuity, LLP, is aware of its existence.

Chair Higaki expressed his appreciation for the inclusion of informational pie charts and graphs within the Annual Report.

Vice-Chair Lee moved to accept the draft Annual Report, seconded by Regent Haning, and noting the excused absence of Regent Paloma, the motion carried, with all members present voting in the affirmative.

E. Audit Project Status Update

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

F. Whistleblower Report

Internal Auditor Shizumura provided an overview of the whistleblower summary and tracking reports and reviewed some of the specific information contained within these reports noting that incidents involving employment or human resources-related issues constituted the majority of whistleblower cases for the current reporting period.

Vice-Chair Lee remarked that the number of whistleblower cases appears to have decreased which is a positive trend. He also asked why some cases remained open for lengthy periods of time. Internal Auditor Shizumura replied that, while the number of cases being reported did decline slightly, this may not be indicative of a trend. OIA usually receives an influx of reports at the beginning of each semester with numbers waning as the semester progresses. With respect to the length of time a case remains open, he explained that investigations involving personnel complaints or other highly sensitive matters are often complex and at times can take an investigator several months to years to resolve.

Chair Higaki questioned whether OIA communicates with the individual investigating a whistleblower complaint. Internal Auditor Shizumura replied in the affirmative. OIA is made aware of the individual conducting an investigation and periodically reaches out to investigators to follow-up on the status of a case.

Board Chair Moore provided historical information on the creation of the whistleblower hotline stating that it was initially established as a mechanism to report fraud but to the best of his knowledge, no such cases have been reported to date. He also stated that one challenge with the whistleblower hotline is that reports are made anonymously. As such, it is difficult for an individual investigating an issue to follow-up with a complainant for purposes of gathering additional information or to inform them of an investigation's outcome. Internal Auditor Shizumura informed Chair Moore that, although individuals who file a whistleblower report do so anonymously, they are provided with a key code that allows for communications to occur between the investigator and a complainant while still preserving anonymity. However, oftentimes when an investigator makes inquiries about a particular matter the complainant does not respond. Board Chair Moore asked whether there were any whistleblower hotlines in operation where the reporter is known. Internal Auditor Shizumura replied that he knew of no such hotlines in existence where the individual reporting an issue is known.

G. Annual Review of the Committee Charter and Committee Annual Review

Chair Higaki stated that the IA Committee is the only committee governed by statute under section 304A-321, HRS, which together with the board bylaws, comprise the charter of operations for the committee. He also noted that the bylaws require the IA Committee to provide recommendations to the board regarding the committee's charter. Additionally, he referenced the committee annual review matrix provided in the materials packet stating that it sets forth the goals and objectives for the committee, as well as the actions carried out by the committee throughout the year, and asked if committee members had any questions, concerns, or recommendations for either of these items. None were raised.

V. EXECUTIVE SESSION (closed to the public)

Regent Loo moved to convene in executive session, seconded by Regent Haning, and noting the excused absence of Regent Paloma and with all other members present voting in the affirmative, the board approved convening in executive session to consider the hire, evaluation, dismissal, or discipline of an officer or employee, where consideration of matters affecting privacy will be involved, pursuant to Section 92-5(a)(2), HRS.

The meeting recessed at 11:00 a.m.

Regent Bal arrived at 11:17 a.m.

Chair Higaki called the meeting back to order at 11:39 a.m. and announced that the board met in executive session to discuss matters as stated on the agenda.

VI. ADJOURNMENT

Prior to adjourning the meeting, Chair Higaki commended and thanked Board Chair Moore and Regent Bal for their commitment and service to the university, as well as the guidance they both have provided to him over the years. He stated that they will be missed.

There being no further business, the meeting was adjourned at 11:41 a.m.

Respectfully Submitted,

/S/

Yvonne Lau
Executive Administrator and Secretary
of the Board of Regents