

## **MINUTES**

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

**AUGUST 3, 2023**

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

Chair Lauren Akitake called the meeting to order at 1:30 p.m. on Thursday, August 3, 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 Lauren Akitake; Vice-Chair Gabriel Lee; Regent Neil Abercrombie; and Regent Diane Paloma.

Committee members excused: Regent Wayne Higaki.

Others in attendance: Board Chair Alapaki Nahale-a; Regent William Haning; Regent Laurel Loo; Regent Laurie Tochiki; Regent Ernest Wilson (ex officio committee members); President David Lassner; Vice President (VP) for Administration Jan Gouveia; VP for Academic Strategy Debora Halbert; VP for Legal Affairs/University General Counsel Carrie Okinaga; 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 Akitake inquired if there were any corrections to the minutes of the June 1, 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. Designation of Committee Member with Financial Expertise**

Chair Akitake stated that Section 304A-321, Hawai'i Revised Statutes, requires that membership of the committee include one or more individuals with financial expertise. She noted that statements submitted by Vice-Chair Lee and Regent Paloma highlighting the qualifications that would allow them to serve as committee members with financial expertise were included in the materials packet and inquired if there were any questions from committee members. Hearing none, Vice-Chair Lee and Regent Paloma were

designated as the committee members meeting the statutorily established financial expertise requirement.

## **B. Whistleblower Report**

Glenn Shizumura, Director of the Office of Internal Audit (OIA), 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.

Chair Akitake inquired as to why some whistleblower cases remained open for lengthy periods of time and whether OIA flagged these cases for additional follow-up. She also asked if the whistleblower hotline was working well and being utilized properly. Internal Auditor Shizumura replied 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. Additionally, whistleblower reports are often filed anonymously which can make following-up with a complainant for purposes of gathering additional information challenging for an individual investigating a particular issue. Nevertheless, OIA does flag older cases and conducts appropriate follow-up. He also stated that he believed the whistleblower hotline was working well with the majority of complaints being addressed in a timely manner. Regarding proper utilization of this reporting mechanism, Internal Auditor Shizumura explained that the whistleblower hotline was initially established to serve as a means by which individuals could anonymously inform the proper authorities about incidents of fraud, waste, and abuse. However, it has mainly been used as a vehicle for the lodging of complaints covering a wide range of topics.

Regent Abercrombie requested information about the process that takes place once a whistleblower report is filed. Internal Auditor Shizumura replied that when a report is made to the whistleblower hotline, the matter is generally referred to the responsible department to handle and address. 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. Additionally, the individual filing the report is provided with a key code that allows them to check on the status of their case or communicate with an investigator while still preserving anonymity.

Regent Tochiki questioned whether there was another choice besides the whistleblower hotline for individuals to seek redress for a particular issue, make a suggestion, or find information about who they can speak to regarding a specific matter on campus. Internal Auditor Shizumura replied that he was unaware of such an option. President Lassner stated that UHM has a resource called campusHELP that can assist individuals with questions or connect them to resources and offices across the campus.

## **C. Audit Project Status Update**

Prior to Internal Auditor Shizumura's report, Chair Akitake remarked that she wanted to spend a little more time discussing the status of corrective actions with respect to the

Warrior Recreation Center at UHM (WRC) and the Waikīkī Aquarium (Aquarium) given that these appeared to be longstanding matters that have thus far remained unresolved.

Internal Auditor Shizumura provided a status update on the projects and audits outlined in the approved Internal Audit Work Plan for Fiscal Year 2023-2024 (Audit Work Plan) and presented a chart indicating new and ongoing carryover projects as well as their current status. For the edification of new regents, he explained that a status of corrective action report, as referenced earlier by Chair Akitake, was generally provided to the committee the year after the completion of an initial audit and detailed the auditee's implementation, or lack thereof, of any recommendations made by OIA.

Specific to the WRC, Internal Auditor Shizumura stated that discussions occurred on the status of corrective action report at the committee meeting on June 1, 2023, during which time OIA noted that recommendations concerning the preparation of disaggregated financial statements had not been implemented. After acknowledging that separate financial reports are not generated by WRC, the administration committed to undertake the exercise of constructing stand-alone financial reports for the WRC before December 31, 2023. With regard to the Aquarium, a status of corrective actions report dated March 2022 found that, while steps were taken to address the risks and challenges of certain financial and operational matters identified in the initial audit, recommendations on other issues such as putting into practice procedures for gift shop inventory adjustments and the recordation of third-party vendor payments on behalf of the Aquarium were either not implemented or were in process of resolution. As such, OIA conducted a follow-up audit to assess the Aquarium's implementation of the remaining recommendations. This subsequent audit found that corrective action recommendations have not been implemented for eight of the remaining 15 identified risks. Thus, a recommendation was made that UHM senior leadership take a more active role in managing and monitoring the Aquarium's implementation of corrective actions and provide updates to OIA for additional review.

Chair Akitake sought clarification about the timeline for the WRC audit. Internal Auditor Shizumura replied that the initial audit of the WRC was completed in October 2021. Due to delays in receiving a written management response to the audit, OIA did not present the audit results to the committee until August 4, 2022, with the intent that an update on the status of corrective action on the audit recommendations would be provided to the committee in June 2023. Chair Akitake asked if her understanding that it has been nearly two years since the initial audit was completed was correct. Internal Auditor Shizumura replied in the affirmative.

Vice-Chair Lee asked about the amount of time that OIA provides an auditee to respond to an audit. Internal Auditor Shizumura responded that OIA gives an auditee, at minimum, one month to comment on the initial draft of the audit report so that any potential factual errors may be corrected. Once a final draft of the audit report is completed, it is provided to the auditee with the expectation that a written management response will be drafted for submittal to the committee in conjunction with the final draft audit report. Vice-Chair Lee expressed his belief that providing a minimum of one month for an auditee to respond to an audit was overly generous.

President Lassner suggested that the committee might want to place the WRC and Aquarium issues on a future agenda to allow for detailed deliberations to take place on some of the substantial disagreements these programs have with OIA's audit findings and perspectives.

Chair Akitake concurred with President Lassner's suggestion stating that one of the committee's priorities for the year will be to bring the WRC and Aquarium issues to a conclusion. She proposed holding monthly committee meetings to engage in discussions with WRC and Aquarium representatives on these matters and receive updates on implementation of corrective actions as proposed in the audit reports for the noted entities. She also mentioned having committee members tour both the WRC and Aquarium as soon as feasible. Committee members were in agreement with these proposals.

Regent Abercrombie submitted that requirements should also be established with respect to the time the administration has to respond to an audit.

Vice-Chair Lee opined that, despite its disagreement with OIA's audit findings and recommendations, the WRC must continue working towards the self-imposed deadline of December 31, 2023, to develop stand-alone financial reports for the facility.

Referencing an audit of university child care centers contained within the Audit Work Plan, Regent Abercrombie inquired about the differing parameters that are used as the basis for tuition at the assorted facilities across the system. Internal Auditor Shizumura explained that the audit of university child care centers is one of OIA's projects for this fiscal year and that the background information contained within the Audit Work Plan was derived from the various child care center websites. However, OIA can look into the rationale for differing tuition structures when it does conduct the audit.

#### **D. Discussion of Committee Goals for the 2023-2024 Academic Year**

- 1. Approved 2023-2024 Work Plan**
- 2. Annual Review of Table of Duties for the 2023-2024 Academic Year (Annual Review Table)**

Chair Akitake referenced the Annual Review Table which was contained within the materials packet noting that it lists the committee's duties and functions as stated in the recently amended Bylaws of the Board of Regents (Bylaws) and would be used as a tool to guide the committee's work during the coming academic year. She pointed out that, unlike other committees, the core duties and functions of this committee had not been amended and asked committee members if they had any questions or comments about the new committee structure, duties, or functions, or the Annual Review Table.

Conversations took place on the committee goals and objectives for the 2023-2024 academic year. Chair Akitake asked Regents to suggest topics for inclusion into the committee's work plan for the year for discussion today and at future meetings. In addition to the suggestions made earlier regarding the WRC and Aquarium audits, committee members discussed the possibility of including an examination of internal

controls related to cyberattack risks, particularly given the recent events at UH-Maui College (UHMC) and Hawai'i Community College (HawCC), as well as the topic of student housing to the committee's work plan for the year.

Vice-Chair Lee questioned where within the committee's duties and functions would oversight of the cyberattack subject come under. President Lassner replied that the committee is provided updates on the general consideration of major risks facing the university via the administration's Enterprise Risk Management reports. To the extent that the cyberattacks at UHMC and HawCC were operational matters, regents received information specific to these events directly from the administration via email. However, the administration's intent is to have the VP for Information Technology/Chief Information Officer provide a report to the either the committee or the board to discuss cyberattack risks and actions being taken by the university to address them.

Chair Akitake spoke about the tremendous opportunity the committee offered as a vehicle to not only review potential problems within the university system but also to serve as a tool to assist the university in a more proactive rather than reactionary manner. She referenced the Association of Governing Board's article *Rethinking Internal Audit* regarding the transformation of the Office of Internal Auditing for Minnesota State Colleges and Universities included in the committee materials, and urged committee members and the administration to start thinking of the committee less in an adversarial light and more as an integral partner in the overall system, making the university better and stronger.

Board Chair Nahale-a agreed with the approach proposed by Chair Akitake. He also opined that the committee should serve as an avenue for conversations between the board and administration on actions that can be taken to make the institution better.

President Lassner mentioned that the IA Committee is the only board committee whose charter is prescribed in statute and thought might be given to proposing future statutory amendments in the context of how the IA committee wishes to operate.

**E. Discussion and Potential Action of Possible Revisions of Bylaws (if needed)**

Chair Akitake remarked that it did not appear necessary to make any amendments to the Bylaws at this time and asked if committee members had any proposed changes. None were raised.

**V. ADJOURNMENT**

There being no further business, Chair Akitake adjourned the meeting at 2:22 p.m.

Respectfully Submitted,

/S/

Yvonne Lau  
Executive Administrator and Secretary  
of the Board of Regents