MINUTES OF THE REGENTS' COMMITTEE ON FINANCE AND FACILITIES

Date: Thursday, February 21, 2002

Place & Time: Campus Center Conference Room 220 University of Hawai‘i at Mānoa 2:40 p.m.

Committee Members Present: Regents Kurisu (presiding) Kawakami Thurston Ikawa (ex-officio)

Committee Member Excused: Regent Dowling Kobayashi

Other Regents Present: Regents Bergin Lee McElrath Nunokawa Poe

Others Present: Evan S. Dobelle, President, University of Hawai‘iJames R. W. Sloane, Vice President for Administration and Chief Financial Officer Eugene S. Imai, Vice President for Administration Hugh Yoshida, Director of Athletics James J. Donovan III, Associate Athletic Director Allan Yasue, Partner, PricewaterhouseCoopers, LLP David Iha, Secretary of the Board Carl Makino, Administrative Officer, BOR

Approval of Committee Meeting Minutes

The minutes of meetings of the Regents’ Committee on Finance and Facilities held on January 17, 2002, were approved as circulated.

University of Hawai‘i at Mānoa Intercollegiate Athletics Financial Statement Audit Agreed-Upon Procedures, Booster Organizations for Fiscal Year Ended June 30, 2001

Vice President Imai explained that in accordance with the constitution of the National Collegiate Athletic Association, a financial statement audit and agreed-upon procedures
engagement must be performed of the University of Hawai‘i at Mānoa Intercollegiate Athletics and its Booster Organizations for the fiscal year ended June 30, 2001.

Mr. Yasue reported that the purpose of the audit was to examine the financial statements and to study and evaluate the examinee’s internal control structure. As in previous audits, the auditors rendered an unqualified opinion of the financial statements for fiscal year ended June 30, 2001. Furthermore, they did not note any material weaknesses or significant deficiencies in the internal control structure of Athletics. However, they identified other findings related to internal control procedures and operating efficiencies and presented their recommendations in a separate report.

The review of the Athletics agree-upon procedures did not reveal major weaknesses or significant discrepancies with the exception of the disclosure of deficiencies in the cash receipting process for two Booster organizations. Consequently, the Athletics Department and the General Accounting Office prepared corrective action responses to the auditors’ recommendations. Upon review of the procedures instituted by Athletics, the Office of Internal Audit concluded that the audit recommendations have been satisfactorily implemented. General Accounting is currently working to complete their corrective actions. Accordingly, Internal Audit will monitor their efforts through monthly progress reports to ensure proper compliance and satisfactory implementation of the auditors’ recommendations. Vice President Sloane will contact those who do not meet their monthly follow-up deadlines.

Mr. Yasue explained that the purpose of the agreed-upon procedures engagement was to examine revenues and expenditures of the booster organizations and review expenditures made by the booster organizations for or on behalf of Athletics. It was also intended to review internal accounting controls and review Athletics procedures for monitoring booster activities. He informed that the auditors issued four reports. In the first report the auditors issued an unqualified opinion on the financial statements of the University of Hawai‘i at Mānoa Intercollegiate Athletics, as of June 30, 2001. The Report on the Internal Control Structure revealed no material weaknesses or discrepancies in the examinee’s design of operation of the operation of the internal control structure. The third report on controls and procedures presented observations and made appropriate recommendations in several areas including monitoring of payroll, review of the account summary reports, management of property and equipment inventory, clarification of the University’s supply inventory policy, and changes to the Athletics financial statements and its monthly financial reports.

Upon receipt of the Athletics actions response, the Office of Internal Audit performed a follow-up review of their corrective actions and determined that the auditors’ recommendations were satisfactorily implemented. Internal Audit will monitor their progress on a monthly basis to determine whether appropriate actions were taken for the satisfactory disposition of the audit findings. Vice President Sloane will contact those who do not meet their monthly follow-up deadlines.

The final report on agreed-upon procedures did not note any major weaknesses or
significant discrepancies in the design or operation of the internal control structure of the Athletics Booster Organizations. However, the auditors commented on cash receipting deficiencies by Hui Kinipopo (HKK) and Ahahui Koa Anuenue (AKA). According to Athletics, HKK will be dissolved on December 31, 2001 and all transactions will be administered through the University of Hawai‘i Foundation, and AKA will deposit cash receipts daily. The Office of Internal Audit will perform periodic reviews of AKA’s deposit procedures.

Regent McElrath commented about the $1 million shortfall reported in the media. Mr. Donovan explained that while it was too early to tell, there could indeed be a $1 million shortfall at Athletics primarily due to the events following September 11th. There were, according to Mr. Donovan, several games canceled and attendance was significantly lower as people tended to avoid large gatherings. In addition the performance of the endowment fund will produce less returns, this again due to the events of September 11th.

Regent Kawakami moved to receive the audit and review of the University of Hawai‘i at Mānoa Intercollegiate Athletics financial statement audit and agreed-upon procedures for fiscal year ended June 30, 2001 as prepared by PricewaterhouseCoopers, LLP. The motion was seconded and unanimously carried.

There being no further business before the Committee, the meeting was adjourned at 3:00 p.m.

Respectfully submitted,

David Iha, Secretary

Dated: March 8, 2002

c: Chairperson Allan K. Ikawa
   Members, Committee on Finance and Facilities
   President Evan S. Dobelle
   Senior Vice President and University General Counsel Walter S. Kirimitsu
   Vice President James R. W. Sloane
   Interim Vice Chancellor Rodney Sakaguchi