

UNIVERSITY OF HAWAI'I SYSTEM ANNUAL REPORT



REPORT TO THE 2014 LEGISLATURE

Annual Report on Material Weaknesses and Fraud

Act 87, Session Laws of Hawai i 2013, Section 5

January 2014

Report to the 2014 Hawai‘i State Legislature

Annual Report on
Material Weakness and Fraud

Act 87, Session Laws of Hawai‘i (SLH) 2013 – Section 5

Act 87, SLH 2013, requires the Committee on Independent Audit (Audit Committee) of the University of Hawai‘i Board of Regents (BOR) to submit an annual report to the Legislature and BOR with respect to the following matters:

- 1) all instances of material weaknesses in internal control, including the responses of University of Hawai‘i (University) management; and
- 2) all instances of fraud, including the responses of University of Hawai‘i management.

At a December 18, 2013 Audit Committee meeting, the Audit Committee reviewed and accepted the University’s consolidated financial statements for the years ended June 30, 2013 and 2012 audited by Accuity LLP (Accuity). Accuity presented a document at this meeting containing required auditor’s communication in accordance with auditing standards generally accepted in the United States of America. Accuity’s document (excerpts attached) noted that they did not identify any matters that they considered to be material weaknesses in internal control over financial reporting and noted no instances of fraud or illegal acts.

Attachment




CERTIFIED PUBLIC ACCOUNTANTS

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University of Hawai'i

Report to the Board of Regents
Committee on University Audits
Consolidated Financial Statement Audit
Year Ended June 30, 2013





To the Board of Regents Committee On University Audits
University of Hawai'i

We are pleased to present you with our results of our consolidated financial statement audit of the University of Hawai'i as of and for the year ended June 30, 2013. Statement on Auditing Standards No. 114 – *The Auditor's Communication with Those Charged with Governance*, requires certain communications to be made verbally or in writing to those members of an organization's governing board with oversight responsibility over the consolidated financial statement audit.

The ultimate goal of our engagement was to ensure that the audit procedures contemplated and performed were sufficient to render opinions that the June 30, 2013 consolidated financial statements were free of material misstatement. We determined our audit scope by performing a risk assessment which, coupled with an evaluation of materiality, allowed us to determine the required level of audit effort.

We are pleased to inform you that we are prepared to issue an unmodified ("Clean") opinion on the consolidated financial statements. Furthermore, we are not aware of any matters that require further communication or action by management or the Board of Regents other than those discussed in the following pages.

We would like to thank the management and staff of the University for the cooperation and assistance provided to us during our audit.

Required Communications

Matter to be communicated	Our response
Other information in documents containing audited financial information.	Not applicable.
Disagreements with management.	None.
Consultation with other accountants.	We are not aware of any consultations made by management with other accountants.
Major issues discussed with management prior to retention.	None noted.
Difficulties encountered in performing the audit.	None noted.
Deficiencies in internal control over financial reporting.	We did not identify any matters that we consider to be material weaknesses in internal control over financial reporting. However, the OMB Circular A-133 compliance portion of our audit is still in process. We will report the results of our compliance audit procedures and other internal control matters identified at a future meeting.
Fraud and illegal acts.	None noted.
Independence.	We confirm that we are independent of the University of Hawai'i and its affiliated entities.
Other material written communications: <ul style="list-style-type: none"> ▪ Engagement letter/audit contract ▪ Management representation letter ▪ Summary of unadjusted differences ▪ Reports on observations and recommendations on accounting, auditing, internal controls or operational matters 	The following written communications will be or have already been exchanged between management and Acuity and are available for the Board's review: <ul style="list-style-type: none"> ▪ Audit Contract No. C110114 ▪ Management representation letter ▪ Summary of unadjusted differences for FY 2013 ▪ Internal Control and Business Issues Report