

**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**

**JUNE 6, 2024**

A video recording of this meeting may be viewed at the Board of Regents website as follows:

[Meeting Video](#)

**I. CALL TO ORDER**

Chair Lauren Akitake called the meeting to order at 2:53 p.m. on Thursday, June 6, 2024, at the University of Hawai'i (UH) 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; and Regent Neil Abercrombie.

Committee members excused: Regent Wayne Higaki and Regent Diane Paloma.

Others in attendance: Regent Laurel Loo; Regent Abigail Mawae; Regent Mike Miyahira (ex officio committee members); President David Lassner; Vice President (VP) for Legal Affairs/UH 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 (UHM) Provost Michael Bruno; UH-West O'ahu (UHWO) Chancellor Maenette Benham; UH-Hilo Chancellor Bonnie Irwin; 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 April 4, 2024, committee meeting which had been distributed. Hearing none, the minutes were approved.

Regent Mawae arrived at 2:54 p.m.

**III. PUBLIC COMMENT PERIOD**

Board Secretary Lau announced that while the Board Office did not receive any written testimony, one individual did sign up to provide oral testimony.

Jill Nunokawa provided verbal comments on the proposed internal audit work plan for Fiscal Year (FY) 2024-2025.

#### IV. AGENDA ITEMS

##### A. **Review and Acceptance of the Office of Internal Audit (OIA) Review of the Mānoa Children's Center**

Glenn Shizumura, Director of OIA, provided a summary of an initial audit of the UHM Children's Center (UHMCC) stating the purpose of this examination was to review and evaluate the operational and financial aspects of UHMCC in addition to assessing compliance with applicable federal and State laws and university policies. Despite UHMCC being in compliance with all applicable laws, rules, regulations, and university policies, OIA has identified a few recommendations within its report including the development of different tuition schedules for UHM faculty and staff who utilized UHMCC's services; the consistent disclosure of UHMCC's eligibility and child admission priority policy; the updating of the Office of the Vice Provost of Student Success's (OVPSS) organizational chart to more accurately reflect UHMCC's staffing; and the implementation of procedures to improve the response rates of both the employee and parent surveys.

Referencing OIA's recommendation to develop a different tuition schedule for UHM faculty and staff whose children are enrolled at UHMCC, Regent Abercrombie asked if doing so would require board action. Internal Auditor Shizumura replied that, based upon the management response to this audit, it was his understanding UHMCC was currently in the process of reviewing potential modifications to its tuition policy. Theresa Crichfield, Associate Vice Provost for Student Success and Dean of Students, noted the existence of a Mānoa Fee Committee to which UHMCC will be submitting a fee restructuring plan in October once the current term of existing fees expires. Should the proposed changes be approved by the fee committee, the request would be processed through the university administration for final approval by the board. President Lassner clarified that, unlike professional and mandatory student fees, ancillary and auxiliary fees such as these do not require board approval. Rather, these fees were established by the board with authority to make adjustments to the fee rate being delegated to the President of the University.

Regent Abercrombie questioned whether UHMCC would be following OIA's recommendations with respect to its tuition and fees. Jeff Bock, UHMCC Director, stated UHMCC will be submitting a fee restructuring plan in October of this year which includes fees relating to an expansion of services into infant-toddler care. With regard to OIA's suggestion concerning the establishment of different tuition schedules for UHM faculty and staff given the amount of funds transferred from OVPSS to UHMCC, Director Bock stated the aforementioned monies are provided to support administration and operations of the children's center. Taking into consideration the board established requirement of 75 percent of spaces at UHMCC being reserved for UH parenting students and 25 percent being reserved for children of faculty and staff, establishment of separate tuition schedules would not be possible.

Chair Akitake sought clarification on OIA's recommendation related to the tuition schedules. Internal Auditor Shizumura stated OIA feels that UHM faculty and staff whose children are enrolled at UHMCC should not be benefitting from the transfer of

funds from OVPSS given that they are already benefitting from UHMCC's low tuition rates. Accordingly, OIA believes senior leadership at UHM and UHMCC should consider developing a higher tuition schedule for UHM faculty and staff to reduce the amount transferred by the OVPSS such that the residual amount can be used to benefit other student success programs.

In light of Internal Auditor Shizumura's response, Chair Akitake asked Dr. Crichfield if the administration was agreeable to this recommendation. Dr. Crichfield responded that the administration would need to revisit this recommendation but noted current records indicate faculty and staff using UHMCC's services are already paying the highest tuition rate contained within the schedule. As such, there is a significant price difference for students whose children are enrolled at UHMCC as compared to what is paid by UHM faculty and staff.

Regent Abercrombie inquired about the source of funds transferred from OVPSS to UHMCC. Dr. Crichfield replied that she believed the monies were part of an allocation provided to OVPSS but would need to confirm this assumption. She also noted the transfer of funds from OVPSS to UHMCC in 2021, 2022, and 2023, was mainly to provide financial support to UHMCC so as to prevent the loss of child care services, classroom space, and staff positions due to the COVID-19 pandemic. President Lassner added that, similar to other such units at UHM, a portion of the childcare center's operational expenses are funded via campus allocations. Operating costs for these entities are also supported via the imposition of fees and other charges, such as tuition at UHMCC.

Vice-Chair Lee questioned whether the UHMCC tuition paid by UHM faculty and staff was comparable to market rates. Director Bock replied that UHMCC requested fee increases five years ago to maintain parity with mid-range market rates. However, the permanent loss of nearly 15 percent of child care seats due to the COVID-19 pandemic led to market rate increases for these services. As a result, and because of a commitment to the five-year fee schedule approved pre-pandemic, the fees currently being charged by UHMCC are much lower than market rates. However, UHMCC is seeking to bring these fees back in line with mid-range market rates through the previously mentioned fee restructuring plan.

Chair Akitake asked if the difference between what is being charged for student parents and UHM faculty and staff with respect to UHMCC tuition was the standard among similar institutions. She also inquired if OIA will be providing a follow-up report on UHMCC to the committee in the future. Director Bock replied that UHMCC is currently working on making a clear distinction between the various stages of the tuition schedule which was something heretofore not done by his predecessors. Internal Auditor Shizumura stated a follow-up report on the UHMCC audit will be provided to the committee in the future.

Regent Abercrombie moved to accept OIA's review and evaluation of UHMCC, seconded by Vice-Chair Lee, and noting the excused absences of Regent Higaki and Regent Paloma, the motion carried with all members present voting in the affirmative.

Chair Akitake thanked everyone involved in this audit for working on completing this review and addressing recommendations raised in a cooperative manner.

### **B. Approval of the Proposed Internal Audit Work Plan (Work Plan) for FY 2024-2025**

Internal Auditor Shizumura stated that the proposed Work Plan for FY 2024-2025 was an outline of work to be performed by OIA during the coming year. He remarked that, unlike previous years when the Work Plan was mainly developed in consultation with the administration, Chair Akitake and Vice-Chair Lee provided their input to OIA prior to this consultation occurring and the proposed Plan being finalized. He also 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 2024-2025.

Mentioning the parking audit in the proposed Work Plan was based off of a suggestion by Regent Higaki, Chair Akitake inquired about the timing of the last such audit and whether the parking review in the proposed Work Plan was similar in nature. Internal Auditor Shizumura stated the last audit of parking at the university, which only applied to UHM, was performed approximately five years ago. While the proposed audit would be comparable, its scope would be expanded to all university campuses on O'ahu. Chair Akitake stated Regent Higaki has offered to work with Internal Auditor Shizumura and serve as the regents' point of contact on this matter.

Citing the Waikīkī Aquarium audit and saying this would be the fourth follow-up report, Chair Akitake spoke about the administration not meeting its self-imposed deadline of December 31, 2023, for completing the entirety of the recommended corrective actions and pointed out a memo dated March 27, 2024, indicating completion dates for all of these actions except for the luau concession contract. As such, she sought clarification on the timing and anticipated completion date of the follow-up review noting her intent to place this item on a committee agenda in August. Internal Auditor Shizumura explained that, while four of the five remaining corrective action recommendations appear to have been addressed, a review of the luau concession contract matter cannot be done until the concessionaire completes its own audit as required under the luau contract. However, the luau concessionaire would not be able to begin this process until its financial books are closed at the end of June. Although a follow-up report could be provided to the committee in August, it may not include information on the luau concession issue since this would be dependent on when the concessionaire completes its own audit. Given this, Internal Auditor Shizumura expressed his preference to perform a single follow-up review of the outstanding Waikīkī Aquarium issues, inclusive of the luau contract, and suggested the alternative of providing the report in September.

Despite her understanding of Internal Auditor Shizumura's desire for efficiency, Chair Akitake expressed her belief in the need to whittle down the outstanding matters contained within the Waikīkī Aquarium audit as soon as possible for the benefit of all parties involved. Furthermore, she stated she wanted a deadline established for the close-out of the outstanding items, excluding the luau contract, to be noted in the record

which is another reason for placing this matter on the committee agenda in August. In light of this, Chair Akitake asked Internal Auditor Shizumura if this would be possible. Internal Auditor Shizumura replied he would plan for providing two reports on the Waikīkī Aquarium matter to the committee, the first being on implementation of four of the five outstanding corrective actions and the second on the luau concession issue.

Vice-Chair Lee asked if the end of the year audit being conducted by the luau concessionaire was to determine the vendor's gross revenues or net profit. Internal Auditor Shizumura replied that the aforementioned audit was to specifically examine the vendor's gross revenues per event to determine whether appropriate amounts were remunerated to the university based upon criteria within the luau contract.

Chair Akitake inquired as to whether the luau concessionaire was formally requested to perform an audit as noted above. Provost Bruno replied in the affirmative stating this requirement was contained within the luau contract. In light of this response, Chair Akitake asked about the timeframe for completion of the audit. Provost Bruno replied the vendor would need to close its books prior to embarking upon an audit which probably would not be until sometime in July.

A brief discussion ensued on the length of time needed by the concessionaire to complete its audit relative to the processes used for performing an audit on gross revenues.

Regent Miyahira remarked it would be fair for the university to request the luau vendor to provide an expected completion date for the audit.

Chair Akitake reiterated her intention of placing the Waikīkī Aquarium issue on the committee agenda in August and asked Internal Auditor Shizumura when materials regarding corrective actions the administration stated it has already implemented should be submitted to OIA so as to allow adequate time for review. She also requested the administration to provide an update on the status of the luau concession contract's external audit at the August meeting. Internal Auditor Shizumura indicated receipt of the materials as soon as possible would be preferable. Provost Bruno stated the corrective actions for all remaining items except the luau contract have been completed and information regarding these matters will be provided to OIA by the end of June. In addition, the administration will be prepared to provide a status update on the luau concessionaire's external audit.

President Lassner noted a correction to the FY 2024-2025 Work Plan's audit related to the use of university facilities by certain State of Hawai'i Department of Education Charter Schools, stating DreamHouse 'Ewa Beach no longer utilizes amenities at UHWO. Internal Auditor Shizumura stated he would remove this information from the description of the audit.

Referencing discussions at the April 4, 2024 committee meeting regarding topics regents felt were worthy of consideration for addition to the FY 2024 -2025 Work Plan, Chair Akitake briefly went over these suggestions along with her and Vice-Chair Lee's recommended courses of action for each as follows:

- The Board Office – Board Secretary Lau will be requested to brief the committee on among other things, the roles, responsibilities, and duties of the Board Office.
- UHM On-Campus Parking Management – Include in the Work Plan with an expansion to all university campuses on O‘ahu.
- Title IX – This matter is currently being addressed by the Committee on Student Success and should remain as such for the time being.
- William S. Richardson School of Law (WSRSL) – Camille Nelson, Dean of WSRSL, will be requested to brief the committee on, among other things, donations and external sources of revenue above and beyond university allocated funding.
- Campus Security – Andrew Black, Chief of the UHM Department of Public Safety, will be requested to present on this issue, possibly at a meeting of the Committee on Student Success.
- University Facilities’ Compliance with the Americans with Disabilities Act – The administration will be requested to help determine which individual or department would be best suited to present on this item and the appropriate committee to receive the briefing.

Although a suggestion was also put forth to review the various enterprise services at the university like the Waikīkī Aquarium, student housing, and so on, it was determined that many of these services, especially the larger operations such as the Waikīkī Aquarium, Warrior Recreation Center, and Bookstore, were audited fairly recently. Therefore, the administration would be requested to assist the committee in identifying any other enterprise services for possible review.

Chair Akitake emphasized the need to accommodate OIA’s requirements for information about the scope, audit objectives, and identified risks to address, such as financial and operational compliance with university or board policies, each of which will require careful thought and discussion prior to placing any subject, including those mentioned above, onto the Work Plan. As such, she stated it would not be possible, nor appropriate, for every suggested topic to be included in the Work Plan. Placing briefings about these matters on future agendas in the fall will serve to better inform committee members and allow for more knowledgeable decisions to be made with respect to addressing them.

Barring any objections, Chair Akitake announced that she and Vice-Chair Lee will work with the board office to place these items on future agendas and invite the appropriate parties to speak to the committee. No objections were raised by committee members.

Regent Abercrombie moved to approve the proposed Work Plan for FY 2024-2025, seconded by Vice-Chair Lee, and noting the excused absences of Regent Higaki and Regent Paloma, the motion carried, with all members present voting in the affirmative.

### **C. Review and Acceptance of the Draft Independent Audit Committee (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 2024, 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.

Pointing out statutory requirements associated with the undertaking of professional development to improve the financial expertise of IA Committee members, Chair Akitake said she will be looking for opportunities to offer this training in the future.

Chair Akitake asked about the waning interests in the student auditor positions within OIA due to the COVID-19 pandemic and whether the situation was improving. She also questioned whether hiring five to eight students during a typical academic year as noted in the Annual Report was optimal. Internal Auditor Shizumura replied that, while interest from students to work for OIA in the noted positions lessened during the COVID-19 pandemic, it has since increased. With respect to the optimal number of student auditors, Internal Auditor Shizumura stated it depended on several factors including the number of hours a student was available to work. Additionally, OIA's student auditors have been offered internships at accounting firms across the island which can cause fluctuations in the number of students working for OIA in any given year.

Regent Miyahira espoused the benefits and value of accounting firm internships. Internal Auditor Shizumura agreed with this assessment stating OIA encourages these internships and reserves the student auditor position for the individual upon completion of their internship.

Calling attention to remarks in the Annual Report regarding unresponsiveness from auditees to OIA requests as a contributing factor in increased operational and compliance times, Chair Akitake questioned whether this comment was related to the Warrior Recreation Center and Waikiki Aquarium audits. Internal Auditor Shizumura replied that there was a lot of back-and-forth communications on these audits which contributed to the length of time it took to perform the reviews. Chair Akitake stated this was one of the reasons the IA Committee pushed so hard to resolve these audits.

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

### **D. Audit Project Status Update**

Internal Auditor Shizumura gave an update on the projects and audits outlined in the approved Internal Audit Work Plan for Fiscal Year 2023-2024 and presented a chart indicating new and ongoing carryover projects as well as their current status.

**E. 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.

**F. Annual Review of Committee Charter and Committee Annual Review**

Chair Akitake explained that section 304A-321, HRS, together with the board bylaws, comprise the charter of operations for the committee. She referenced and went over the committee annual review matrix provided in the materials packet, stating that it sets forth the actions carried out by the committee throughout the year relative to its goals and objectives and highlighting the progress made on the Warrior Recreation Center, Waikī Aquarium, and UHM Student Housing audits. She asked committee members if they had any questions or comments about the committee charter or committee activities over the past year. None were raised.

**V. EXECUTIVE SESSION (closed to the public)**

Regent Abercrombie moved to convene in executive session, seconded by Vice-Chair Lee, and noting the excused absences of Regent Higaki and 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 3:57 p.m.

Chair Akitake called the meeting back to order at 4:28 p.m. and announced that the board met in executive session to discuss matters as stated on the agenda.

**VI. ADJOURNMENT**

There being no further business, Chair Akitake adjourned the meeting at 4:29 p.m.

Respectfully Submitted,

Yvonne Lau  
Executive Administrator and Secretary  
of the Board of Regents