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**MINUTES**

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

**SEPTEMBER 19, 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 Michael Miyahira called the meeting to order at 1:00 p.m. on Thursday, September 19, 2024, at Leeward Community College, Education Building, ED-201, 96-045 Ala 'Ike, Pearl City, Hawai'i 96782, with regents participating from various locations.

Committee members in attendance: Chair Michael Miyahira; Vice-Chair Lauren Akitake; Regent Neil Abercrombie; Regent Wayne Higaki; and Regent Diane Paloma.

Others in attendance: Board Chair Gabriel Lee; Board Vice-Chairs Laurie Tochiki and Laurel Loo; Regent Joshua Faumuina; Regent William Haning; Regent Ernest Wilson (ex officio committee members); President David Lassner; Vice President (VP) Academic Strategy Debora Halbert; VP for Legal Affairs/University General Counsel Carrie Okinaga; VP for Research and Innovation Vassilis Syrmos; VP for Budget and Finance/Chief Financial Officer Kalbert Young; Interim VP for Community Colleges Della Teraoka; UH Mānoa (UHM) Chancellor Michael Bruno; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Yvonne Lau; and others as noted.

**II. APPROVAL OF MINUTES**

Chair Miyahira inquired if there were any corrections to the minutes of the September 5, 2024, committee meeting which had been distributed. Hearing none, the minutes were approved.

**III. PUBLIC COMMENT PERIOD**

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

Kimmer Horsey provided verbal comments on the indemnification of the federal government as set forth in a proposed contract between the United States Navy, Naval Sea Systems Command, and the Applied Research Laboratory at the University of Hawai'i which was approved during the board meeting held earlier today.

**IV. AGENDA ITEMS**

## A. Waikīkī Aquarium Update – Status of Corrective Actions

Glenn Shizumura, Director of the Office of Internal Audit (OIA), briefly recounted previous presentations made to the committee regarding the status of corrective actions 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*”, the last of which occurred in April 2024. Although the status of corrective actions report dated March 13, 2024, determined corrective actions were still pending for five of the 15 risks and challenges identified in the initial audit, a subsequent review by OIA found an additional item of concern related to the Aquarium’s installation of a new point-of-sale system in March 2024 and the lack of a full understanding of the functionality of this system. As such, Internal Auditor Shizumura stated six corrective actions connected with the Waikīkī Aquarium now remain pending.

Vice-Chair Akitake questioned whether there has been a commitment by the administration to completing the remaining identified recommendations within a specific timeframe. She also asked about the length of time OIA had been reviewing issues concerning the Waikīkī Aquarium; solicited information on the number of Aquarium-related outstanding corrective actions in existence at the beginning of 2023, as well as corrective action status reports presented to the committee in total; sought clarification on the reason for the increase in the number of pending corrective actions, asking if this was an unusual occurrence; inquired if the administration provided OIA with any dates for implementation of the remaining corrective actions; and mentioned a verbal commitment made by Provost Bruno to complete all of the recommended corrective actions by December 22, 2023, with the exception of the luau contract, as well as his statement in the OIA report that all of these items have been addressed with the exception of the luau contract audit as of June 6, 2024. Internal Auditor Shizumura replied that the management response to OIA’s current report on the status of corrective actions for the Waikīkī Aquarium did not include a specific timeframe for addressing the remaining, identified corrective actions, although he believed commitments to address the outstanding recommendations were made during previous committee meetings. He stated almost three-and-a-half years have passed since the initial audit report on the Aquarium was issued in May 2021; recalled there being eight or nine pending corrective action items at the beginning of the 2023 calendar year; noted this was the fourth status of corrective action report provided to the committee; reiterated the reason for the increase in the number of currently pending corrective actions previously mentioned, remarking this was an unusual occurrence; and repeated his previous statement about the lack of definitive dates for implementation of the outstanding corrective actions in the current management response.

Chair Miyahira called upon Provost Bruno to present the administration’s perspective on the status of corrective actions report and the situation at the Waikīkī Aquarium.

Provost Bruno offered his thoughts on the state of affairs at the Waikīkī Aquarium relative to OIA’s status of corrective actions report stating, from management’s point of view, a number of the items listed as not being implemented have been addressed and are no longer outstanding. He went over the pending action items, as well as the steps taken by management to attend to each as noted in its response to OIA’s report

contained within the committee materials, and briefly spoke about conversations between himself and Internal Auditor Shizumura regarding specific management actions which would be required in order to satisfy OIA's concerns beyond what has already been done. He also apprised the committee on the administration's sending of a Notice of Default to the Aquarium's luau concessionaire for failure to adhere to contract requirements concerning the engagement of an independent certified public accountant to audit and issue a report on the concessionaire's receipts stating the administration is currently working with the university's Office of General Counsel to determine the next steps in the process.

Byron Apo, Waikīkī Aquarium Administrative Officer, provided additional information on issues specific to the Aquarium's point-of-sale system as mentioned in OIA's report and the steps being taken to deal with them.

Chair Miyahira requested additional information on the types of issues being experienced with the Aquarium's new point-of-sale system. Mr. Apo replied that challenges being faced with RocketRez, the point-of-sale system which the Aquarium migrated to earlier this year, primarily involved discrepancies between manual and system inventory counts and inventory valuation issues, noting these problems have been mainly attributed to issues with the new system's software. Given this response, Chair Miyahira asked if the point-of-sale system's vendor has taken responsibility for, and acted upon, this matter and, if so, whether there was an established timeframe for resolution of these issues emphasizing the length of time which has passed since the concerns were first identified has been far too long. Mr. Apo stated RocketRez is aware of the abovementioned issues and has been working to upgrade its point-of-sale system through things such as the updating of software so it can better meet the Aquarium's needs. He also communicated his intent to contact RocketRez to obtain a status on the progress of these fixes.

A conversation took place between Vice-Chair Akitake and Provost Bruno on the precise number of corrective action items within OIA's report which the administration feels it has responded to and are no longer an issue, as well as the rationale for, and evidence supporting, this belief.

Further discussions ensued between Vice-Chair Akitake, Internal Auditor Shizumura, and Provost Bruno on the documentation of revenue receipts from the Friends of the Waikīkī Aquarium (FOWA) and actions being taken by the Aquarium to monitor FOWA's compliance with the terms of a memorandum of understanding on this matter; what would be required to resolve the FOWA issue, such as official documentation from the FOWA board containing a statement of the entities' commitment to certain accounting practices pertaining to the receipt and disbursement of revenues; the timing of management's response to an initial or follow-up audit report, inclusive of any actions being taken to satisfactorily address noted deficiencies, and the issuance of the report itself, which may be out of sync; and the handling of disagreements between the auditor and the entity being audited as to whether a situation has been resolved.

Referencing remarks made about official documentation from the FOWA board to ameliorate OIA's concerns as presented in its report, Vice-Chair Akitake asked when

the administration expects to receive such documentation. Provost Bruno stated he has brought this matter to the attention of the FOWA board but recent quorum issues have hindered its ability to conduct a meeting in order to provide the noted documentation to the administration. Dr. Andrew Rossiter, Director of the Waikīkī Aquarium, informed regents about the FOWA board's meeting schedule stating the entity is slated to have two more meetings prior to the end of the calendar year.

Given the previous discussions, Vice-Chair Akitake inquired whether the committee can expect all of the outstanding corrective action items to be dealt with by the end of 2024. Provost Bruno stated that the administration anticipates the remaining corrective action items to be closed out by the end of the year with the exception of the matter related to the luau contract which, as previously noted, is an ongoing situation which may not be resolved until a later date.

Board Chair Lee asked if the luau contract contained provisions for events of default. Chair Miyahira stated it was his understanding that a Notice of Default has already been sent to the luau concessionaire. Provost Bruno affirmed Chair Miyahira's statement.

Chair Miyahira invited Provost Bruno to comment on the administration's plans regarding the operations of the Waikīkī Aquarium.

Provost Bruno began by speaking about the positive attributes of the Waikīkī Aquarium's facilities, faculty, and staff and presenting historical information on conversations started several years ago about the need to better align the programs and activities at the marine facility with the core mission of the university. He then proceeded to share details about the administration's organizational restructuring of the Waikīkī Aquarium whereby the Director of the Aquarium will now be reporting to the Dean of the School of Ocean and Earth Science and Technology (SOEST), as well as ongoing activities to complete this reorganization so as to ensure a smooth and seamless transition. The administration believes this restructuring will be beneficial to both the Aquarium and SOEST, improving upon the Aquarium's ability to meet the educational, research, and community service missions of the university while at the same time, expanding the capabilities of the various SOEST departments and centers, in particular those with educational, research, and public outreach programs that can benefit from the Aquarium's collections, facilities, expertise, and location. Bolstering the Aquarium's ties to SOEST and the UHM campus will also have the added benefit of strengthening the marine facility's operational capacity and management culture.

Regent Abercrombie asked if board approval was needed for the restructuring plan and whether the committee would be receiving a presentation on the plan from the administration. He also sought clarification on the entity with administrative responsibility for the Waikīkī Aquarium under this plan. Provost Bruno stated board approval of the restructuring plan was not required and noted the Aquarium Director will report directly to the Dean of SOEST, although ultimate administrative responsibility for the Aquarium will come under the authority of the Office of the Provost at UHM since the Dean of SOEST reports to the UHM Provost. He also offered to have the Dean of SOEST present the plan of action for the Waikīkī Aquarium going forward at the appropriate time.

A brief discussion ensued between Regent Abercrombie and Provost Bruno as to whether there were financial implications associated with the administration's organizational restructuring of the Waikīkī Aquarium and the necessity of seeking legislative appropriations to address this situation.

Taking into account all of the information presented and discussed at this meeting, the administration's anticipation of the majority of outstanding corrective action items being addressed by the end of the year, and the desire of committee members to be given a presentation on the plans for the administration of the Waikīkī Aquarium going forward, Vice-Chair Akitake suggested the Aquarium issue be placed on the agenda for the regular committee meeting presently scheduled for December.

Chair Miyahira and Vice-Chair Akitake thanked Provost Bruno for his leadership in addressing the situation with the Aquarium and his efforts to restructure its organization. They also thanked Internal Auditor Shizumura for his dedication and service to the university over the last 15 years and lauded his work as the Director of OIA.

#### **V. ADJOURNMENT**

There being no further business, Chair Miyahira adjourned the meeting at 1:42 p.m.

Respectfully Submitted,

Yvonne Lau  
Executive Administrator and Secretary  
of the Board of Regents