

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

DECEMBER 5, 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 9:03 a.m. on Thursday, December 5, 2024, in Conference Room 106A/B, 2444 Dole Street, Honolulu, Hawai'i, 96822, with regents participating from various locations.

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

Committee members excused: Regent Diane Paloma.

Others in attendance: Board Chair Gabriel Lee; Board Vice-Chairs Laurie Tochiki 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 Research and Innovation Vassilis Syrmos; VP for Information Technology/Chief Information Officer Garret Yoshimi; VP for Office of Community Colleges Della Teraoka; 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 Miyahira inquired if there were any corrections to the minutes of the November 7, 2024, 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 one signed up to provide oral testimony.

Regent Abercrombie arrived at 9:04 a.m.

IV. AGENDA ITEMS

A. Review and Acceptance of the University of Hawai'i Audit Reports as of June 30, 2024, including:

1. External Auditor Required Communications
2. Audited Financial Compliance Reports
3. Corrective Action Responses for the Federal Compliance Findings

Ryan Horiuchi, a principal with Accuity LLP, explained that, in addition to auditing the university's consolidated financial statements, Accuity conducts what is known as a single audit, which is a federally required audit performed on non-federal entities expending \$750,000 or more in federal awards during the entity's fiscal year and consists of both financial and compliance reviews regarding federal rules and regulations. He reported on several aspects contained within the single audit highlighting the expenditure of approximately \$624 million by 13 major federal programs at the university in I L V F D O \ H D U, as well as four reportable compliance findings, all of which involved minor control deficiency issues relating to student financial aid. Since none of the compliance findings were deemed to be significant deficiencies or material weaknesses, Accuity was prepared to issue what is known as a "clean" or unmodified opinion on the university's compliance with the requirements of its major federal programs. Mr. Horiuchi also drew attention to the internal control and business issues report (ICBIR) contained within the committee meeting materials packet, noting it consisted mainly of comments about observations made by Accuity in the course of auditing the university's consolidated financial statements and compliance reports for the year ended June 30, 2024. A total of seven comments regarding issues involving either university or board policies were included in this year's ICBIR, none of which were of significance.

Erin Takamine, an audit partner with Accuity LLP, reviewed Accuity's audit of the university's consolidated financial statements, stating this matter is presented to the

with \$21.25 million being paid out in October and the remaining \$21.25 million scheduled to be paid out in March 2025.

Committee members lauded and thanked Accuity for the thoroughness of its reports and the clarity of the information presented, commended VP Young and his time for their work on this issue, and expressed their happiness with the university receiving a clean opinion regarding its compliance with federal financial reporting requirements.

Regent Abercrombie moved to accept the University of Hawai'i audited financial reports for the year ended June 30, 2024, seconded by Vice-Chair Akitake, and noting the excused absence of Regent Paloma, the motion carried with all members present voting in the affirmative.

B. Professional Development: Review of Accuity Audit Committee Toolkit, Part II

Cory Kubota, managing partner of Accuity LLP, talked about, and presented information on the primary duties, roles, functions, and responsibilities of the committee with respect to ensuring the administration has appropriate internal controls in place regarding the university's financial reporting requirements and compliance with statutory and other regulatory matters; the prevention, deterrence, investigation, and detection of fraud; the establishment and oversight of a whistleblower policy containing sufficient protections for whistleblowers; committee meetings held in executive session; and communicating with the independent auditor. He also reviewed the major components of the Committee on Sponsoring Organizations, or COSO, framework, which is a tool used by the university to establish internal and regulatory monitoring controls; spoke about the importance of clear communications in developing a sound internal control environment; went over definitions of terms used by auditors to describe varying degrees of internal control deficiencies; and highlighted some of the key roles and responsibilities of the administration, internal auditor, and Accuity regarding matters of internal control.

Vice-Chair Akitake engaged Mr. Kubota in a conversation about the relationship between the committee, the Office of Internal Audit (OIA), and university management; the mission and purpose of OIA; processes used for creating the annual internal work plan, which is Mfmmternahli-6.ipocoac the (A)1 (1;)12 ()d Ac of0 (audi)6 ()4 (esac12 (0 (au (e o)10 (f

&KDLU 0L\DKLUD VKDUHG KLV WKRXJKWV RQ WKH VLWXDW system stating the length of time which has passed since the concerns were first identified has been far too long and perhaps the administration needs to consider parting ways with the RocketRez vendor. Both Provost Bruno and Chief Business 2 I I L F H U) U H Q F K agreed with Chair Miyahira but expressed a desire to try to find a solution for this issue amenable to all parties involved given the inordinate amount of time and effort spent by staff on this matter. Even so, they stated the administration was of the belief the path suggested by Chair Miyahira should be taken if a fix could not be made in the near future or additional challenges with the system are encountered.

Vice-Chair Akitake sought clarification as to whether the corrective actions with respect to the preparation of gift shop periodic and annual financial reports comparing actual to target gross margins and the conducting of reviews and approvals of gift shop L Q Y H Q W R U \ D G M X V W P H Q W V F R X O G Q R W E H F O R V H G R X W X C POS system were dealt with and evidence of this was provided to OIA. Provost Bruno responded in the affirmative stating the abovementioned corrective actions could not be closed out until the administration afforded OIA with satisfactory evidence of bugs within the Aquarium's POS system being addressed and OIA verifies the fixes have been made and are sustainable.

Similar to the opinion offered earlier by Chair Miyahira, Regent Abercrombie noted his concerns as to the apparent inability of the RocketRez vendor to find a solution to software problems with the POS system used by the Aquarium and emphasized the need for the administration to consider terminating the vendor's contract.

Citing the potential establishment of a payment plan for outstanding concession fees, Chair Miyahira suggested the administration have the principles or owners of Kings Luau guarantee adherence to any proposal entered into.

Vice-Chair Akitake asked if the administration knew the exact amount owed by the luau concessionaire and if so, whether this figure was accurate. Provost Bruno stated the administration has a firm idea of what, at a minimum, it is owed by the luau concessionaire predicated on the per event fee of \$4,000. However, it remains unclear

A discussion ensued on potential next steps which could be taken concerning the luau concession issue including, among other things, having Aquarium staff conduct a deeper analysis of luau event data across the year to determine if there were instances where 15 percent of gross revenues could have exceeded the standard fee of \$4,000, and figuring out whether the difference in the amount of funds generated by each was significant and deciding whether or not to proceed with the creation of a payment plan for the concessionaire.

Chair Miyahira sought comment from Interim Director Lee on the issue regarding the Aquariu

ome

e year i.e. (he)10 i.(.)4 (h)10 2 (he s)92 (he2 (or)7 (Lee)10 (on)10 5 TB6e24)10 (ou)Ludl0 i.(s)92 (he2

Interim Internal Auditor Lee reviewed information contained with the whistleblower summary and tracking reports noting that incidents involving employment or human resources-related issues constituted the majority of whistleblower cases for the current reporting period.

Chair Miyahira asked if there was any rationale for some whistleblower cases remaining open in excess of 90 days or longer. Interim Director Lee stated, in many instances, the length of time a whistleblower case remains open can be attributed to ongoing communications with the reporter or difficulties in contacting the reporter to gather further information on the matter. However, OIA does monitor and conduct follow-up in these situations, particularly when a case has remained open for a significant length of time.

H. Enterprise Risk Management: Office of Risk Management (ORM) Fiscal Year (FY) 23 and FY 24 Biennium Report

Darren Suzuki, Director of ORM, reported on various provisions of the university's risk management program stating the institution has a combined program of self-insurance and excess insurance to cover its losses and liabilities. While the university purchases insurance directly through United Educators (UE) to cover someer oc 0 T eTd [(t)2 (0 Tc 0

and response in E(s)6 prr(am)-3m unml0(prr(a

The meeting reconvened at 11:42 a.m.

V. EXECUTIVE SESSION (closed to the public)

Regent Abercrombie moved to convene into executive session, seconded by Vice-Chair Akitake, and noting the excused absence of Regent Paloma, and with all members present voting in the affirmative, the committee 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), Hawai'i Revised Statutes.

The meeting recessed at 11:42 a.m.

Regent Wilson left at 12:37 p.m.

Chair Miyahira called the meeting back to order at 1:17 p.m. stating the committee met in executive session to discuss the matters as noted on the agenda.

VI. ADJOURNMENT

There being no further business, Chair Miyahira adjourned the meeting at 1:17 p.m.

Respectfully Submitted,