University of Hawaii
Advisory Task Group on Operational and
Financial Controls Improvement

August 14, 2013

Mr. James H.Q. Lee, Chair
Committee on Independent Audit
2444 Dole Street, Bachman Hall 209
Honolulu, Hawaii 96822

Dear Chair Lee:

The Advisory Task Group on Operational and Financial Controls Improvement ("ATG") is pleased to submit its Report on System Level Administration Operating Policies and Practices. This report was presented to the Committee on Independent Audit at its meeting on August 13, 2013. Our work involved reviewing applicable statutes, rules and regulations governing the University's System Level operations; Executive Policies; roles and responsibilities and delegations of authority, in accordance with the approved workplan. We also conducted numerous interviews with System Level management and others, and reviewed published materials on leading practices from organizations including the American Council of Trustees and Alumni ("ACTA"), the Association of Governing Boards ("AGB"), the State Higher Education Executive Officers Association ("SHEEO") and the Western Association of Schools and Colleges ("WASC"), among others.

This report is prepared as the final part of the ATG's Operational Assessment of the University's System Level operations. The purpose of the report is to provide the ATG's observations and recommendations to the BOR for its consideration to improve University Administration operations. We would welcome the opportunity to discuss with the Regents and members of the University Administration more of the details to implement operational matters referred to in the report.

We would like to express our appreciation to the Members and Staff of the Board of Regents, System and College Administrators, and others for the courtesies and assistance provided during the conduct of this operational assessment.

Sincerely,

Lawrence D. Rodriguez
Chair, ATG

BACKGROUND AND SUMMARY OF WORK PERFORMED

Background

On September 5, 2012, the University of Hawaii System ("University") Board of Regents ("BOR" or "Board") approved the formation of an Advisory Task Group on Operational and Financial Controls Improvement ("ATG") to assist the BOR with its oversight of the University's actions and improvements to policies, internal controls, and practices. The purpose and primary function of the ATG is to oversee, provide input, monitor activities, and guide the scope of an evaluation and improvement initiative specific to operational and financial processes and related internal controls of the University. The ATG reports to the BOR's Committee on Independent Audit, formerly known as the Committee on University Audits ("Committee").

The ATG is comprised of eight members, four members from the BOR, and four from private industry with expertise in financial processes and organizational structure and internal controls. The members of the ATG are:

- James H.Q. Lee, Vice Chair, Board of Regents
- Barry Mizuno, Regent
- Randy Moore, Regent
- Saedene Ota, Regent
- Terri Fujii, Retired Managing Partner, Ernst & Young LLP, Hawaii
- Cory Kubota, Assurance Principal, Accuity LLP
- Patrick Oki, Managing Partner, PKF Pacific Hawaii LLP
- Lawrence D. (Larry) Rodriguez, Business Consultant, ATG Chair

KMH LLP ("KMH") was contracted by the University to assist the ATG with its efforts. KMH has provided staff, resources and logistical support to the ATG and conducted necessary research, data gathering and analysis. KMH personnel were present at all interviews and have been tasked with assembling ATG documents and assisting with drafting of the ATG reports.

The ATG's first effort was to evaluate the operational and financial processes associated with the planned Stevie Wonder Concert. It issued its report to the Committee on November 12, 2012. In that report, the ATG noted that its next effort "…will include determining if the University's current policies (Board, Executive, and Administrative) require clarification and revision with respect to the assignment of responsibility, delegation of authority, and accountability for duties performed by University personnel."[1] Not long after that report was issued, the Senate Special Committee on Accountability issued its report based on hearings held with respect to the planned Stevie Wonder Concert. That report included recommendations, among others, that the "BOR undertake a thorough review of its policies and procedures to:

   A. Provide clarity over the role and responsibilities of the BOR, President, and Chancellors;

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[1] ATG Report to the Committee on University Audits, November 12, 2012, p. 6

B. Ensure clear lines of authority between the BOR, President, and the individual Chancellors; and

C. Ensure that the policies and procedures facilitate the University's missions."[2]

With the completion of its first task, the ATG is conducting an Operational Assessment at the System Level of the University. For purposes of this assessment, "System Level" is defined as the BOR and its direct reports and the University President and her direct reports. This Operational Assessment addresses not only the ATG's original charter and plans following its initial work, but also many of the recommendations included in the Senate Special Committee Report.

As part of the Operational Assessment, the ATG has issued three prior reports. The first presented an analysis of legislation introduced during the 2013 legislative session that could affect System Level operations of the University. That report included the ATG's comments as to whether the legislation introduced was consistent with, or supported by, leading practices as identified based on the research conducted with over 30 U.S. universities and land grant institutions.

The second report provided a summary of themes and issues that surfaced during our interviews with the members of the BOR. That report was prepared as an informational report for the BOR and, therefore did not include any recommendations or conclusions by the ATG. The report could be used by the BOR as part of a self-evaluation of its interactions and operations conducted pursuant to Section 2-4 of the BOR Policies.

The third report addressed the BOR Policies and Practices. It built upon and referenced work performed in the prior two reports and included recommendations for the BOR to consider. Issues noted and recommendations provided in this third report addressed separately: a) the BOR's bylaws and b) its policies, practices and operational effectiveness.

Summary of Work Performed

The scope of work for this Operational Assessment included a review of the laws, rules, and regulations governing the University's System Level operations; Board and Executive policies, Administrative procedures and practices, roles and responsibilities, and delegations of authority. It also included research on leading practices that combined reviews of published papers from organizations knowledgeable about university governance issues with reviews of existing organizational structures and statutes applicable to a number of other states' universities. Additionally, the ATG interviewed the members and staff of the BOR, key legislators and other government officials, and System Level management. Interviews were conducted in confidence as the purpose was to gain a better understanding of underlying themes and issues. Members of the ATG also observed BOR and Committee activities. The ATG also conducted interviews with presidents and/or obtained information from over 30 U.S. universities and land grant institutions.

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[2] Senate Special Committee Report No. 2, Nov 19, 2012, p. 29

The ATG obtained and reviewed the BOR Bylaws and BOR, Executive and Administrative Policies and practices currently in effect, and applicable Hawaii Revised Statutes and Administrative Rules that affect the University. We also conducted research and obtained published materials on leading practices from organizations including the American Council of Trustees and Alumni ("ACTA"), the Association of Governing Boards ("AGB"), the State Higher Education Executive Officers Association ("SHEEO") and the Western Association of Schools and Colleges ("WASC").

A complete list of the external papers, studies and reports reviewed is included as **Appendix A** to this report. **Appendix B** provides a list of all locally produced documents that were reviewed. **Appendix C** presents the list of all persons interviewed.

This fourth and final report represents the completion of the Field Work and Execution portion of the Work Plan for this Operational Assessment. It presents the ATG's analysis of the University's System Level Administrative policies, roles and responsibilities, delegations of authority, and operational practices. Like the report on BOR Policies and Practices, this report contains the issues identified regarding operational areas within the University's System Level Administration and provides recommendations for consideration by the BOR and University Administration.

FINDINGS AND RECOMMENDATIONS

Introduction

The issues and recommendations identified at the BOR level in the ATG's third report and at the System Level in this report have many similarities, as the BOR policies serve as the basis for the System Level policies. As noted in the ATG's third report, the BOR policies were significantly updated and revised in 2010.   We found that the University's System Level, or Executive Policies follow the same structure as Board Policies, and they do not overlap or duplicate Board Policies. We also found that System Level management understand their roles and responsibilities as indicated on the current organization chart. Additionally, we found that the organization chart and structure is generally consistent with, and reflective of other institutions of higher education we researched. However, the ATG did find areas where improvements could be made and they are presented here.

Summary of Findings

The ATG identified a number of operational issues, or findings, that the BOR and Administration should consider and address. They are summarized here and discussed in detail in the following sections.

- An organizational approach to policies and a policy framework that aligns policies with functional responsibilities should be evaluated;
- An organizational approach to delegations of authority is recommended;
- An organizational risk management process should be adopted; and
- System Level organizational and operational matters need to be addressed to improve operational effectiveness.

The ATG acknowledges that there will be additional costs and resources needed to implement several of the recommendations provided herein, which have not been quantified. However, the ATG does believe that the benefits of improved operations and operational effectiveness that should be achieved by implementing these recommendations will far outweigh the incremental implementation costs.

An organizational approach to policies and a policy framework should be evaluated

Current policy framework - Topical Approach
The University's Executive Policies are organized in the same manner as the Board Policies. Board Policies have 12 chapters, while Executive Policies have 11 sections as shown below.

Board Policies		Executive Policies	
Chapter	**Title**	**Section**	**Title**
1.	General Provisions	1.	General Provisions
2.	Administration	2.	Administration
3.	Organization	3.	Organization
4.	Planning	4.	Planning
5.	Academic Affairs	5.	Academic Affairs
6.	Tuition, Financial Assistance & Fees	6.	Tuition and Fees
7.	Student Affairs	7.	Student Affairs
8.	Business and Finance	8.	Business and Finance
9.	Personnel	9.	Personnel
10.	Land and Physical Facilities	10.	Land and Physical Facilities
11.	Miscellaneous	11.	Miscellaneous
12.	Research		

Administrative Procedures of the System are expected to conform to the topical areas noted above. We reviewed the two sets of policies and did not find duplicative or overlapping policies. We did note that the numbering and naming convention of the Executive Policies is designed to ensure consistency of topical referencing with the Board Policies. However, we found that this is not always the case. For example, Chapter 3 of the Board Policies establishes the major organizational units of the University and delegates authority to the President to promulgate policies and procedures regarding the maintenance of and changes to the organization and functions of University Units. Although the Executive Policies have a Section 3, Organization included in its structure, there are no policies in that section. Another example is Executive Policy E2.209, University Housing Assistance Program which was adopted in July 2000 as part of Section 2, Administration. It implements Board Policy 9-10b in Chapter 9, Personnel, (which, because of the revisions to Board Policies is now Board Policy 9-9b). While following the topical and numbering conventions established by the Board helps the University to ensure that it has policies that implement Board Policies, it does not ensure that the policies are appropriate, complete and necessary.

An organizational framework for Executive Policies should be evaluated and considered
An Organizational Approach to policy development results in policies that are appropriate and necessary within the organizational structure. This type of approach should include use of a policy framework that is consistent with the University's governance structure and responsibilities. We use the term organizational framework to emphasize that the key driver of the University's policies should be its Strategic Plan and the key operational areas and governance levels necessary to achieve that Plan versus the topical areas as followed for the BOR Policies.

A model for such an organizational framework for policies and procedures was included in our Report on Board Policies and Practices and is included again in this report as **Appendix D**. This is not only an example of the levels of responsibility for policies and procedures, but also an example of the nature of the types of policies and procedures at the different levels. It also shows the need for alignment and linkage of policies and procedures. Using an organizational framework requires that Board Policies are appropriate to the function and responsibilities of the Board. Executive Policies should then be appropriate to the operating functions and responsibilities of the University necessary for effective operations.

To further explain an organizational policy framework, the ATG has been provided with a model to assist with policy development. The ATG has included a one-page summary of that model as **Appendix E**. An organizational framework does not have duplicate policies, rather it places the policies in the areas of functional responsibility. For example, Board Policies should be developed by the Board with input from the President/Chief Executive and would generally cover areas such as Board and Committee Structure, Code of Ethics, Conflicts of Interest, Delegation of Authority, and Policy and Procedure Management. They should be driven by the Board's statutory responsibilities and the University's mission and be developed to provide policy guidance to the Administration to help it achieve the University's goals and objectives along with meeting its fiscal and other mandates. Executive Policies are then developed by the President to provide guidance on administrative matters and organizational resources. These policies would address issues such as academics, facilities, personnel, and operations in line with the Board Policies. Executive Policies are then the basis for administrative and operating procedures. In the University's shared governance practice, policies affecting academics require faculty involvement and input. The ATG believes that faculty involvement is consistent with the organizational framework model because of the academic (functional) responsibility of faculty within the University.

We believe that the current Board and Executive Policies should be reviewed in the context of such a framework. The review should not consist only of a review of existing policies, but first, be an assessment and development of an organizational framework of policies needed consistent with its strategic initiatives; second, a review of existing policies to determine if, or where they would fit in the policy framework; and third, identification of additional policies that need to be developed.

It should be further noted that **Appendices D** and **E** have been provided only for purposes of review and discussion for the University to consider as an organizational framework for policy development; they are not provided as absolutes to be followed. The ATG believes that an in-depth review and enhancements to the existing policy framework may ultimately satisfy the alignment of policies with functional responsibilities.

Executive Policies need to be updated
During 2009-2010, the Board undertook a major revision to its Board Policies. The revision resulted in the elimination of redundant and out-of-date policies and resulted in a more condensed set of policies.

At the time the Board Policies were revised, there was no corresponding revision or assessment of Executive Policies. As a result, many existing Executive Policies reflect prior Board Policies. Additionally, we noted that the policies are inconsistent as to structure, content, and presentation and many of them are more than 30 years old. We noted that the University has periodically updated its policies. However, there are other policies dating back to the 1970s and 80s that are still in effect. Some examples of Executive Policies that have not been updated or revised since they were issued include:

Policy No.	Title	Issue Date
E1.102	Authority to Manage and Control the Financial Affairs of the Unit as Stated in the Regents Bylaws and Policies	January 1980
E1.201	Faculty Involvement in Academic Policy	May 1979
E2.201	Establishment of System for Dissemination and Recordation of University of Hawaii Systemwide Policies, Procedures, Circulars and Memoranda	May 1981
E2.202	Risk and Insurance Management Policy	October 1981
E9.201	Faculty and Staff Renewal and Vitality Directive	September 1976

The fact that they were issued decades ago does not mean they are no longer relevant or needed. However, the amount of time that has lapsed since their issuance does indicate the need for a review to determine if they are still relevant and reflective of current practices. We noted that a number of policies were either updated or issued in 2011 and 2012. However, the updates appear to have focused on certain areas. For example, Executive Policies E5.218 through E5.227 deal with Academic Affairs and all have an issue date of May 2011. Additionally, we noted that certain Executive Policies were suspended, amended, or newly enacted as a result of the planned Stevie Wonder Concert. Other examples of recently revised and new policies include the *Policy on Security and Protection of Sensitive Information* which was revised in April 2012 and a new *Policy on Institutional Data Governance* which was issued in September 2012.

Redundant or out-of-date Executive Policies adversely affect University operations as administrative procedures are based upon these redundant or out-of-date policies. This can result in unnecessary and time consuming process requirements that no longer serve any valid organizational purpose. Additionally, during our interviews, the need for review and update of Executive Policies and their corresponding administrative procedures was mentioned.

Before policies are updated, the University should conduct a thorough inventory of its policies and evaluate whether they are still necessary and identify the policies that need to be developed. The ATG did not conduct an exhaustive review and evaluation of all Executive Policies. However, we did note the absence of policies that we believe should be considered for development. We list them below, and acknowledge that a thorough inventory and evaluation may result in the identification of additional policies that may be needed. Those we identified are:

- Document retention (we understand this is currently being developed)
- Delegations of authority

- Business continuity/disaster recovery
- Crisis management
- Internal financial statement preparation and distribution

Also, the University should update its procedures to ensure that Policies are consistent in form and content. To that end, adoption of a standardized template will ensure consistency of policy documentation. Included as **Appendix F** is a template for policies that is often used by organizations whose policies are subject to regulatory review. The ATG believes that such a template should be used by the University.

Responsibility for policies and procedures should be at the System Level

The development and maintenance of the University's policies and procedures are integral to effective operations of the entire University and the responsibility for policy development and maintenance needs to be clearly established and placed at the System Level. The responsibility should rest with a senior administrative executive with sufficient authority to ensure that all Executive Policies are appropriate and current, and aligned with Board Policies and that Administrative Procedures also meet the same criteria. This position should be at the Executive Vice President or Vice President level, depending on the placement of System Level organizational responsibilities. The responsibility could fall under the System Level position responsible for system-wide administrative matters that the ATG is recommending be established.

The review of existing administrative and operating procedures was not within the scope of this Operational Assessment. However, during our interviews with key administrators, the issue of misaligned and outdated Executive Policies and Administrative Procedures was brought to our attention. An area as important as this, coupled with institutional acknowledgement that it needs to be addressed, supports the need for it to be addressed at the System Level.

An organizational approach to delegations of authority is recommended

Delegations of authority are necessary for organizations to operate effectively. The Hawaii State Constitution states that "The board shall ...exercise control over the university through its executive officer, the president of the university…"[3] Hawaii Revised Statutes gives the Board "…exclusive jurisdiction over the internal structure, management, and operation of the university."[4] The BOR has given broad authority to the President for management of the University and has given the President the authority to delegate administrative and other matters to Vice Presidents, Chancellors, and other officers as deemed necessary.[5]

Delegations of authority are documented authorizations granted to personnel to perform certain duties and carry out certain functions such as hiring of faculty and staff, purchasing supplies, authorizing employee travel, and contracting for services to effectuate day-to-day operations throughout the various campuses, programs, and offices within the University. Without delegations of authority, all of these actions must be approved by the President; thus, the

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[3] Article X, Section 6, Constitution of the State of Hawaii
[4] Section 304A-105, Hawaii Revised Statutes
[5] Section 2-2, Duties of the President, Chapter 2, Administration, Board Policies

delegations of authority to others are essential for the University to operate. Because the President is ultimately responsible for the results of these actions, it is essential that the delegations be appropriate to the level or responsibility provided and for such actions as that office or position requires.

Our review of delegations of authority at the System Level noted that delegations currently are incorporated in Executive Policies. This may not be the most appropriate location, as delegations are not policies, the policies drive the delegations. Additionally, in our review of those Executive Policy delegations, we noted outdated references of the authority for the delegation, delegations that cite multiple supporting references, and references to sections of Hawaii Revised Statutes that no longer exist.

Instead of embedding delegations within Executive Policies, there should be a standard or framework for delegations that would include required references, reason for delegation, length of delegation, requirements for periodic review for applicability and updating as necessary. That standard or framework should be established in a policy on delegations of authority.

Responsibility for maintaining the inventory of delegations
The ATG prepared an "inventory" of delegations by reviewing Executive Policies as there is no central repository or catalogue of active delegations. We were informed by the President's Office that none existed. As noted, the delegations of authority that we could find, reside within the Executive Policies. Delegations at other levels within the University are through the form of memos or other formal or informal means of communication. Delegations of authority are essential to the proper operation of the University and should be well documented and understood. Regardless of the means of making the delegation (e.g., by policy, memo, or other form), they should be standardized, consistent, complete and updated or reaffirmed periodically.

The ATG believes there should be an inventory of active delegations. The responsibility for maintaining this inventory may rest with the same position that would be responsible for the maintenance of Executive Policies, which we have stated should be at an Executive Vice President or Vice President level within Administration. Copies of all delegations should be provided to that office or position as a matter of practice.

Organizational risk management needs to be addressed

"Risk management is at its core a governance and management discipline, not an end but a means to the end, with the end being the accomplishment of the institution's mission."[6] Published in April 2013 by the AGB, the referenced book is raising the awareness of college and university boards for the need for a systematic approach to risk management. Risk management is no longer limited to buying insurance to mitigate financial loss, but recognizes the need to address the myriad risks faced by universities. Risk management is the identification, assessment, and prioritizations of risks (commonly defined as the *effect of uncertainty on objectives,* whether positive or negative) followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events.

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[6] Janice M. Abraham, Risk Management: An Accountability Guide for University and College Boards, p.3

There are numerous types of risk. For example, there is reputational risk which can be defined as those actions or events that can harm or cause damage to the University's reputation through negative public perceptions. One way to mitigate this risk is through an effective crisis management process which would include a rational assessment of the action or event, development of internal and external communications protocols, and a clearly defined approach to deal with the effects of the action or event. While the processes may include the use of the Internal Audit office and filing of insurance claims, they also should include executive management and communications activities – functions that reside within other System Level offices.

Other examples of risk include poorly maintained facilities, strategic and operational risk areas, campus security, information technology, research activities, noncompliance with federal grant awards, and reduced enrollment, among others. The wide spectrum of risks makes risk management a system-wide issue that should be addressed on an overall organizational basis.

In our "Report on Board of Regents Policies and Practices", we highlighted the need for the BOR to require the University to establish a System-wide risk management process. Implementation of such a process is the responsibility of University management and is addressed through, among other areas, an effective internal control structure. In addition, the ATG's first report (in connection with the Stevie Wonder matter issued in November 2012) included a discussion about the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") updated Internal Control Framework as the acknowledged "leading practice," for designing and evaluating internal controls.[7] For reference, we have attached as **Appendix G** a summary of the COSO principles-based approach to the design and implementation of appropriate internal controls. One of COSO's key required principles for establishing an effective internal control structure under the new Integrated Internal Control Framework is Principle #7 *"The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed."*

Risk management is a System-wide process and responsibility, it is not simply the responsibility of the Office of Risk Management to ensure sufficient insurance policies have been obtained to mitigate financial loss, nor is it the responsibility of the Office of Internal Audit to determine the spectrum of risks. Rather, risk management needs to involve the appropriate levels of management and the Board to put in place effective risk assessment mechanisms. In identifying and analyzing risks, both internal and external factors and their impact on the achievement of organizational objectives, as well as the potential significance of identified risks needs to be considered. Finally, the risk management efforts need to determine how the University responds to the risks identified (i.e., how risks are managed and whether to accept, avoid, reduce or share the risk).

The ATG believes a System-wide risk management process needs to be designed and implemented. We view this effort as critical to the University and, as such, it needs to be coordinated at the System Level. This will require leadership and commitment from the BOR

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[7] ATG Report, op. cit., p. 29 of attached KMH Report

and management. The effort will also need a commitment of resources with the experience and knowledge necessary to successfully bring it to completion.

The scope of this Operational Assessment did not include a review of the operations of the Office of Internal Audit. However, the ATG believes that, while the Office of Internal Audit is not responsible for the determination of the spectrum of risks, it does play an important role in risk management by conducting annual risk assessments in the development of their annual audit plan, and performing audits of controls and processes in place to mitigate risks. The ATG believes there should be good coordination and sharing of information between Internal Audit and those responsible for building the System-wide risk management initiative. We understand the Office of Internal Audit is taking a leadership role in implementing this initiative (which is appropriate given its expertise in considering risks, and understanding of the connections between risks and governance). However, as recommended by the Institute of Internal Auditors ("IIA") the Internal Audit "plan of work should include a clear strategy and timeline for migrating the responsibility for these services to members of the management team."[8] This helps ensure that the responsibility for risk management rests with management and maintains the role of the Internal Audit function to perform objective evaluations of the internal controls designed to mitigate risks.

Other organizational and operational issues noted

In addition to the consideration and evaluation for an organizational approach to the development of policies, delegations of authority, and risk management, we identified a number of other issues that should be addressed within the management at the System Level. These include:

- The need to update or revise position descriptions and reporting responsibilities;
- The realignment and placement of certain administrative functions;
- The need to provide adequate BOR review and input on issues;
- The need for improved financial, budget and operational reporting to the BOR; and
- The need to address certain operational processes and procedures that hamper the University's ability to operate effectively.

Updating position descriptions and reporting responsibilities
The ATG reviewed all System Level position descriptions and found that, in general, they need to be updated to reflect the current organizational structure and responsibilities. For example, the current position description of the University President still shows the position as "President & Chancellor, Manoa,"[9] and the position description for the Vice President of Budget & Finance/Chief Financial Officer shows the position as "VP for Administration & CFO." [10] Changes in position titles often reflect changes to responsibilities. At issue is not only the labeling of the position, but more importantly, the need to have the position descriptions reviewed and updated to ensure that they include the current and appropriate position qualifications and responsibilities.

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[8] IIA Position Paper: The Role of Internal Auditing in Enterprise-Wide Risk Management, January 2009
[9] University of Hawaii, Excluded Executive/Managerial Position Description, Position No.: 89058
[10] University of Hawaii, Excluded Executive/Managerial Position Description, Position No.: 89283

For instance, the position description for the Vice President of Budget & Finance/Chief Financial Officer does not reflect the organizational changes made that now have the Office of Capital Improvements reporting to this position. Another example is the position description for the Chancellor of UH Maui College. This position description was last revised in January 2003 and still refers to the college as Maui Community College and has the Chancellor reporting directly to the President although the organization chart has the position reporting to the Vice President for Community Colleges and the President. A number of position descriptions also include the name of an individual to whom the positions report. Position descriptions should reflect the position that they report to and not include personal references such as individual names.

Further, a number of Executive Policies assign responsibilities to positions that are no longer reflected on the organization chart. For example, Executive Policy E5.210, Institutional Accountability and Performance assigns responsibilities to the Office of the Vice President for Planning and Policy and to the Office of the Senior Vice President for Administration. Neither office nor position is included in the current organization chart. Additionally, the Policy assigns responsibilities to the Senior Vice Presidents/Chancellors for Hilo and the Community Colleges and the Senior Vice President/Executive Vice Chancellor for Manoa. These positions appear to be those now reflected as the Chancellor for Hilo, the Vice President for Community Colleges, and the Chancellor for Manoa, respectively. The examples noted herein are a fraction of the gaps and inconsistencies noted by the ATG.

As we noted earlier, Executive Policies need to be reviewed and updated within an organizational framework. The issue of Executive Policies not being reflective of the positions and responsibilities contained in the current organization chart, coupled with the other issues noted with respect to position descriptions, support the need to review and revise the position descriptions to ensure that the current position descriptions are updated with respect to not only position titles, but responsibilities and spans of authority.

Reporting lines for certain positions should be revised
Currently, the position of Vice President for Legal Affairs and University General Counsel reports directly to the BOR. The ATG, in prior reports has articulated that leading practice is to have this position report directly to the President while still being available to provide advice and support to the BOR as necessary.[11] The statute authorizing the University to have its own General Counsel states "The board of regents may appoint or retain by contract one or more attorneys who are independent of the attorney general, to provide legal services for the university."[12] The statutes likewise place all operational responsibilities with the BOR and the BOR has delegated authority to the President to carry out the operations of the University as pointed out earlier under the discussion on delegations of authority.

The ATG also believes that the position description needs to be updated to reflect the responsibility of this position as a Vice President to be involved with System Level strategic efforts as well as the responsibility of this position as General Counsel to provide legal advice and support to the President and others. This is consistent with the statute which also states

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[11] ATG Report on Legislation Introduced Affecting the University of Hawaii System Level Operations, p. 8 and ATG Report on Board of Regent Policies and Practices, p. 6
[12] Section 304A-1005, Hawaii Revised Statutes

that one of the functions of the University General Counsel should be to provide "advice and assistance to ensure the lawful and efficient administration and operation of the university."[13] If the BOR were to find itself in need of separate legal counsel, the statute provides that the BOR may also contract for such services or secure them from the Attorney General. The BOR can obtain confirmation from the Attorney General that the statute does not prohibit General Counsel from reporting directly to the President. If it is determined that the existing statutory language is unclear, the University should seek a change to Hawaii Revised Statutes to clarify the reporting responsibilities of this position.

Shifting of the reporting lines and updates to reflect additional position responsibilities for the Vice President for Legal Affairs and University General Counsel may cause a change in workload and assignments. The President, in consultation with General Counsel and the BOR, should determine the nature and extent of staff resources needed to effectively support and address these workload changes.

The current organization chart has the following academic related positions reporting directly to the President:

- Chancellor, UH at Hilo;
- Chancellor, UH at Manoa;
- Chancellor, UH at West Oahu;
- Vice President for Community Colleges;
- Executive Vice President for Academic Affairs/Provost;
- Vice President for Student Affairs and University/Community Relations; and
- Vice President for Research.

Additionally, the Chancellors of the community colleges report directly to both the President and the Vice President for Community Colleges. The position descriptions for the Chancellors of the seven community colleges have four reporting directly to the University President, one reporting to Vice President for Community Colleges, and one reporting to both. The position description of the remaining Chancellor does not indicate to which position it reports, but the accompanying narrative indicates that it reports to the President.

Having Chancellors reporting directly to two separate positions should be avoided to prevent confusion as to lines of responsibility and accountability. The position descriptions and organization chart should be revised and updated to ensure that the Chancellors report to the appropriate position, in this case, the Vice President for Community Colleges.

Reporting lines could be further improved by having the Associate Vice President for Student Affairs to be included within the office of the Executive Vice President for Academic Affairs/Provost to streamline reporting and reflect the relationship between student affairs and academics. Also we propose transferring the External Affairs and University Relations functions to the Vice President for Administration as part of a recommended consolidation of administrative functions under one administrator.

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[13] Ibid

Certain administrative functions should be under one administrator

There are administrative functions distributed throughout the System Level offices that, if housed under another administrator, would help improve the University's operations. Currently, the Office of Capital Improvements and the University's Office of Procurement and Real Property Management ("OPRPM") are the responsibility of the Vice President for Budget & Finance; the Office of Human Resources is under the Executive Vice President for Academic Affairs, and the Office of Risk Management is under the Vice President for Legal Affairs and University General Counsel.

Procurement, human resources, capital improvements and external communications are functions not unique to higher education. Additionally, there may be other administrative functions throughout the System that may be better suited for placement within an office whose responsibility is solely administrative operational matters. The ATG believes that the University would be better served if these administrative functions were placed under one administrator at the System Level, instead of being placed under other financial, technical or academic functions. We understand that the University had a Vice President of Administration position in the past and believe that, or a similarly named position, should be established to oversee procurement, capital improvements, human resources, and external communications activities. The responsibilities for policies and procedures, compliance and risk management should also be placed under this administrative position.

The position should not require the technical or educational background essential to the areas of financial management, information technology, academics, or student activities. Instead it should require broader operational and managerial experience in large organizations, preferably with experience in state or local government.

Removing administrative functions from the other offices and placing them under one administrator helps serve the University in two ways. First, it allows those other technical and academic administrators to focus on their primary functions. Second, it brings the administrative functions under one administrator with requisite experience managing administrative support services. Positions and functions will be better aligned and the University should realize operational improvements as a result.

Attached as **Appendix H** is a revised organization chart for consideration and placement of this additional Executive Office. It also reflects the proposed changes to reporting responsibilities for the Vice President of Legal Affairs and University General Counsel, the Executive Vice President for Academic Affairs/Provost, and Vice President for Student Affairs. For reference, we have attached as **Appendix I** the current System Level organization chart.

It should be emphasized that position descriptions and organization charts are developed to meet the needs of the organization, not to fit the personalities, traits, or skills of specific individuals. The ATG's recommended changes to position descriptions and the organization chart are suggested to improve the operations of the University through a better alignment of executive management roles and responsibilities.

The BOR should be provided adequate time to review and deal with issues
In the ATG's third report, the issue of utilizing standing committees to review and adequately vet items before being brought to the full board was discussed.[14] The ATG recommended that the BOR utilize its standing committees more to better enable the BOR to deal with issues at its meetings. As part of this process, it then becomes incumbent upon University Management to bring issues to the BOR's committees in a timely manner so that the respective committees have sufficient time to review, vet, and provide input on those issues.

The discussion in the ATG's third report focused on the need for additional financial review and oversight by the Committee on Budget and Finance. However, the need for standing committee review is not limited to one committee. For example, not only does the Committee on Budget and Finance need to review budgetary and financial matters, but other committees such as the Committees on Academic Affairs and Personnel should be thoroughly engaged in the review of suggested changes to academic programs and their impact on University personnel.

Issues should be brought to the BOR for committee review and input with sufficient time for the respective committee(s) to properly review and provide input before the issues are brought to the full Board for a vote. This requires that University Management be prepared to provide the BOR committees with the information needed to sufficiently understand the issues and make recommendations to the full Board. It also requires that the committees take the time necessary to understand the issues to make their recommendations to the full Board. This may require more than one committee meeting and University Management should prepare and submit the information sufficiently in advance of the required BOR approval date to allow the committees to conduct their review and make their recommendations.

Improved financial, budget and operational reporting to the BOR
The need for the BOR to be provided with improved financial reports was also highlighted in the ATG's third report. The University's annual budget should be aligned with its strategic plan and the BOR needs to be able to assess the impact of changes to revenues and expenditures on the University's ability to achieve its goals. To that end, the BOR should be provided periodic updates on the University's revenues and expenditures compared to its annual budget.

Unlike practices followed in private industry, the University does not prepare its budget on a monthly, or even quarterly basis. Rather, it prepares its budget on an annual basis. Management should be providing periodic reports to the BOR and the Committee on Budget and Finance that presents the revenues and expenditures to date compared to the annual budget. University management can then present and discuss the status of revenues and expenditures and highlight any potential issues for the BOR.

The reports to the BOR should be for the System and include information on revenues by types (e.g., state appropriations, tuition, grants) and expenditures by functions (e.g., instruction, institutional support, student services). Reports to the Committee on Budget and Finance would be similar, but more detailed by the major campuses and the community colleges because it is at these levels that program changes affect the operations.

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[14] ATG Report on Board of Regents Policies and Practices, p.8

System Level process matters that affect operations

While the scope of this Operational Assessment was the "BOR and University System's roles & responsibilities, decision making authorities, and related delegations of authority at the System Level,"[15] certain operational matters have come to the attention of the ATG that should be commented upon.

Cumbersome, tedious, and time consuming procurement processes

The University's various operating units, programs and campuses are responsible for procuring the goods and services they need. The State of Hawaii's procurement laws are complex and stringent, and the many personnel at the operating units have varied backgrounds and capabilities with respect to compliance with state procurement laws. Accordingly, with few exceptions, any procurement of $25,000 or more must first be reviewed and approved by the OPRPM which has personnel trained and knowledgeable in the procurement laws. Thus, OPRPM actually operates as a compliance office, not a procurement office. During our interviews, the issue of procurement and the amount of time it takes operating units to get the necessary paperwork processed was raised by the interviewees. Specifically, the length of time taken to process initial procurements, amend existing contracts, and the repetitious cycling of paperwork between OPRPM and operating offices were cited as issues.

OPRPM is not a System Level office, but an office that resides two levels below the Systems Level. Thus, the ATG did not conduct a detailed review of the operations of the OPRPM and the segregation of procurement duties and responsibilities with operating units. The OPRPM reports to the Director of the Financial Management Office/Controller who, in turn, reports to the Vice President of Budget & Finance/Chief Financial Officer. Although out of scope for this Operational Assessment, the number and type of unsolicited comments received led us to conclude that there are issues with the operations of the OPRPM that need to be addressed. The recent statutory transfer of construction procurement authority from the University President to the Department of Accounting and General Services may cause additional procurement issues. In addition, we understand that planning is underway to establish a function for eProcurement, which includes the establishment and maintenance of pricing agreements and catalogues with vendors to facilitate purchases of goods and services. This is a skill set which currently does not exist within OPRPM.

The ATG believes that both compliance with state procurement laws and timeliness and efficiency of procurement are necessary. While it does not believe that a simple reorganization to put OPRPM directly under a System Level administrator responsible for administrative functions will immediately result in improved timeliness of processing initial procurements and contract amendments, it would be a good first step. The second step would then be to have the System Level administrator conduct its review and assessment of the OPRPM's internal practices and procedures to improve its operations. Transferring OPRPM to an office with purely administrative functions would have the added benefit of allowing the Financial Management Office/Controller to focus solely on financial reporting and accounting issues.

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[15] Advisory Task Group Phase 2 Project Scope, approved by the BOR February 21, 2013

Concerns about the implementation of the Kuali Financial System

The University replaced its aging Financial Management Information System ("FMIS") with a new Kuali Financial System ("KFS") effective July 2012. The implementation of KFS began in 2011 with an ambitious objective of having it replace FMIS in one year. The implementation was accomplished and KFS is now in place. We have been informed that the first year of operations established the transactional processes in KFS which allowed the field users to process their transactions. However, the implementation, as planned, installed a basic version of KFS, with the planned future implementation of additional modules including the Kuali Materials Management module for eProcurement, and another module to facilitate reconciliations of PCard purchases. These are now being worked on and are expected to provide additional functionality and efficiencies for users. In addition, since KFS does not have a reporting function, the implementation team selected a separate software product named eThority as a reporting tool and there are concerns about its ability to produce the expected improved financial accounting and reporting results.

KFS was chosen to replace the aging FMIS because it offered a number of operational improvements to the University. Among these were paperless processing of invoices and other supporting documents for payment. Electronic copies of invoices and supporting documents are now currently routed electronically for review and approval. This does improve payment processing times, if personnel properly review and process them electronically. It also allows for tracking and monitoring the status of transactions. Additionally, KFS was to provide improved internal financial reports for management by having all data reside in one system for various offices to compile into useful reports. Another benefit was improved timeliness of financial and management reports. Testimony and public statements to the Legislature and the BOR reflect the importance of KFS and the improvements to financial reporting that it is expected to deliver. The ATG further understands that eThority provides a flexible tool for creating financial reports. However, it is reliant on users developing the reports they desire and on the requisite information having been input into KFS. The priority of the aggressive implementation schedule was to get KFS operational for transactional purposes. There is now a need to develop and implement the reporting capabilities of eThority to optimize the utilization of the data that resides in KFS.

A review of KFS was also outside the scope of this Operational Assessment. However, as with the procurement issues, the number and types of concerns raised by the interviewees led the ATG to conclude that there are issues with KFS that must be addressed. Issues with KFS must be clearly understood and dealt with. This will require an objective assessment of the status of the implementation, identification of issues that need to be addressed and necessary resources dedicated to develop and carry out the actions necessary to successfully address the issues. The KFS implementation was managed by a project team under the guidance of a triumvirate consisting of the University's Director of the Financial Management Office/Controller, the Vice Chancellor for Administration, UH Manoa, and the Associate Vice President for Administrative Affairs for Community Colleges. While we understand the project team is still dealing with system fixes and modifications, it has transitioned from its original system implementation role to the role of system operations and has been moved into the Financial Management Office. The responsibility for the financial accounting and reporting ultimately resides with the Financial Management Office/Controller. Additionally, more than 250 fiscal personnel at the various campuses, program offices and other operating units look to this office to provide guidance on

the use of KFS and eThority for accounting and reporting purposes, respectively. We understand that concerns at these various offices are the underlying cause of the concerns brought to our attention.

The Financial Management Office/Controller position is filled temporarily through a temporary assignment of the Director of the Bursar's Office. The ATG believes that this position needs to be filled with a person with extensive financial and accounting management experience to be able to address the financial accounting and reporting issues of KFS and the University System.

Recommendations
The ATG recommends that the Committee present the following recommendations to the BOR for consideration and action to improve System Level practices and operational effectiveness:

1) The BOR work with the President to address the need for the review and update of the University's Executive Policies. In connection with that review and update, the BOR and the President should consider:
   i) The need for guidance on policy development including purpose, required contents, presentation style and format, and review and revision;
   ii) Evaluating an Organizational Approach and framework for Executive Policies;
   iii) The need for alignment of administrative procedures with Executive Policies;
   iv) Assessing the adequacy and completeness of those policies and procedures using existing authoritative guidance such as COSO and others;
   v) Assessing Hawaii Administrative Rules with respect to Board and Executive Policies and applicable statutes and working with the Legislature on changes to statutes that would eliminate the requirement for Administrative Rules when the same results can be achieved through integration and incorporation of relevant requirements into University policies and procedures; and
   vi) Placing responsibility for the review and maintenance of Executive Policies and administrative procedures at the System Level under the proposed Vice President for Administration/Chief Administrative Officer.

2) The BOR work with the President to ensure that the University's delegations of authority are appropriate, current, and consistent. In connection with this, the BOR should develop a policy on delegations. Until such a policy is adopted, the President should be directed to ensure that:
   i) Development of guidance for delegations of authority to provide a framework to include such items as consistency of format, required references, length of delegations, and requirements for periodic review and updating;
   ii) An updated inventory of all delegations of authority is maintained; and
   iii) The responsibility for maintaining the inventory of delegations is placed within the appropriate System Level office or function.

3) The BOR work with the President to ensure that a University-wide risk management process is developed and implemented. To that end, the President should be directed to:
    i)   Address risk management at the System Level and make it a priority;
    ii) Build an implementation plan and timeline for the risk management initiative, ensuring the necessary resources and infrastructure is committed and dedicated to allow for a sustainable program;
    iii) Place the responsibility for System-wide risk management with a System Level position or office; and
    iv) Ensure that the Office of Internal Audit be consulted regarding the development of the risk management process.

4) The BOR work with the President to ensure that all System Level position descriptions are reviewed and updated to reflect current responsibilities and reporting structure.

5) The BOR work with the President to have the Vice President for Legal Affairs and General Counsel report directly to the President with a dotted line or advisory reporting responsibility to the BOR. In connection with this:
    i)   Determine if any change to statute is needed; and
    ii) The position description of the position should be revised to reflect its different responsibilities as a Vice President and as General Counsel.

6) The BOR work with the President to ensure that the position descriptions and reporting lines of the Chancellors of the Community Colleges are appropriate and consistent, and that Chancellors do not have direct reporting responsibility to more than one position.

7) The BOR work with the President to effectuate the movement or transfer of administrative functions such as the OPRPM, Offices of Capital Improvements, Human Resources, and External Affairs and University Relations from their existing placement and placed within a separate System Level office that is tasked solely with System Administrative responsibilities separate from financial, technical, or academic responsibilities.

8) The BOR require that issues be thoroughly reviewed by respective committees and brought to the BOR by the committees for BOR action only after they have been thoroughly reviewed and vetted by the committees; a review and updating of the respective committee charters may be necessary.

9) The BOR work with the President and Chief Financial Officer to develop financial and management reports that meet the BOR's need to understand the status of the University's revenues and expenditures against its annual budget.

10) The BOR work with the President to address the issues stemming from the operations at OPRPM and the KFS implementation. In connection with this, the BOR should encourage the President to:
    i)   Move the OPRPM from the Office of Fiscal Management/Controller and cause an operation review of OPRPM to be conducted to identify processing issues and take corrective actions; and

    ii) Cause the vacant Fiscal Management/Controller position to be filled with a seasoned qualified accounting professional and require that the person quickly address the issues and concerns relating to KFS.

The costs of implementing the recommendations in the third report and in this report have not been quantified. The cost/benefit needs to be analyzed; however, the ATG believes that certain of the recommendations will not require significant costs to the University, and may assist in reducing the cost of operations. Certain recommendations such as adding a new Vice President for Administration/Chief Administrative Officer, the development of a risk management process, utilizing an organizational framework for policy development and building effective financial and budgetary reporting should be implemented even though there will likely be costs to implement. The ATG believes that the benefits of improved operations and operational effectiveness that should be achieved by implementing these recommendations will far outweigh the incremental implementation costs.

List of Documents Reviewed:

Source	Title
ACTA	Governance in the Public Interest
ACTA	Governing Public Colleges and Universities: A Trustee Perspective
ACTA	Here We Have Idaho: A State Report Card on Public Higher Education
ACTA	Made in Maine: A State Report Card on Public Higher Education
ACTA	At a Crossroads: A State Report Card on Public Higher Education
ACTA	Show Me: A State Report Card on Public Higher Education
ACTA	For the People: A State Report Card on Public Higher Education
ACTA	Shining a Light: A State Report Card on Public Higher Education
ACTA	Serving as a Responsible Trustee
ACTA	The Basics of Responsible Trusteeship
ACTA	Asking Questions Getting Answers: A Guide for Higher Ed Trustees
ACTA	Assessing the Presidents' Performance: A "How To" Guide for Trustees
ACTA	Strategic Planning and Trustee Responsibility
ACTA	Cutting Costs: A Trustee's Guide to Tough Economic Times
AGB	State Governance Action Report 2011
AGB	Board of Directors' Statement on Conflict of Interest
AGB	Governing in the Sunshine: Open Meetings, Open Records, and Effective Governance in Public Higher Education
AGB	Policies, Practices, and Composition of Governing Boards of Public Colleges, Universities, and Systems
AGB	Survey of Higher Education Governance
AGB	Statement on Institutional Governance
AICPA	Audit Committee Toolkit: Government Organizations, 2nd Edition
CASE	Trends in Foundation Structure and Operations
Institute of Internal Auditors	The Role of Internal Auditing in Enterprise-wide Risk Management and Control
Institute of Internal Auditors	The Three Lines of Defense in Effective Risk Management
NACUBO	The SOX Act of 2002: Recommendations for Higher Education
NACUBO	College and University Business Administration: Governance
NACUBO	Taking the Right Path: Sarbanes Summit
NACUBO	Meeting the Challenges of Enterprise Risk Management in Higher Ed
NACUBO	Steps to Financial Stewardship
NACUBO	Assessing Reputational Risk
Pennsylvania Department of the Auditor General	A Special Report: Recommendations for Governance Reform at the Pennsylvania State University After the Child Sex Abuse Scandal
Purdue University	Organizational Excellence
SHEEO	Excellence at Scale: What is required of public leadership and governance in higher education?
SHEEO	Leadership Qualities of Presidents and Chancellors
SHEEO	Board Development Checklist
UC Davis	Enterprise wide Risk Assessment: Briefing Summary for Senior Management August 11, 2006
University of Michigan	IT Governance Structure
University of Wisconsin-Madison	Enterprise IT Decision-making – Current State Final Report – Executive Summary
URIMA	ERM in Higher Education
WASC	Accreditation Reports from 2011, 2010, and 2007

List of Documents Reviewed:

Document Title
Achieving our Destiny, The University of Hawaii at Manoa 2011-2015 Strategic Plan
Board of Regents Bylaws
Board of Regents Policies
Board of Regents Reference Guide
Chapters 92 and 304A Hawaii Revised Statutes
Enterprise Risk Management Presentation by Glenn Shizumura, Director Internal Audit
Hawaii Community College Strategic Plan 2008-2015
Hawaii State Constitution
Honolulu Community College Strategic Plan 2008-2015
Internal Audit Office Report on Enterprise Risk Assessment, October 31, 2010
Kapiolani Community College Strategic Plan 2002-2010
Kauai Community College Strategic Plan 2003-2010
Leeward Community College Strategic Plan 2008-2015
Listing of Pending Legislation Potentially Impacting the University of Hawaii, March 19, 2013
Maui Community College Strategic Plan 2003-2010
Minutes from Board of Regents Meetings and Committee Meetings for 2013, 2012, and 2011
Online Community Feedback Forum for Discussion on the Strategic Goals of the University of Hawaii
Planning for Hawaii's Future: Second Decade 2010-2020
Position Descriptions for Executive Administrators Reporting Directly To the President
Risk Assessment - Items for Consideration, Prepared by Internal Audit
Risk Assessment Instructions, Survey, Questionnaire, Prepared by Internal Audit
Senate Special Committee Report No. 2013-0139
Title 20 Hawaii Administrative Rules
UH Foundation Trustee Self-Assessment
University of Hawaii Executive Policies
University of Hawaii Hilo Strategic Plan 2011-2015
University of Hawaii Listing of Potential Risks, Prepared by Internal Audit
University of Hawaii Manoa: Strategic Plan Timeline
University of Hawaii Strategic Goals Brochure 2008-2015
University of Hawaii System Strategic Outcomes and Performance Measures, 2008-2015
University of Hawaii System Strategic Plan: Entering A Second Century
University of Hawaii System wide Organizational Chart
University of Hawaii West Oahu Strategic Plan 2002-2010
University of Hawaii, Strategic Plan 2005-2009, Presentation Slides
University of Hawaii, Strategic Plan 2008-2015, Presentation Slides
University of Hawaii: Measuring our Progress 2010
Windward CC Strategic Plan Action Outcomes

Name & Title	ATG Personnel	KMH Personnel	Date Interviewed or Contacted
Eric Martinson, BOR Chair	Larry Rodriguez	Peter Hanashiro	March 20, 2013
Carl Carlson, BOR Vice Chair	Larry Rodriguez	Ross Murakami	March 25, 2013
James Lee, BOR Vice Chair	Larry Rodriguez	Dallas Weyand	March 28, 2013
Jeffrey Acido, BOR Member	Larry Rodriguez	Dallas Weyand	April 4, 2013
Artemio Baxa, BOR Member	Larry Rodriguez	Peter Hanashiro	April 2, 2013
John Dean, BOR Member	Larry Rodriguez	Peter Hanashiro	March 22, 2013
Chuck Gee, BOR Member	Larry Rodriguez	Peter Hanashiro	March 22, 2013
John Holzman, BOR Member	Larry Rodriguez	Peter Hanashiro	April 3, 2013
Benjamin Kudo, BOR Member	Larry Rodriguez	Dallas Weyand	March 28, 2013
Coralie Matayoshi, BOR Member	Larry Rodriguez	Peter Hanashiro	March 19, 2013
Barry Mizuno, BOR Member	Larry Rodriguez	Peter Hanashiro	March 20, 2013
Saedene Ota, BOR Member	Larry Rodriguez and Terri Fujii	Ross Murakami	March 27, 2013
Tom Shigemoto, BOR Member	Larry Rodriguez	Peter Hanashiro	March 22, 2013
Jan Sullivan, BOR Member	Larry Rodriguez and Terri Fujii	Ross Murakami	March 27, 2013
M.R.C. Greenwood, President UH System	Larry Rodriguez	Peter Hanashiro	July 2, 2013
Glenn Shizumura, Internal Auditor	Larry Rodriguez	Dallas Weyand	April 22, 2013
Keith Amemiya, Former BOR Executive Secretary	Larry Rodriguez	Dallas Weyand	March 20, 2013
Darolyn Lendio, VP for Legal Affairs and General Counsel	Larry Rodriguez	Peter Hanashiro	June 24, 2013
Senator Donna Mercado Kim	Larry Rodriguez	Peter Hanashiro	May 1, 2013
Senator Brickwood Galuteria	Larry Rodriguez	Peter Hanashiro	June 26, 2013
Senator Sam Slom	Larry Rodriguez	Peter Hanashiro	April 16, 2013
Senator Brian Taniguchi	Larry Rodriguez	Peter Hanashiro	May 17, 2013
Representative Aaron Johanson	Larry Rodriguez	Peter Hanashiro	July 30, 2013
Representative Joseph Souki	Larry Rodriguez	Peter Hanashiro	June 7, 2013
Representative Isaac Choy	Larry Rodriguez	Dallas Weyand	April 16, 2013
Tammi Oyadomari-Chun, Higher Education Policy Advisor	Larry Rodriguez	Peter Hanashiro	April 25, 2013
Bruce Coppa, Governor's Chief of Staff	Larry Rodriguez	Peter Hanashiro	April 25, 2013
Gene Awakuni, Chancellor, UH West Oahu	Patrick Oki	Peter Hanashiro	April 29, 2013
Donald Straney, Chancellor, UH Hilo	Terri Fujii	Peter Hanashiro	April 30, 2013
James Gaines, VP for Research	Larry Rodriguez	Peter Hanashiro	May 2, 2013
David Lassner, VP for IT	Larry Rodriguez	Peter Hanashiro	May 2, 2013
John Morton, VP for Community Colleges	Larry Rodriguez	Dallas Weyand	May 3, 2013
Noreen Yamane, Chancellor, Hawaii CC	Cory Kubota	Peter Hanashiro	May 6, 2013
Erika Lacro, Chancellor, Honolulu CC	Patrick Oki	Peter Hanashiro	May 6, 2013
Manuel Cabral, Chancellor, Leeward CC	Terri Fujii	Dallas Weyand	May 6, 2013

Name & Title	ATG Personnel	KMH Personnel	Date Interviewed or Contacted
Lui Hokoana, Associate VP for Student Affairs	Terri Fujii	Dallas Weyand	May 6, 2013
Leon Richards, Chancellor, Kapiolani CC	Terri Fujii	Peter Hanashiro	May 7, 2013
Linda Johnsrud, Executive VP for Academic Affairs	Larry Rodriguez	Peter Hanashiro	May 7, 2013
Helen Cox, Chancellor, Kauai CC	Patrick Oki	Peter Hanashiro	May 8, 2013
Douglas Dykstra, Chancellor, Windward CC	Patrick Oki	Peter Hanashiro	May 8, 2013
Tom Apple, Chancellor, Manoa	Larry Rodriguez	Peter Hanashiro	May 9, 2013
Howard Todo, VP for Budget & Finance	Larry Rodriguez	Peter Hanashiro	May 9, 2013
Clyde Sakamoto, Chancellor, Maui CC	Terri Fujii	Peter Hanashiro	May 10, 2013
Rockne Freitas, VP for Student Affairs and Community Relations	Patrick Oki	Peter Hanashiro	May 10, 2013
Howard Karr, Former BOR Member	Larry Rodriguez	Dallas Weyand	May 7, 2013
Ben Jay, Athletics Director	Larry Rodriguez	Dallas Weyand	May 14, 2013
Donna Vuchinich, UH Foundation President	Larry Rodriguez	Dallas Weyand	April 30, 2013
Edward Ray, President Oregon State University	Larry Rodriguez	Dallas Weyand	March 27, 2013
Stan Albrecht, President Utah State University	Larry Rodriguez	Dallas Weyand	March 26, 2013
Mark Yudof, President University of California System	Larry Rodriguez	Dallas Weyand	March 26, 2013
Tom Buchanan, President University of Wyoming	Larry Rodriguez	Dallas Weyand	March 28, 2013
Patrick Gamble, President University of Alaska System	Larry Rodriguez	Peter Hanashiro	April 1, 2013
Dr. Waded Cruzado, President Montana State University	Larry Rodriguez	Peter Hanashiro	April 1, 2013
Elson Floyd, President Washington State University	Larry Rodriguez	Dallas Weyand	April 7, 2013

University of Hawaii
Board of Regents – ATG Operational Assessment
Appendix D: Basic Policy and Procedure Framework

POLICIES

Board

Board Policies

- Mission & Purpose
- Goals & Objectives
- Governance
- Philosophy
- Fiscal Mandates
- Delegation

Developed by Board with input from President/CEO

President/CEO

Executive Policies

- Operations Oversight
- Fiscal Management
- Human Resources
- Use of Facilities
- Financial Reporting
- Administration

Developed by President/CEO with Board Awareness*

PROCEDURES

Department Heads

Administrative and Operating Procedures

- Standard Operating Procedures
- Functional Processes and Practices
- Process-oriented expectations
- Administration Rules & Protocols

Developed by Department Heads and Staff
Approved by President/CEO with Board awareness.

Process Owners

System Driven Procedures

- System design and function drives these procedures
- Instructions on how to interaction with specific information systems

Developed by Process Owners
Approved by Department Head

Alignment and Linkage Throughout Organization

Policy Statement

Executive Policy
1) Why
2) What
3) Who

Procedures
1) What
2) Who
3) When

Procedures
1) How to
2) Who
3) When

* Board Awareness – President periodically presents to the BOR with affirmation that Executive Policies are consistent with Board Policies.

Board Operations and Oversight

--------------------------------------Board Operations--------------------------------------

- Board Confidentiality & Privacy
- Board of Directors Meetings
- Board Structure and Committee
- Code of Ethics
- Conflict of Interest
- Delegation of Authority
- Establish & Review of By-Laws
- Owner Relations

--------------------------- Board Oversight ---------------------------

- Board & Committee Staff Contact
- Budget
- Compliance Program
- Internal Controls
- Policy and Procedure Management
- Whistleblower

Operations

General

- Contract Management
- Customer Service
- Intellectual Property Protection
- JV & Partnerships
- Procurement
- Quality Control
- Warranty

Policies Specific to Industry

- Construction
- Education
- Financial
- Government
- Healthcare
- Not For Profit
- Service

Human Resources

Employee Administration

- Personnel Records
- Post Employment Reference

Employee Relations & Retention

- Absenteeism and Tardiness
- Compensated Absences
- Compensation
- Disciplinary Action
- Drug and Alcohol Free Workplace
- Employee Benefits
- Employment Dispute Resolution
- Expense Reimbursement
- FMLA and Military Obligations
- Grievances and Complaints
- Performance Appraisals and Salary Adjustments
- Resignations and Terminations
- Sexual and Other Harassment
- Staff Development
- Standards of Conduct
- Time Keeping and Recording
- Workplace Dress and Belongings
- Workplace Safety
- Workplace Violence

Recruitment and Hiring

- Employee Orientation
- Equal Opportunity Employer
- Recruiting and Hiring
- Independent Contractors

Finance and Accounting

Financial Accounting

- Accounts Receivable & Credit
- Asset Capitalization/ Depreciation/Disposal
- Business and Travel Expense
- Business Credit Card
- Chart of Accounts
- Expense Recognition
- General Ledger Account Reconciliation
- Payroll Processing
- Petty Cash
- Purchasing
- Related Party Transaction
- Revenue Recognition
- Segregation of Duties
- Vendor Selection, Files, and Inspection

Financial Reporting

- Annual Financial Audit
- Financial Statement Preparation and Distribution
- Management Reports (Internal)
- Regulatory Reporting

Treasury

- Cash Management
- Debt
- Investment

Administration

Office Administration

- Business Continuity/Emergency Management
- Government & Community Relations
- Insurance
- Public Relations
- Release of Financial or Confidential Information
- Workplace Security

Records Management

- Form Development and Forms Manual
- Records Disposal and Retention
- Stewardship and Custodianship of E-mail

Information Technology

-- IT Administration --

- Computer and Internet Usage
- E-Mail
- IT Asset Standards
- IT Incident Handling
- IT Support Center
- IT User/Staff Training Plan
- Software Licenses (Anti-Piracy)

-- IT Security --

- Antivirus
- Computer Passwords
- Computer Viruses and Malware
- Electronic Countermeasures
- Intrusion Protection
- IT Media/Backup & Storage
- Physical Security
- Remote Access to Computer Network
- Use of Non-Standard Software

Organization Name

Organization Logo

Policy Name
Policy Category

Policy Contents	
Policy Purpose Policy Provisions Related Policies Responsibilities **ADDITIONAL DETAILS** Definitions Applicable Laws & Regulations Exhibits Dates of Prior Policies Approvals	**Category:** **Policy #:** *XXX-XX* **Effective:** *Date* **Last Updated:** *Date* **Responsible Officer:** Title **Policy Owner:** *Title*

Policy Purpose

Every Policy should have one purpose. The purpose statement should clearly articulate that purpose in one sentence or two at the most.

Policy Provisions

Every Policy will likely have a number of different provisions. The provisions will contain all guidance necessary for the implementation of the Policy. The provisions should be numbered and, as appropriate, reference applicable forms, laws, rules, or regulations.

Related Policies

Other polices that relate directly or indirectly to this Policy should be listed here. Note – it is important to consider the impact of any future changes to a Policy on those that are related.

Responsibilities

		Responsible Person/Division
1	Policy development, implementation, and administration	Title
2	Policy review	Title
3	Policy approval for compliance with applicable laws and regulations	Corporate Counsel
4	Policy final approval	Board of Directors
5	Procedure development, implementation, and administration	Title
6	Procedure approval	Title
7	Reporting to Board of Directors on compliance, status, or other issues relating to this Policy	President/CEO
8	Questions and comments should be directed to	Title
9	Policy upload and maintenance on Organization's intranet	Title

Definitions
Listed here are definitions of terms and/or acronyms used within this Policy.

Applicable Laws & Regulations
Listed here are specific laws, rules, and regulations that govern or affect provisions of this Policy.

Exhibits
Listed here as exhibits are forms or other documents referenced in the Policy.

Dates Prior Policies
When the Policy is revised, recorded here is the date(s) of prior versions. Note – no date will be recorded here when the Policy is first adopted.

Approvals

Prepared by:

_____   _____
Name   Date
Title

Reviewed and Recommended for Approval by:

_____   _____
Name   Date
Title

Reviewed by Legal Counsel for Compliance with
Applicable Laws and Regulations by:

_____   _____
Name   Date
Title

Policy Approved by:

_____   _____
Name   Date
Chairman, Board of Directors

Below is a summary of each of the five components of internal control and the principles relating to each component.

Control Environment The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The board of directors and senior management establish the tone at the top regarding the importance of internal control and expected standards of conduct.	1. The organization demonstrates a commitment to integrity and ethical values. 2. The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control. 3. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. 4. The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives. 5. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.
Risk Assessment Risk assessment involves a dynamic and iterative process for identifying and analyzing risks to achieving the entity's objectives, forming a basis for determining how risks should be managed. Management considers possible changes in the external environment and within its own business model that may impede its ability to achieve its objectives.	6. The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives. 7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed. 8. The organization considers the potential for fraud in assessing risks to the achievement of objectives. 9. The organization identifies and assesses changes that could significantly impact the system of internal control.
Control Activities Control activities are the actions established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity and at various stages within business processes, and over the technology environment.	10. The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. 11. The organization selects and develops general control activities over technology to support the achievement of objectives. 12. The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

Information and Communication	13. The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.
Information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the organization with the information needed to carry out day-to-day internal control activities. Communication enables personnel to understand internal control responsibilities and their importance to the achievement of objectives.	14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of other components of internal control. 15. The organization communicates with external parties regarding matters affecting the functioning of internal control.
Monitoring Activities Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner, with serious matters reported to senior management and to the board.	16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. 17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

State of Hawaii
University of Hawaii
Systemwide Administration

(For Administrative Purposes)

Internal Auditor

State Board of Career and Technical Education

Executive Administrator & Secretary of the Board of Regents

Board of Regents

Research Corporation of the University of Hawaii

State Postsecondary Education Commission

Western Interstate Commission for Higher Education

Regents Candidate Advisory Council

University of Hawaii Foundation

All Campus Council of Faculty Senate Chairs

Student Caucus

Senior Advisor to the President for Native Hawaiian Affairs

President University of Hawaii

Pukoa Council

Chancellor UH at Hilo

Chancellor UH at West Oahu

Chancellor UH at Manoa

Executive Vice President for Academic Affairs/Provost

Vice President for Community Colleges

Chancellor, Hawaii Community College
Chancellor, Honolulu Community College
Chancellor, Kapiolani Community College
Chancellor, Kauai Community College
Chancellor, Leeward Community College
Chancellor, UH Maui College
Chancellor, Windward Community College

Vice President for Legal Affairs & University General Counsel
(see detail on page 2)

Vice President for Budget & Finance/Chief Financial Officer
(see detail on page 2)

Vice President for Information Technology/ Chief Information Officer

Vice President for Administration/Chief Administrative Officer
(see detail on page 2)

Vice President for Research & Innovation

Vice President for Legal Affairs & University General Counsel	Vice President for Budget & Finance/Chief Financial Officer	Vice President for Administration/Chief Administrative Officer

Functions

- Legal services for West Oahu
- Legal services for UH Hilo
- Legal services for Community Colleges
- Legal services for UH Manoa
- Legal services for System
- Legal services for BOR

Functions

- Budgeting
- Kuali Financial System
- Financial Reporting
- Bursar (Treasury & Cashiers)
- General Accounting
- Disbursing (Accounts Payable & Payroll)
- Loans Receivable Collections
- Banking Services
- Revenue Bonds/Debt Service
- Fund Management
- System Offices Financial Management
- Tax Issues

Functions

- Procurement
- Human Resources
- Communications and External Affairs
- Construction/Capital Improvements
- Property Management
- Enterprise Risk Management
- Insurance
- Policies and Procedures
- Delegations of Authority
- Emergency Management

STATE OF HAWAI'I
UNIVERSITY OF HAWAI'I
SYSTEMWIDE ADMINISTRATION

BOARD OF REGENTS

EXECUTIVE ADMINISTRATOR & SECRETARY OF THE BOARD OF REGENTS

STATE BOARD FOR CAREER AND TECHNICAL EDUCATION

INTERNAL AUDITOR

VICE PRESIDENT FOR LEGAL AFFAIRS & UNIVERSITY GENERAL COUNSEL
- Equal Employment Opportunity/ Affirmative Action
- Risk Management

(For Administrative Purposes) STATE POSTSECONDARY EDUCATION COMMISSION

WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION

(For Administrative Purposes) RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAI'I

PRESIDENT UNIVERSITY OF HAWAI'I SYSTEM

REGENTS CANDIDATE ADVISORY COUNCIL

SENIOR ADVISOR TO THE PRESIDENT FOR NATIVE HAWAIIAN AFFAIRS

UNIVERSITY OF HAWAI'I FOUNDATION

ALL CAMPUS COUNCIL OF FACULTY SENATE CHAIRS

PŪKO'A COUNCIL

STUDENT CAUCUS

CHANCELLOR UH AT HILO (1&3)

CHANCELLOR UH AT MANOA (1&3)

CHANCELLOR UH AT WEST O'AHU (1&3)

VICE PRESIDENT FOR COMMUNITY COLLEGES (1&2)

CC Administrative Affairs | CC Academic Affairs

- Chancellor, Hawai'i Community College (1 & 2)
- Chancellor, Honolulu Community College (1 & 2)
- Chancellor, Kapi'olani Community College (1 & 2)
- Chancellor, Kaua'i Community College (1 & 2)
- Chancellor, Leeward Community College (1 & 2)
- Chancellor, Maui Community College (1 & 2)
- Chancellor, Windward Community College (1 & 2)

[1] All Chancellors meet collectively as the Council of Chancellors
[2] Community College Chancellors meet collectively as the Council of Community College Chancellors
[3] Chancellors of University of Hawai'i at Manoa, University of Hawai'i at Hilo and University of Hawai'i at West Oahu meet collectively as the Council of University Chancellors

VICE PRESIDENT FOR BUDGET & FINANCE / CHIEF FINANCIAL OFFICER
- University Budget Office
- Financial Management
- System Administrative Services
- Office of Capital Improvements

VICE PRESIDENT FOR INFORMATION TECHNOLOGY/ CHIEF INFORMATION OFFICER
- Information Technology Services

EXECUTIVE VICE PRESIDENT FOR ACADEMIC AFFAIRS/PROVOST
- Academic Affairs / Planning and Policy Office
- International and Strategic Initiatives Office
- Institutional Research and Analysis Office
- Hawai'i P-20 Partnership for Education
- Office of Human Resources

VICE PRESIDENT FOR STUDENT AFFAIRS AND UNIVERSITY/ COMMUNITY RELATIONS
- Office of Student Affairs
- Office of External Affairs and University Relations

VICE PRESIDENT FOR RESEARCH
- Research Services
- Technology Transfer & Economic Development
- University Connections