



UNIVERSITY
of HAWAII
SYSTEM

Office of Internal Audit

December 15, 2016

MEMORANDUM

TO: Jan Sullivan
Chair, Board of Regents

VIA: Randolph Moore *Ram*
Chair, Audit Committee

FROM: Glenn Shizumura *GS*
Director, Office of Internal Audit

SUBJECT: Annual Report on Material Weaknesses and Fraud pursuant to Hawai'i
Revised Statutes §304A-321

The attached report is submitted pursuant to Hawai'i Revised Statutes §304A-321 that requires the Committee on Independent Audit (Audit Committee) of the University of Hawai'i Board of Regents (BOR) to submit an annual report to the Legislature and BOR with respect to all material weaknesses in internal control and all instances of fraud related to the University of Hawai'i (University).

By copy of this memorandum, I am requesting that President Lassner submit the report to the Legislature on behalf of the Board of Regents.

c: Executive Administrator and Secretary of the Board Quinn
President Lassner
Vice President for Budget and Finance and Chief Financial Officer Young
Vice President for Administration Gouveia
UH System Government Relations Director Kim

UNIVERSITY OF HAWAI'I SYSTEM ANNUAL REPORT



REPORT TO THE 2017 LEGISLATURE

**Annual Report on
Material Weaknesses and Fraud**

December 2016

Report to the 2017 Hawai'i State Legislature

Annual Report on
Material Weakness and Fraud

Hawai'i Revised Statutes §304A- 321

Hawai'i Revised Statutes §304A-321 requires the Committee on Independent Audit (Audit Committee) of the University of Hawai'i Board of Regents (BOR) to submit an annual report to the Legislature and BOR with respect to the following matters:

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

At a December 15, 2016 Audit Committee meeting, the Audit Committee reviewed and accepted the University's consolidated financial statements for the years ended June 30, 2016 and 2015 audited by Accuity LLP (Accuity). Accuity presented a document at this meeting containing required auditor's communication in accordance with auditing standards generally accepted in the United States of America. Accuity's document (excerpts attached) noted that they did not identify any matters that they considered to be material weaknesses in internal control over financial reporting and noted no instances of fraud or illegal acts.

Attachment



University of Hawai'i

**Report to the Board of Regents
Committee on Independent Audit
Financial and Compliance Audit
Year Ended June 30, 2016**





To the Board of Regents Committee On Independent Audit
University of Hawai'i

We are pleased to present you with our results of our financial and compliance audit of the University of Hawai'i as of and for the year ended June 30, 2016. Statement on Auditing Standards Section 260 – *The Auditor's Communication with Those Charged with Governance*, requires certain communications to be made verbally or in writing to those members of an organization's governing board with oversight responsibility over the consolidated financial statement audit.

The ultimate goal of our engagement was to ensure that the audit procedures contemplated and performed were sufficient to render an opinion that the June 30, 2016 consolidated financial statements were free of material misstatement and that the University complied in all material respects with the provisions of the OMB Uniform Guidance. We determined our audit scope by performing a risk assessment which, coupled with an evaluation of materiality, allowed us to determine the required level of audit effort.

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

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



Required Communications

Matter to be communicated	Our response
Other information in documents containing audited financial information.	Not applicable.
Disagreements with management.	None.
Consultation with other accountants.	We are not aware of any consultations made by management with other accountants.
Major issues discussed with management prior to retention.	None noted.
Difficulties encountered in performing the audit.	None noted.
Deficiencies in internal control over financial reporting.	<p>We did not identify any matters that we consider to be material weaknesses in internal control over financial reporting.</p> <p>We noted four significant deficiencies related to compliance discussed below.</p> <p>We noted other matters involving internal control and its operation, which are communicated in our Internal Control and Business Issues Report.</p>
Fraud and illegal acts.	None noted.
Independence.	We confirm that we are independent of the University of Hawai'i and its affiliated entities.