UNIVERSITY OF HAWAIʻI

INSTITUTIONAL CORRECTIVE ACTION RESPONSES FOR
THE A-133 FINDINGS AND QUESTIONED COSTS
AND STATUS OF PRIOR YEAR CORRECTIVE ACTION FOR PRIOR
YEAR FINDINGS AND QUESTIONED COSTS

AND

CORRECTIVE ACTION RESPONSES FOR THE INTERNAL CONTROL AND
BUSINESS ISSUES REPORT
AND UPDATE OF PRIOR YEAR COMMENTS

FISCAL YEAR ENDED JUNE 30, 2005
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Research and Development Cluster
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Finding No. 05-01: Subrecipient Monitoring

Individual Responsible: Office of Research Services, Compliance Section
Date Action to be Taken: April 2006 and On-going

The Office of Research Services (ORS) is currently recruiting positions to increase staffing in its compliance section to keep up with the substantial growth in extramural research activity experienced by the University. The additional staffing resources will be directed towards improving monitoring and following-up on subrecipient correspondence that ORS continues to transmit. Follow-up to April 2006 subrecipient correspondence will be conducted in the months of May and June 2006.

ORS will also be developing a new policy to withhold subrecipient reimbursements if they do not comply with applicable OMB A-133 audit documentation requests from our University. Guidelines and training for subrecipient monitoring at the program/project level are being developed to improve compliance in this area.

Individuals Responsible: RCUH Hilo Office
Date Action Taken: March 2006

Current procedures and Revised procedures to be implemented ASAP as follows:

Current Procedures
* Make copies of subcontracts for subrecipient monitoring files
* Send request for A133 (audit form) to all subrecipients in August with follow up letters/requests as necessary
* Review completed Audit Form for noncompliance, material weaknesses, and findings and address issues when necessary
* Log subrecipients' monthly expenditures

Revised procedures effective immediately:
* Make copy of subcontracts for subrecipient monitoring files
* Revise UH Manoa's Audit Form and Memo to reflect RCUH Hilo information and route to subrecipients to obtain demographic information for files (to be sent with a copy of the PO and fully executed subcontract)
* Mail Audit Form to subrecipients 1 month prior to their fiscal year end
Finding No. 05-01: Subrecipient Monitoring (continued)

* Follow up on Audit Form 1 month after subrecipient's fiscal year ends
* Follow up on Audit Form 2 months after subrecipient's fiscal year ends and also contact PI for assistance in obtaining completed form
* Notice to subrecipient that subsequent payments will be withheld pending receipt of completed Audit Form (to be sent 3 months after subrecipient's fiscal year ends)
* Review completed Audit Form for noncompliance, material weaknesses, and findings and address issues when necessary
* Mail Audit Form 60 days prior to subcontract termination date - notate that final payment may be withheld pending receipt of completed Audit Form
* Monitor/log monthly expenditures
* Perform periodic review of expenditures (require receipts from subrecipient via PI, review actual expenditures to budget)
* Require quarterly report from PI on subrecipient's progress/activities
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Finding No. 05-02:  Late FTE Certifications

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ORS has coordinated the availability of these certification documents on our University’s web-based (PageCenter) system. The implementation of the web-based availability was intended to eliminate the time-consuming manual processes of collating and distributing hard copy documents throughout our multi-campus, multi-island University system.

An internal University memorandum (Business Affairs Circular 2005-04) was circulated in June 2005 to establish guidelines, effective July 2005, relating to certification of effort reporting. ORS had subsequently issued a memorandum that informed administrators of the web-based availability of the certifications in September 2005.

ORS will begin collecting copies of certification documents in April 2006 for compliance monitoring purposes until a web-based certification system, envisioned as a long-term solution, is developed and implemented.

ORS will also be developing a new policy to withhold the University’s submission of a Principal Investigator(PI)’s proposal for extramural funding if they are not current and timely with their FTE certifications.
Corrective Action Plan Related to
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005
Research and Development Cluster
College of Tropical Agriculture and Human Resources

Finding No. 05-03: Untimely Submission of Report

Individuals Responsible: Two Fiscal Accounting Specialists
Date Action to be Taken: April 1, 2006

Two Fiscal Accounting Specialists will be reassigned and will share responsibility for submitting all SF-269s no later than 30 days after the end of each specified reporting period. Restructuring in the CTAHR Fiscal Office has commenced and should be completed by April 1, 2006.
Corrective Action Plan Related to
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005
Research and Development Cluster
Institute for Astronomy

Finding No. 05-04: Job Order System Billing Rates

Individuals Responsible: Institute for Astronomy
Date Action to be Taken: May 31, 2006

The Institute for Astronomy will provide Final Reports of Operations for the Job Order System for the year ending June 30, 2005, by May 31, 2006. The surplus has been used to make adjustments to FY 2006 JOS rates.
Finding No. 05-05: Untimely Cost Sharing Certification Reports

Individuals Responsible: Office of Research Services, Cost Studies Section
Date Action Taken: June 2005 and On-going

In June 2005, ORS issued Business Affairs Circular (BAC) 2005-04, which reminded departmental fiscal staff on the reporting deadlines for year-end cost sharing certifications and the requirement that the certifications be turned into ORS Cost Studies within 60 days. The BAC clarified that the requirement is 60 days after the print date of the year-end cost sharing certification report.

In September 2005, ORS made the certification documents available on the University’s Page Center system. The implementation was intended to assist the certification process by removing the time-consuming step of manually collating and distributing hard copies of the report.

In September 2005, ORS Cost Studies began following-up with departmental fiscal staff on delinquent year-end certifications and, in February 2006, began following-up on delinquent terminated project cost sharing certifications.

ORS will also be developing a new policy to withhold the University’s submission of a Principal Investigator’s proposal for extramural funding if they are not current and timely with their certifications, including cost sharing.

ORS is also reviewing web-based time and effort reporting systems to integrate effort and cost sharing reporting and certification.
Finding No. 05-06: Untimely Submission of Report

Individuals Responsible: JABSOM
Date Action Taken: On-going

As previously stated in a recent response to the AHEC Audit Findings, the SF-269A for the above-mentioned project was delayed due to the following:

1. The subcontractors under this program have difficulty in producing accurate and completed invoices and the required tax clearance for final payment. One of the main goals of AHEC is to distribute funds to rural health centers across the state. These Centers have had difficulty in preparing billings for payment. We continue to receive inaccurate billings and we send back the billings to the contractors for revisions to ensure that payments are for allowable charges only. This has resulted in significant time delays in processing payments on a timely basis.

2. The PI/Project people have not submitted timely cost sharing reports and/or reimbursements to non-employees documents.

3. Soon after the close of the grant period 09/29/2004, the School of Medicine experienced a major flooding of offices and facilities in October 2004. The operations of the School were severely affected and we did not have full access to reports and records for approximately 3 weeks. Many of the Schools’ fiscal reports and records were destroyed in the flood, thus making it difficult to prepare documents required for reporting purposes. With the flood and subsequent relocation of the School to its new offices at the Kaka’ako campus, access to reports and records remained difficult.

4. The School has continued to experience changes in administrative personnel. With the limited number of staff and the enormous workload put on each of the existing staff, trying to recapture information lost in the flood has been difficult to accomplish without severely jeopardizing the daily operational functions of the School. This has resulted in delays in submitting financial reports.
Finding No. 05-06: Untimely Submission of Report (continued)

CORRECTIVE ACTION:

We are continuing to address the issue of the School’s administrative personnel. Much effort is being made to recruit qualified individuals to handle the growing workload and a priority has been made to actively recruit these individuals. In addition to addressing the workload, the School is making every effort to make the reporting function a top priority. As far as the efforts being made to collect data destroyed in the 2004 flood, this continues to be a challenge and every effort is being made to collect this data so that financial reports such as the SF-269A are made timely.

For the AHEC Program, the fiscal officer assigned to the project is working closely with the PI to ensure that all records and documentation are submitted timely. In addition, training is being provided to help the program meet reporting requirements.
Corrective Action Plan Related to
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005
Student Financial Assistance Cluster
University of Hawaiʻi – Mānoa

Finding No. 05-07: Student Status Confirmation Report (“SSCR”)

Individual Responsible: National Student Clearinghouse Coordinator for the
University of Hawaii, Sandra Furuto
Date Action Taken: August 2005

To prevent future instances of campuses missing student enrollment status changes via the
SSCR at least every 60 days, the University of Hawaii has identified points of contact at every
campus to verify SSCR dates have been properly set up before the start of a new academic
year. With individual points of contact established, and a greater understanding of the process
by all parties involved, the likelihood of an oversight occurring is minimized.

Finding No. 05-08: Return of Title IV Funds

Individual Responsible: Financial Aid Officer
Date Action Taken: December 2005

In December 2005, the student’s Return of Title IV was recalculated with the correct Pell
amount. The student was notified of the correct amount owed.
In one of the Student Information System (Banner) upgrades, a new form has been added and will
be utilized to determine the accurate aid disbursed which enables the institution to accurately
calculate the Return of Title IV aid.
Corrective Action Plan Related to
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Year Ended June 30, 2005
Student Financial Assistance Cluster
Hawai'i Community College

Finding No. 05-09: Return of Title IV Funds

Individual Responsible: Financial Aid Officer, Sheryl Lundberg-Sprague
Date Action Taken: November 30, 2005

On the day the Institution determines a student has begun the Official Withdraw process or is found to have Unofficially Withdrawn, the student’s name and school ID number is entered on an electronic calendar on the date corresponding to twenty days from the date of determination. The financial aid staff member responsible for the Return of Title IV Funds checks this calendar the first working day of every week and makes sure the required calculation has been performed and all funds have been returned to the appropriate Title IV, HEA program or FFEL lender. This will ensure that the Institution remits the institutional portion of unearned aid to the appropriate FFEL lender within the required 30 day time period in accordance with federal regulations.
Corrective Action Plan Related to  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005  
Student Financial Assistance Cluster  
Kaua‘i Community College

Finding No. 05-10:  Return of Title IV Funds and Pell Payment Data

Individual Responsible:  Financial Aid Officer  
Date Action Taken:  August 2005 and December 2005

Per the auditor’s recommendation plan the following actions have been taken:

- The university has developed an electronic work flow process effective fall 2005 to send an alert e-mail message to the Financial Aid Officer. The Financial Aid Officer will ensure that adjustments to Pell payment data will be reported to COD within 5 calendar days from alert e-mail message.

- The Financial Aid Officer will check the accounts receivable screen (TSAAREV) for aid disbursed in calculating the Return of TIV, effective fall 2005.

- The Financial Aid Officer will use available reports and receive notice of complete withdrawals from either Counseling or Admissions Offices to calculate the Return of TIV within the 30 day requirement, effective fall 2005.

Questioned costs of $120 have been returned to the appropriate federal program on December 22, 2005.
Finding No. 05-11: Pell Payment Data

Individual Responsible: Financial Aid Administrator, Catherine Bio
Date Action Taken: Spring 2006

The UH System Office, in conjunction with Banner Central, has identified a way to notify us via email when Pell payment data transmission has not occurred within 10 days from the previous transmission. Email alerts continue until Pell submission has occurred. In the past, MCC transmitted Pell payment data once every 30 calendar days. Beginning Spring 2006, MCC is transmitting Pell payment data on a weekly basis. More frequent transmission will allow us to more quickly identify and resolve failed transmissions and rejects.

Finding No. 05-12: Return of Title IV Funds and Pell Payment Data

Individual Responsible: Financial Aid Administrator, Catherine Bio
Date Action Taken: Spring 2006

In the past, MCC transmitted Pell payment data once every 30 calendar days. Beginning Spring 2006, we are transmitting Pell payment data on a weekly basis, which will ensure that any Pell adjustments made to students' account for Return of Title IV Funds will be updated in the COD system in a more timely manner.
In order to ensure that the institutional portion of unearned aid is returned to the appropriate FFEL lenders within the required time period, MCC is now more frequently monitoring the withdrawal list (bi-weekly rather than monthly). This will give the FAO sufficient time to perform the calculation, then allowing the Business Office sufficient time to process the check to return to the FFEL lender.

Finding No. 05-13: FISAP

Individual Responsible: Financial Aid Administrator, Catherine Bio
Date Action Taken: December 15, 2005

The discrepancies were corrected by the institution and submitted through the edit process on December 15, 2005. This was the first FISAP report that the current aid administrator produced and errors were based mainly on unfamiliarity with the report. The institution will ensure that the detailed amounts reported on the FISAP are proper and in agreement with the institution's records.
Corrective Action Plan Related to
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005
Student Financial Assistance Cluster
Windward Community College

Finding No. 05-14: Pell Payment Data

Individual Responsible: Financial Aid Officer
Date Action Taken: Spring 2006

The financial aid administrator will ensure that Pell payment data is reported to the COD system within the 30-day time period by submitting Pell payment changes on a more frequent basis. Pell payment changes will be reported to COD at least twice a month or more as needed. In addition, the Financial Aid Office is sent a series of email notifications by the Banner system prior to the expiration of the 30-day Pell reporting period.
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Finding No. 04-02:  Late FTE Certifications

See response to Finding No. 05-02
Status of Prior Year Corrective Action for
Prior Year Findings and Questioned Costs
Research and Development Cluster
College of Tropical Agriculture and Human Resources

Finding No. 04-04: Untimely Submission of Report

Corrective actions were implemented, however, the employee assigned to complete the SF-269s accepted a promotion to a position in another university unit. It took us four months to hire another person and training is still continuing. Please refer to the current year corrective action under Finding No. 05-03.
Status of Prior Year Corrective Action for
Prior Year Findings and Questioned Costs
Area Health Education Centers

Finding No. 04-10:  Untimely Submission of Report

See response to Finding No. 05-06
Status of Prior Year Corrective Action for
Prior Year Findings and Questioned Costs
Student Financial Assistance Cluster
University of Hawai‘i – System-wide

Finding No. 04-11:  Student Status Confirmation Report ("SSCR")

Individuals Responsible: National Student Clearinghouse Coordinator,
Sandra Furuto
Date Action Taken: August 2005

The UH National Student Clearinghouse Coordinator will verify with each of the designated representatives at the 10 campuses that the SSCR dates are set-up appropriately on the National Student Loan Database System (NSLDS) and the National Student Clearinghouse (NSC) System prior to each academic year. This will ensure that the institutions will meet the requirement to report changes in students’ enrollment within 60 days.

Finding No. 04-12:  Pell Payment Data

Individuals Responsible: Financial Aid Officers
Date Action Taken: July 2005

Prior to the A-133 Audit ended June 30, 2005, the UH Information Technology Services Office created an automated e-mail reminder to designated Financial Aid Officers indicating that a Common Origination Record extract from the student information system (Banner System) was not sent within the last 10 calendar days. This reminder will prompt Financial Aid Officers to extract their Pell payment changes from the Banner System to the Common Origination Disbursement (COD) system within the 30-day time period.
Finding No. 04-13: Return of Title IV Funds

See response to Finding No. 05-08

With the utilization of established procedures and a new form in the Student Information System (Banner), the financial aid officer will exercise greater care to ensure the Return of Title IV is accurately calculated. To minimize human error the institution now conducts a second review of all Return of Title IV calculations.
INSTITUTIONAL CORRECTIVE ACTION RESPONSES FOR
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Kaua‘i Community College

Finding No. 04-18: Return of Title IV Funds

Please refer to the corrective action in 05-10.
Corrective Action Plan Related to
Internal Control and Business Issues Report
Year Ended June 30, 2005
Current Year Comments

Finding No. 05-01: Property and Equipment Accounting Practices

Individual Responsible: Director of Property & Fund Management
Date Action to be Taken: June 2006

We agree with the Auditor’s recommendation and initiated a review of current policies and procedures over the reporting of casualty losses. New Administrative Procedures for the Impairment of Capital Assets under GASB 42 have been drafted.

Additional procedures are being evaluated to ensure the proper accounting for completed capital projects. The Property & Fund Management Office (PFMO) will continue to work with field personnel and with Facilities and Planning Management Office (FPMO) to ensure that the University’s capital assets are properly accounted for.
Corrective Action Plan Related to
Internal Control and Business Issues Report
Year Ended June 30, 2005
Current Year Comments

Finding No. 05-02: Cash Management

Individual Responsible: Fiscal Officer-CTAHR
Date Action to be Taken: April 2006

It was initially agreed that the auditor’s recommendation to move the draw down function to the Office of Research Services was acceptable. However, since then, different ways of meeting the timeliness of reimbursements for Federal expenditures were contemplated and a solution was found in the restructuring of our CTAHR Fiscal Office. Therefore, it is recommended to keep the draw down function at CTAHR and meet the timeliness of reimbursements for Federal expenditures by reassigning two Fiscal Accounting Specialists to share responsibility for this function. Furthermore, if the resulting workload created by this reassignment is too great, a request for a permanent position will be submitted to the Dean/Chancellor/President for another position count and funding.
Corrective Action Plan Related to
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Year Ended June 30, 2005
Current Year Comments

Finding No. 05-03: Improper Categorization of Expenditures

Individuals Responsible: Maui Community College:
Principal Investigator
Project Director
Fiscal Officer

Date Action Taken: March 2006 and Ongoing

To ensure accuracy of MTDC, the PI (Clyde Sakamoto) and/or Project Director (John Dunnicliffe) and FO (Cindy Yamamoto) and/or Assistant FO (Flora Mora / Delena Fujioka) responsible for these awards will make sure that all grant expenditures are accurately recorded in the appropriate object codes. JG21792, dated 03/02/06 was processed to correct the object code from 3020 – “Operating Supplies, Educational” to object code 7100 – “Services Non-State Employees”.

Individuals Responsible: Kauai Community College:
Principal Investigator
Project Director
Fiscal Officer

Date Action Taken: March 2006

With approval of program coordinator, object code 3020 Operating Supplies, Educational was corrected by journal voucher J059016 dated 03/03/06, to object code 5600 Rent-Equipment, Other. Rural Development Program will allocate funds for rental pool category.
Corrective Action Plan Related to
Internal Control and Business Issues Report
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Current Year Comments

Finding No. 05-04:  Untimely Financial Reporting and Billing

Individual Responsible: Director, RCUH Hilo Office
Date Action Taken: On-going

The RCUH Hilo Office will ensure that all financial reports are submitted to the Bishop Museum timely, in compliance with grant award agreements.
Corrective Action Plan Related to
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Current Year Comments

Finding No. 05-05: Information Technology Controls

Individuals Responsible: ITS
Date Action Taken: On-going

Planned Action: Information Technology Services (ITS) appreciates PwC’s review of our general computer controls. Since the discussions of the review, ITS has been and will continue to be working to incorporate PwC’s recommendations wherever possible. The greatest emphasis is placed on those specific matters considered to present the greatest risk to the University.
Corrective Action Plan Related to
Internal Control and Business Issues Report
Year Ended June 30, 2005
Current Year Comments

Finding No. 05-06: Overpayment of Vacation Balance

Individual Responsible: Sheri Nakashima, Assistant Director
RCUH-Human Resources

Date Action Taken: January 13, 2006

Preventative Measures:
1. Data Entry staff no longer performs manual entries for vacation payout actions.
2. As part of the HR Processing Checklist, an audit of vacation payoffs is performed every pay period prior to Pay Confirmation and consists of 2 phases. This audit is performed to ensure those employees receiving a vacation payout due to termination, change in status or project change are cleaned up to reflect the accurate number of vacation hours to be paid out.
   Phase I - Via a query, the Benefits Section audits those actions that were inputted into PeopleSoft. It will not catch those PAFs that were inadvertently not processed. After running their query, a check is done to ensure all aspects of the scheduled vacation payoffs are accurate (hours/earnings, pay rate, project # to charge, vacation balance). Final spreadsheet is then handed to Payroll.
   Phase II - Payroll makes necessary adjustments to each employees’ paylines, if needed, to match that of the spreadsheet. Then, a Pay Calculation is run, and each employee’s preliminary (pre-confirmation) vacation payoff paycheck is double-checked for accuracy.

This audit began in February 2001. Staff responsible for the audit included:
2/15/01 ppd to 3/31/05 ppd Cheryl Yokoyama
4/1/05 ppd to 9/15/05 ppd Jill Niitani
9/30/05 ppd to 2/28/06 ppd Brandie Imai
3/15/06 ppd to present Emi Takashiba

Currently, Emi Takashiba, HR/Benefits Assistant is tasked with performing this audit. In her absence, Sheri Nakashima, Assistant Director of HR will perform the audit. Other staff members trained to perform the audit include: Cheryl Yokoyama, Payroll Administrator and Jill Niitani, HR Management Administrator.

Isolated Incident:
This is an isolated incident, and not indicative of a larger, systemic problem. A pre-existing measure was implemented, and had it been performed during the 3/31/05 pay period, this error would not have occurred.
Corrective Action Plan Related to
Internal Control and Business Issues Report
Year Ended June 30, 2005
Current Year Comments

Finding No. 05-06: Overpayment of Vacation Balance (continued)

CORRECTIVE ACTION TAKEN
Rепайment of Funds:
Upon awareness of the overpayment, RCUH attempted to retrieve the money from the employee. Due the large re-payment amount, the employee requested that the money be taken out of the employee’s vacation payoff (due to the employee’s 12/31/05 termination).

The employee was due a payoff of 143.50 vacation hours from a project. We then deducted the 84 hours (overpayment) to be reimbursed to the project which was previously charged for the vacation overpayment. This would leave the employee with a net payoff of 59.50 vacation hours.

$1,521.69 was collected from the employee in the 1/15/06 pay period, and credited to the project which was previously charged for the overpayment of vacation balance.
Corrective Action Plan Related to
Internal Control and Business Issues Report
Year Ended June 30, 2005
Current Year Comments

Finding No. 05-07: Human Resources and Succession Planning

Individual Responsible: Director of Financial Management, Russell Miyake
Date Action to be Taken: Ongoing

We agree with the Auditor’s recommendation and are attempting to fill vacant positions as quickly as possible. However, due to conditions in the current job market it has been very difficult to attract good candidates to fill vacancies. In particular, positions that require accounting knowledge and experience have been the most difficult to fill and in some cases, vacancies have been re-advertised a number of times without success. Workload increases attributable to GASB and other requirements and the growth in size and complexity of the University have also contributed to the problem. In addition to the recent vacancies referred to by the auditors, other pre-existing vacancies were not being filled because of funding constraints, and furthermore, twelve positions in the Financial Management Office were swept by the Legislature in the last session.

Since recruitment and hiring must adhere to the University’s hiring policies, union contracts, and other governmental requirements, succession planning is not easily achievable. All vacant positions are required to be advertised and filled competitively. Openness and transparency in hiring preclude the practice of identifying internal successors for key posts and planning their career paths to provide the necessary range of training and experience. To address short-term succession issues, we intend to continue developing generic position descriptions whenever possible to allow the rotation of personnel for cross-training in different functions within the unit. The purpose of cross-training is to develop a pool of individuals that are capable of filling a variety of roles and functions within the unit as a source of short-term replacements. Although succession planning strategies are limited as described above, the Financial Management Office will continue to work on strategies to address this issue.

Individual Responsible: Office of Research Services
Date Action to be Taken: Ongoing

As indicated in our response to Finding No. 05-01 of the OMB Circular A-133 Audit Report, the Office of Research Services (ORS) is currently recruiting positions to increase staffing in its compliance section to keep up with the substantial growth in extramural research activity experienced by the University.
Finding No. 05-07: Human Resources and Succession Planning

ORS agrees with the Auditor's recommendation, however has struggled to find applicants willing to respond to numerous job advertisements as the labor market in the State of Hawaii has tightened and our salary levels are uncompetitive. ORS has limited G funds available for paying new staff, but has the strong support of the Office of Vice President for Research in R funds. However this then means jobs can only be advertised as Temporary, with a designated minimum salary level, and as a result ORS receives very few applicants, if any. To make matters worse, ORS has lost staff who have either moved to new jobs elsewhere in the UH system, elsewhere in the State system or out of State.

ORS is working with the College of Business Administration (CBA) and the Research Corporation of the University of Hawaii (RCUH) to bring in business students as interns to work with key people in ORS to help process map their work activities so that training manuals can be developed for new hires to more quickly get up to speed. Additional interns are needed to provide support in all areas at ORS, and these will be hired from the CBA as well as the Law School and anywhere else possible.

ORS has started to focus on succession plans for long time staff who either can already retire or within the next few years can retire. However the current understaffing levels puts strain on the whole system as there is little time for planning and training, not to mention the above mentioned problems with hiring new staff.
Corrective Action Plan Related to
Internal Control and Business Issues Report
Year Ended June 30, 2005
Update of Prior Year Comments

Finding No. 04-03: Strengthen Internal Audit Function

Individual Responsible: Director of Internal Audit
Date Action Taken: Ongoing

The University’s request for three additional internal auditor positions in the FY 2005-2007 biennium budget was not approved by the State Legislature. A similar request was submitted for the supplemental budget for FY2007.

In addition a reorganization proposal has been developed for the purpose of enhancing the role of the Office of Internal Audit to more effectively meet the needs of the University and the Board of Regents with expanded functions and responsibilities and additional staffing. This proposal is currently undergoing review and consultative processes.

Due to the shortage of experienced accountants nationwide, recruitment for all University accounting and auditor vacancies continues to be even more pronounced. As a temporary measure, two recent retired individuals with several years of university experience were retained on a part-time basis to assist in the audit function.

Despite the current difficulties in hiring experience full-time staff, the University believes that the internal audit activities can best be provided when the internal audit function is organizationally based in-house. The University will continue its efforts to hire qualified and skilled internal auditors to assure management that adequate internal controls are in operation and that the University is in compliance with applicable policies and procedures. However, the University will explore greater use of external resources to assist in the implementation of the annual audit plan and perform special engagements when appropriate.
Corrective Action Plan Related to
Internal Control and Business Issues Report
Year Ended June 30, 2005
Update of Prior Year Comments

Finding No. 04-05: Oversight of Special, Revolving and Endowment Fund Expenditures

Individual Responsible: UH CFO
Date Action to be Taken: Before June 30, 2006

The University’s CFO is reviewing current practices and will determine the need for additional policies regarding special, revolving and endowment fund expenditures.
Corrective Action Plan Related to
Internal Control and Business Issues Report
Year Ended June 30, 2005
Update of Prior Year Comments

Finding No. 04-06: Construction in Progress Reclassifications

Individual Responsible: Director of Property & Fund Management
Date Action to be Taken: Ongoing

See the response to current year comment 05-01.
Corrective Action Plan Related to  
Internal Control and Business Issues Report  
Year Ended June 30, 2005  
Update of Prior Year Comments

Finding No. 04-07:  Late Final Cost Sharing Certification Reports  

Individual Responsible:          Office of Research Services  
Date Action Taken:               Ongoing

See response to current year A-133 audit finding no. 05-05.

Finding No. 04-09:  Late Submission of Financial Reports  

Individual Responsible:          Director, RCUH Hilo Office  
Date Action Taken:               On-going

See response to current year finding no. 05-04.
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Finding No. 03-2: Job Order System ("JOS") Billing Rates

Individual Responsible: Institute for Astronomy
Date Action to be Taken: May 31, 2006

The Institute for Astronomy will provide Final Reports of Operations for the Job Order System for the year ending June 30, 2003 and June 30, 2004, by May 31, 2006. Surpluses have been used to adjust the following years’ rates.

Corrective action has been delayed due to the loss of five (5) key members of the IFA Administrative staff who worked on various aspects of the reporting and rate proposals for the Job Order System. We have been hiring and training new staff members to bring them up to speed on our systems. Our priority has been completing the rate proposals in order to keep the system running.
Corrective Action Plan Related to
Internal Control and Business Issues Report
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Finding No. 03-9: Improve Year End Accounts Payable Recording

Individual Responsible: Director of Disbursing and Payroll, Michael Wong
Date Action to be Taken: Ongoing

The Disbursing and Payroll Office will implement the following actions:

- Disbursing & Payroll will continue to participate in the year-end closing meeting conducted by General Accounting Office. This meeting includes representatives from Accounting, Property and Fund Management, Procurement and Real Property, Budget, Fiscal Services, Information Technology and ORS Compliance, Office of Risk Management, Facilities Planning and Management and the General Counsel’s Office. The purpose of this meeting is to ensure that the programs understand the year-end accounting requirements and timelines.

- In May 2006, the Financial Management Office will work with the Facilities Planning and Management Office, the Cancer Research Center and the John A. Burns School of Medicine to review and evaluate their closing/cut-off process for the recording of accounts payable.

- In June 2006, a memo will be sent to all fiscal officers to remind them to record all Accounts Payable (A/P) transactions for all sources of funds under their purview.

- Additionally, as part of year-end closing, Financial Management Office will e-mail the A/P recording requirements and cut off dates to each fiscal officer.
Corrective Action Plan Related to
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Finding No. 03-10:  Untimely Billing of Extramurally Funded Accounts Receivable

Individuals Responsible:  Office of Research Services
Date Action Taken:  On-going

ORS continues to remind billing personnel to follow established procedures and review billing reports for adherence to procedures designed to reduce untimely billing of large balances. ORS is continuing to work with administration to establish procedures such as suspension of procurement authority or the freezing of accounts until delinquent reports are received so that University units will provide required reports to ORS on a timely basis.
Corrective Action Plan Related to
Internal Control and Business Issues Report
Year Ended June 30, 2005
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Finding No. 03-12: Consistent Application of Policies and Procedures

Individuals Responsible: Vice President for Student Affairs
Date Action Taken: Ongoing

The Vice President for Student Affairs continues to meet regularly with the System-wide Council of Senior Student Affairs Officers, whose major purposes is “coordination and communication” and development of consistent policies, procedures and programs.

The Financial Aid Officers, Fiscal Officers and Registrars of all ten campuses each meet on a quarterly basis (in addition, Fiscal Officers of all 10 campuses also participate on a weekly conference call) to discuss policies and procedures, training needs and other issues of mutual concern and to develop consistency of policies and procedures within the groups.

Finding No. 03-13: Increasing Efficiencies through Automation

Individual Responsible: Financial Aid Officers
Date Action Taken: Ongoing

The Financial Aid Officers continue to seek ways to improve efficiencies through automation. The system Financial Aid Officers meet quarterly to discuss ways to continue to automate common functions and ways to improve regulatory compliance through automated processing, review and warning systems.
Corrective Action Plan Related to
Internal Control and Business Issues Report
Year Ended June 30, 2005
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Finding No. 03-16: Change Management Process

See response to current year finding no. 05-05.
Corrective Action Plan Related to
Internal Control and Business Issues Report
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Finding No. 02-11: Financial Reporting and Year-End Closing Process

Individual Responsible: Director of General Accounting, Eric Hiyoto
Date Action to be Taken: Completed and Ongoing

The General Accounting and Loan Collection Office (GALC) will continue to conduct staff after action reviews of its year-end closing and financial statement planning and execution processes to increase efficiency and effectiveness. The after action review helps identify processes that went well and should be continued, as well as identify weaknesses that need improvement. Lessons learned from the review help in the overall planning for the following year’s audit. This year, weekly meetings were held with the auditors to coordinate open issues and to ensure that both the auditor’s and University’s staff members were aware of the status of the audit. More importantly, it provided a forum to discuss any questions, concerns, or problems related to the audit. We plan to continue this practice in future audits.

We acknowledge and concur with the Auditor’s comment that the GALC office is constrained by the lack of sufficient resources to close the year-end financial statements within three months after year end and have requested additional positions for GALC and PFMO.

The University administration continues to evaluate the feasibility and affordability of establishing an internal reporting department in light of resource constraints.

Finding No. 02-13: Transactions with Research Corporation of the University of Hawaii

Individual Responsible: Director of General Accounting, Eric Hiyoto
Date Action to be Taken: Completed and Ongoing

As noted by the Auditor, the University has established procedures for proper accounting of transactions with Research Corporation of the University of the Hawai‘i (RCUH), including establishing accounts in which all advances to RCUH are recorded and detailing proper use of the accounts. RCUH has notified University programs that advanced funds to RCUH must be properly reclassified in the University’s accounting system upon expenditure of the advanced funds. The General Accounting and Loan Collection (GALC) Office will continue to work with departments to ensure proper classification of advances to RCUH throughout the fiscal year and also provide “year-end closing” training.

The GALC Office will meet with RCUH to determine the feasibility of establishing an alternative method of accounting for these transactions to ensure that revenues and expenditures are properly recorded at the University.
Corrective Action Plan Related to
Internal Control and Business Issues Report
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Finding No. 01-7: Monitoring of Current Restricted Fund Accounts Receivable

Individuals Responsible: Office of Research Services
Date Action Taken: On-going

ORS is continuing to work with ITS and an outside consulting firm to develop and implement an automated accounts receivable billing and aging system.
Corrective Action Plan Related to
Internal Control and Business Issues Report
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Finding No. 00-9: Customize Monthly Reporting

Individual Responsible: Vice President for Budget and Finance/
Chief Financial Officer

Dates Action to be Taken: Ongoing

In an effort to improve the process of reconciling budgetary information to the University’s annual budget, a new reconciliation report has been developed within the WebBLS system to identify any differences between budgetary inputs and authorized campus budgets. During the quarterly WebBLS update periods, these reports are updated, produced, and transmitted to each campus every 24 hours for review and appropriate action. In addition, these reports also provide certain campuses with summary oversight information such as the name of the person entering budgetary data, the date of the last entry, and the amount of the entry.

Currently, preliminary efforts are underway to integrate the WebBLS system with the University’s Financial Management Information System (FMIS). This should result in reducing the necessity of reconciling data between the two systems and ease the transition of converting current fiscal and budgetary records to the new Kuali system.

Meetings have been held between system financial personnel and the various constituents in the University system to provide an overview of the University’s financial information system and quarterly financial status reports. Further meetings will be held to discuss this issue. It is envisioned that the feedback from these initial meetings along with future discussions, will provide the Administration with the information needed to develop a valid plan for making improvements to current financial reports, determining the resource requirements that would be necessary for the improvements, and establishing a timeline for implementation.