

Periodical Audit Report for 2011

Auditors' Written Opinion

This periodical audit was our first audit since the School Corporation (SC) was established succeeding the dissolution of the Promotion Corporation (PC). Therefore, we conducted this audit to ensure that proper and effective management and operational systems are being established at the SC that operates the world-class graduate university, as well as to make suggestions on its future operation. The following were the focus of our audit:

- 1) Establishment status of rules and policies that constitute the foundation of the school's operation and on the status of trainings on such rules and procedures offered to the employees.
- 2) Adequate segregation of duties and sections (to verify that no individual is handling the entire process of contract, procurement, travel arrangements, etc.)
- 3) Progress on the 2011 business plan

Our report is based on the facts we learned through our periodical audit. Unless otherwise specified, for the convenience of business data collection, the 2011 data indicates data from April 2011 to March 2012, despite the SC's fiscal year.

1. Overall Condition

As the PC transitioned into SC, difficult yet necessary work to build the foundation for the operation of a graduate university was performed by all members of the staff. These tasks included setting up an organizational system, efforts for the establishment of rules and procedures, recruiting and selection of the new students for September admission, and preparation to accept and support students. As a result, Policies, Rules and Procedures (PRP) was compiled as a general rule book of the SC, and the Enterprise Resource Planning (ERP) system was developed to help with the administrative procedures using computers. Although there were some delays in the implementation of these new systems, the preparation for the start of the first academic year at the Graduate University is progressing rather smoothly.

(1) Governance

After the SC was established, the Board of Governors (BOG) and Board of Councilors (BOC) met in November 2011 and February 2012. The President reported on the status of the operation of the SC, business plan, budget plan, etc., and they were reviewed and approved. However, with the exception of the BOG Steering Committee, it was determined that the subcommittees organized under the BOG and BOC were not fully functional at this time. We expect the subcommittees to be reminded of their original intent and to start functioning immediately.

As for the business operation of the SC, the President exercised his excellent leadership in promoting the function of the new organization; the Executive Committee for the Vice Presidents and above and Managers' Committee for the managers and above are organized as to share information and promote understanding among different divisions and levels. The President also held all-staff briefings to promote understanding and cooperation for the operation of the SC, etc. We must say that communication between the President and other staff of the SC is going smoothly.

The Policies, Rules, and Procedures were established as a general rule book for the operation of the SC. The business management and education and research department at the Graduate University must be in compliance with this PRP.

We considered all of the above matters and concluded that the SC's governance is functioning properly and effectively.

(2) Organization

Some layers of the organization were removed, which streamlined the organization and allowed for a more efficient communication line from top to bottom. Important issues have been discussed and decisions are being made at weekly Executive Meetings. Information sharing is promoted among the administrative managers, faculty, and researchers at a monthly hosted Managers' Committee meetings.

International standards are applied in regards to positions and/or titles such as Provost, and we believe that the system to operate a graduate university providing world-class education and research in science and technology is being established.

(3) Business Operation

The biggest change in the business operation was the implementation of the ERP system. The new system can comprehensively process various tasks that were formerly processed through an individual system while simultaneously providing the execution status of the tasks. Due to the implementation of the ERP system, the execution and management of the budget are performed properly and in a timely manner. Since processing of budgets and most procurement are administered consistently using this system, it also contributes to preventing fraud or abuse.

The ERP plays a vital role in the business operation of the SC, and it was expected to be fully operational when the SC was established. However, due to changes in the organization and policies after the SC was established, the system required some updates and changes in order to maintain its usefulness. Since policies such as PRP are almost completed, we expect the use of the ERP will be applied in all aspects including the educational training for employees, and that efficient business operations will be conducted in full swing.

(4) Ensuring Compliance

The division of the Vice President for Administrative Compliance (VPAC) was founded when

the SC was established. The VPAC plays a central role in ensuring proper and efficient business operation at the SC. We believe that the division's function to monitor compliance is working adequately.

Except for those that are still in the process of receiving final approval (kessai), all of the other parts of the PRP are completed. Although we were concerned about the delay in its establishment, we appreciate the effort and progress made to improve the situation.

On the other hand, some rules and policies from the PC are still on the OIST website, and we found some ambiguity about who is responsible for managing the website. We suggest that all the concerned divisions clarify each responsibility and rectify the problem promptly.

We compliment the work of the Internal Audit section in conducting their proper and thorough audit using the ERP system. As a result of the internal audit, no significant matters involving noncompliance was reported. However, some issues that require improvements were pointed out, such as the general bidding system for contracts and use of a meeting fee, and we suggest that all of the concerned divisions should coordinate and discuss the issues. In particular, meeting fees require strict management, and it is important to provide internal training for newly hired faculty and concerned staff.

Other findings involve lack of personnel. There are no designated management positions in the President's Office, the Offices of the BOG/BOC, or the Library. Therefore, the staffs of these offices frequently consult the VPAC on day to day issues, and the work of the VPAC is potentially overloaded. We believe there is a need for improvement in personnel management.

(5) Establishment of Research Support System

The Division of Research Support was newly organized to support and promote highly international and cross-disciplinary research, one of our characteristics and purposes, and we believe it was formed in such a way that the positive aspects learned during the PC stage were mostly incorporated and reinforced. There is still a lack of personnel in some areas at this point, but we expect the Division of Research Support to recruit superior staff and promote research activities both in- and outside of the University. We found out that the procurement of equipment necessary for research is proceeding smoothly.

(6) Selection of Prospective Students and Student Support

Because the establishment approval of our University was last fall, we have missed both domestic and international recruiting seasons, and recruiting of superior students was one of our concerns. However, the President led the University as one in endeavoring to promote the University to prospective students, so we now have more than 30 students admitted. This exceeded our original estimate of 20 students, making it a promising start. As for the selection of the students, a thorough and fair selection process was conducted in accordance with the selection procedures and standards, and many of the accepted students are from internationally known, high-ranking

universities, making us believe that we have excellent and promising students. We understand that the financial and day-to-day support for the students will be comparable with international standards, so we are very hopeful that some great researchers will be produced from our University.

2. Individual Items

(1) Evaluation of the Research and Faculty

Most of our faculty members, except for a couple, have fixed term contracts, and the evaluation of their research and education activities is significant not only to the faculty member him/herself, but also in achieving our goal to conduct world-class science and technology research. When renewing a contract, the research content used to be the center of the evaluation, but this year, an evaluation of the faculty member's educational contribution, an evaluation as a research unit, and an evaluation to become tenured were added, so we believe that the support system in the Provost's Office, who is responsible for all these evaluations, must to be enhanced. Since the Office deals with our entire faculty, we would expect them to receive sufficient personnel support.

(2) Preparation for accepting students

Educational arrangements to welcome students in September, including providing curriculum for each student and the preparation of faculty members who will be teaching the students, need to be made in a timely manner. The administrative system to support the students and provide consultation will also need to be strengthened promptly.

Continuous and additional efforts are expected in recruiting the best students. Recruiting activities for the 2013 school year should be coordinated with other international and domestic graduate universities' recruiting seasons.

(3) Internal System for Obtaining Competitive Funds

The amount acquired from competitive funds such as Kaken-hi is increasing every year, and in 2011 it exceeded 300,000,000 yen. Of these, the funds from Kaken-hi grew 2.3 times compared to the previous year. We learned that the support system will be enhanced in an effort to obtain additional Kaken-hi and other such grants; more specifically, recruitment of a section leader who is equipped with extensive experience in the field and sufficient staff is underway.

There was only one application each year for the past two years for Kaken-hi from non-Japanese researchers. However, we found out that the support for non-Japanese researchers to apply for such funds will be strengthened as well, so we are hopeful for the future.

Submission of applications for grants such as Kaken-hi is a great opportunity to publicize our School's brand and the level of our research to the people in Japan, regardless of the outcome. Therefore we expect a more aggressive approach from the University as a whole.

(4) Public Relations and Local Networking

The Division of Communication and Public Relations strived to increase the SC's public recognition with an aggressive approach to the outside community, and we compliment them on their effort. We appreciate the various programs they have offered within Okinawa, and their active works have contributed in building relationships locally.

However, although we understand that there were some articles written in well-known publications, both in and outside of the country, such occasions were limited. In the future, we expect that the University will gain more recognition both domestically and globally through strategic plans. Current and past activities include providing our information to the press clubs of the Okinawa Prefectural Government, Cabinet Office, and Ministry of Education, Culture, Sports, Science and Technology. However, more ways to strengthen and broaden the network with domestic and overseas publications specializing in science and technology must be explored in addition to the current activity.

The information and activities provided to the local community are considered great contributions. While we compliment the Division on their efforts, we are concerned that the increasing number of visitors to the University may cause a potential problem. Our entity was established to conduct scientific research, and therefore research activities should not be hindered. Some deliberation and improvement plans are expected to make the visitor program and research activities compatible.

(5) Facility Management

Out of our 2012 budget, 50 million yen is set aside for the renovation of a facility for the Child Development Center (CDC). However, no specifics on the facility or operation are given at this point, and we are concerned about whether they can start providing expected services in September as originally planned. Direction on the facility must be decided urgently, and more specifics on the operation must be deliberated. The Division of Buildings and Facilities Management alone handled the establishment of the CDC, but its operational side involves more varied aspects such as the welfare of employees and financial issues, which require specific expertise. It is critical that the responsible divisions/sections be identified to handle these matters and start proceeding with a plan as soon as possible.

Most research functions located at the Initial Research Project Laboratory in Uruma city and Seaside House will be consolidated to the main campus upon completion of Lab 2. Consequently, we expect that utility charges will be reduced and convenience for the researchers will be enhanced.

We appreciate the Division's initiative in preparing a disaster plan that includes the new facilities. We expect collaboration with Onna-son will be enhanced and evacuation drills including the faculty and students will be conducted.

As for the Village Zone, a loan agreement has not been made between the concerned banks and the Special Purpose Corporation, the primary contractor, for the housing project that is already under construction. The construction is expected to be completed and the housing utilized very soon.

Coordination among the concerned parties is strongly recommended, and the loan agreement must be concluded at the earliest possible date.

(6) Personnel Management

A combined total of almost 170 employees were hired in the administration and research units in 2011, and the cost of hiring has decreased from 600,000 yen to 420,000 yen per person. As for the wellbeing of the employees, employees were formerly required to visit a designated hospital for health examinations, but this year examinations were offered on campus. Many employees benefited from the change, which also decreased the overall cost per person. An emergency correspondence system was established for non-Japanese-speaking faculty and staff, and a 24-hour helpline was activated, contributing to the alleviation of concerns about daily life in Okinawa. We highly compliment the effort to maintain the quality of service provided while cutting the cost.

(7) Contract and Procurement Procedures

A new committee called the “Contract Review Committee,” comprised of outside experts, was organized to monitor the contract and procurement process, and we commend the fact that the whole process is strictly reviewed by the committee based on the new system. In procuring cutting-edge research equipment, specifications requested by the researchers sometimes limit the available vendors; a general competitive bidding system may not always be the most effective method. Therefore, another committee designated to review the specifications of equipment has been organized, and separate negotiations with the vendors in an effort to reduce the price have been enhanced. While this ensures proper procedures and effective management of the budget, we also learned that many of the cutting-edge pieces of equipment are handled through a general agency system, meaning the prices provided in Japan are usually higher than those that are provided overseas. We have many non-Japanese faculty and researchers, so we expect that detailed data on procurement cases abroad will be collected and utilized in an effort to bring down the cost. This also requires a close working relationship between the research units and administration.