

Board of Directors Meeting

Wednesday, March 5, 2025
East-West Center | Burns Hall
9:30 a.m.



Meeting

BOARD OF DIRECTORS

Research Corporation of the University of Hawai'i

Date: Wednesday, March 5, 2025 | Time: 9:30 a.m.

In-Person Location: East-West Center Burns Hall 4th Floor, Makai Wing, Room 4012
1601 East-West Road, Honolulu, HI 96848

Virtual Link:

<https://hawaii.zoom.us/j/89973714674?pwd=8qDIXwWBw6E3QnLCemGbGFULbBfQKf.1>

Webinar ID: 899 7371 4674 | Password: 247915 | Dial-in: 1-720-928-9299

A G E N D A

Public Testimony on Agenda Items

Written testimony may be submitted via email to rcuhed@rcuh.com; U.S. mail to 1601 East-West Road, Burns Hall 4th Floor, Makai Wing, Honolulu, HI 96848; or facsimile to (808) 956-0502. All written testimony submitted are public documents and will be posted on the board's website and distributed to the board. Oral testimony will be limited to three (3) minutes per testifier.

1. Call to Order
2. Approval of Minutes of the December 4, 2024 Meeting
3. Financial Statements for January 2025
4. Report of Audit Committee
 - a. Fee Proposal for FY 2025 Audit
 - b. Ratify Audit Committee's acceptance of fee proposal (if applicable)
5. Executive Director's Report
 - a. Legislative Update
 - b. Federal Funding Update
 - c. Strategic Plan Update
6. Proposed Salary Adjustment Guidelines Effective July 1, 2025
7. Project Presentation: 'Imiloa Astronomy Center
8. Adjournment

c: Office of the Lieutenant Governor

Reasonable accommodations for people with disabilities are available upon request. Requests for accommodations should be submitted via email to rcuhed@rcuh.com or by calling Kaylee Hull at (808) 956-0503. Requests should include a detailed description of the accommodation needed. In addition, please include a way for RCUH to contact the requester if more information is needed to fulfill the request. Last minute requests will be accepted, but may be impossible to fill.



DRAFT Minutes
BOARD OF DIRECTORS
REMOTE MEETING

Research Corporation of the University of Hawai'i
Wednesday, December 4, 2024

In-Person Location: East-West Center, Burns Hall 4th Floor, 4005/4009
1601 East-West Road, Honolulu, HI 96848

Recording: <https://youtu.be/s5yAi5g4C3s>

PRESENT: David Karl, Ken Kawahara, Jaret KC Leong, Taryn Salmon, Vassilis Syrmos, Ernest Wilson.
Excused: William Haning.

RCUH Staff: Leonard Gouveia, Kira Higa, Glenn Yee, Tracey Heinrich, Kaylee Hull
Attorney General's Office: Reese Nakamura

CALL TO ORDER

The meeting was called to order by Director Karl at 9:17 a.m. He confirmed with those attending virtually that there were no individuals over the age of 18 present with them. Ms. Hull indicated that no written or oral testimony was received.

APPROVAL OF MINUTES OF THE SEPTEMBER 4, 2024 MEETING

Upon motion made (Wilson), seconded (Kawahara), and duly carried, the minutes of the September 4, 2024 meeting were approved as circulated.

FINANCIAL STATEMENTS FOR OCTOBER 2024

Mr. Yee reviewed the balance sheet and reported that RCUH's assets totaled \$31.5 million, total liabilities are at \$18.1 million, and total retained earnings are at \$13.3 million. He pointed out that the difference from 2023 to 2024 is the \$10 million decrease in cash and cash equivalents due to the transfer of Revolving accounts back to the University. Mr. Yee added that other changes from the previous year include approximately \$3.8 million in receivables from UH compared to zero receivables in 2023, as well as a lack of advances in the current fiscal year compared to \$8.2 million in 2023. He explained that moving forward, RCUH will see less cash, an increase in receivables, and a reduction of advances.

When reviewing the statement of revenues, expenses and changes in net assets, Mr. Yee stated that the numbers should reflect four months of activity in the fiscal year. In terms of total operating revenue, RCUH reported approximately \$3.4 million, with \$2.8 million in operating expenses. He reported that the interest income is at \$488,000, however he expects that to drop compared to the prior year due to the decrease in cash and declining interest rates. Mr. Yee didn't have many comments on the individual operating expenses, but noted that some of the line items are due to timing, such as the CPA services.

Mr. Yee continued with RCUH's retained earnings, stating that RCUH's volume of business is on par with the 2024 fiscal year at \$123 million. He noted that there is a typo under the variance for the 3-month period, which should reflect a positive \$119 million difference, resulting in a positive 75.9% variance. VPRI Syrmos added that he expects this year's Extramural awards to surpass last year's numbers. Lastly, Mr. Yee pointed out the total disbursements that RCUH has processed, which totaled \$124 million.

REPORT OF AUDIT COMMITTEE

Chair Karl reminded the Board that the appointment of Audit Committee members occurred at the previous board meeting and includes ad hoc member Wally Chin, Chief Administrative Officer at the Hawaii Community Foundation. Vice Chair Salmon reported that the Audit Committee met on Oct. 30, 2024 to accept the Fiscal Year 2024 audited financial statements. N&K CPAs reported that they had an unmodified opinion on RCUH's financial statements and did not identify any material weaknesses or significant deficiencies. Vice Chair Salmon shared that the auditors did not encounter any disagreements with management or experience any difficulties in performing the audit. The Audit Committee unanimously approved the audited financial statements and would like the Board to ratify this acceptance.

Upon motion made (Salmon), seconded (Wilson), and duly carried, the RCUH Board ratified the Audit Committee's acceptance of the audited financial statements for Fiscal Year 2024. Chair Karl thanked the Audit Committee and the RCUH Finance Department for their review and work on the audit.

EXECUTIVE DIRECTOR'S REPORT

ED Gouveia added his thanks to those who worked on preparing the audit, which went smoothly according to the auditors. He introduced Tracey Heinrich as the new Director of Finance, who will be taking over upon the retirement of Mr. Yee. Ms. Heinrich was previously employed by Novartis Biomedical Research based in San Diego, Calif., where she managed over \$60 million in external funding from multiple grantors. She was responsible for budgeting, forecasting, treasury management, month-end processes, financial analysis, and reporting. Ms. Heinrich also worked at UC Irvine for four years as a senior financial analyst and held various roles at Pricewaterhouse Coopers. ED Gouveia provided an overview of the search process and further details on Ms. Heinrich's experience.

ED Gouveia continued with an update on the replacement of the AS400. Finance staff have been working closely with DataHouse and SAP consultants to reconfirm the Chart of Account setup, among other requirements. He explained that although many systems are standard, RCUH's setup requires more configuration. ED Gouveia shared that individuals have encouraged him to work closely with other state offices and RCUH had attempted to follow that path, however those offices have pivoted and switched to other programs that's more appropriate for them. He did note that RCUH has been working closely with VPIT Garret Yoshimi and VPRI Syrmos' office and thanked them for their support.

ED Gouveia highlighted some of the challenges with RCUH's current payment processor and noted that although local banks may be able to assist RCUH with this, they wouldn't be able to include vendor enrollment and vendor management as part of that service. This would require an additional 2-3 personnel and Mr. Yee stated that it'd be best to not bring this in house as it would increase RCUH's liability as well as costs.

Director Wilson inquired whether other state agencies are using SAP and Mr. Yee responded that he believes the Department of Transportation had awarded the contract a year ago, but have since pulled it back. Director Wilson suggested looking into why they decided to pull it back or whether there's a more cost-effective alternative. ED Gouveia shared that RCUH has worked closely with VPIT Yoshimi, who was confident that the SAP system is the right way to proceed. Mr. Yee provided additional context on the history of RCUH's decision making process, which included evaluating Oracle, which was being used by the Office of Hawaiian Affairs. ED Gouveia added that even if the State were to all be on the same system, each entity would likely require customizations to fit their needs. Director Wilson asked Ms. Heinrich, which program the UC system used in her experience,

but VPRI Syrmos noted that the UC system does not have a research corporation. Ms. Heinrich shared that her prior employer, Novartis, used SAP. She added that SAP is a complex system, but there is a lot that it can do.

In regards to Corpay, ED Gouveia reported that although RCUH is looking into other alternatives, the setbacks that RCUH have encountered have not been major issues. Ultimately, the SAP project is expected to be pushed back six months to the second quarter of 2025, or worst case scenario the end of the year. Part of this analysis considered the end-of-year closeout, onboarding of the new Finance Director, as well as comingling two separate IT systems into the new audit. This delay would result in an increase of approximately \$500,000. Chair Karl inquired where these funds would come from and Mr. Yee stated that it would come from RCUH's reserves, but the costs will be recovered from depreciation over a period of seven years. ED Gouveia also confirmed that it will be consistent with the RCUH reserve policy and it will not take it below or above the approved threshold. He explained that this is the final stage of the IT transformation project. Mr. Yee clarified that this is the second stage of the two-part project; the implementation of Lumisight was the first stage.

ED Gouveia continued with a review of RCUH's firearms policy and provided a history on how and why the policy was developed. He explained that RCUH's general liability policy did not have any exclusion for firearms and RCUH was required to annually disclose firearm-related activities to the insurance underwriter as part of the renewal process. Since 2019, no firearms approvals were issued due to the impact of COVID-19, but recently there's been an increase in requests. RCUH revisited the topic with the University, and it was agreed that RCUH could move forward with allowing firearms under its policy. However, RCUH was notified by its insurance carrier that firearms and air guns are no longer permitted under the current liability coverage. ED Gouveia explained that this is a significant issue as there are over 50 RCUH employees currently using air guns. At this point, RCUH's only option was to explore a separate insurance market covering only the use of firearms and air guns separately, which will likely be costly and would need to be funded directly by the project.

RCUH has been in communication with VPRI Syrmos on this topic and is currently seeking quotes. Director Wilson asked about the overall insurance coverage on firearms and VPRI Syrmos stated that the use of firearms is very limited to certain projects. ED Gouveia added that RCUH works with UH's Office of the University General Counsel (OGC) and Risk Management Office, and if firearms were to be used, the project would be supported by RCUH, which would do all of the legwork. He added that if an incident were to occur, the attorneys would include everybody, including the State and its policies. ED Gouveia is aware that there are issues between the State and the Department of Land and Natural Resources (DLNR) in terms of what the coverages will be. He expressed the importance of acquiring specific insurance coverage for this at a reasonable price; an alternative would be to hire vendors to accomplish the work and incorporate insurance requirements into the contract.

RCUH will continue to evaluate its options and will discuss the matter with VPRI Syrmos, with legal input from Mr. Nakamura and OGC. Ms. Higa added that it appears RCUH allowed 50+ employees to use air guns, since employees couldn't complete their certification training due to the pandemic. She clarified that there are no RCUH employees who are currently certified to use firearms, but it's important to quickly find coverage for this due to the importance for these research projects. ED Gouveia commented on the lethality of airsoft guns and BB guns, so there are a lot of issues to evaluate, including corresponding with the Institutional Animal Care and Use Committee (IACUC). Chair Karl inquired whether the state or federal government was providing a grant to cull wildlife and VPRI Syrmos stated that most of those grants are from the federal government, but some funding is also from the DLNR, which may receive federal funds for that work, so it's a blend of monies. ED Gouveia added that because the insurance fees will be charged directly to the project, it's important to get projects the data to take into consideration when writing their grants. Chair Karl inquired

whether there are other examples of direct charges to projects for oversight or liability issues. Ms. Higa suggested that the UH Marine Center may have some direct charges. Chair Karl requested that ED Gouveia keep the board up to date on this matter.

ED Gouveia continued with an update on RCUH's workers' compensation claim costs, which was reduced by 33.8%. For the July 1, 2021 through July 1, 2022 period, claim costs were at \$1.124 million and in an effort to better manage these claims, a new position was created. As a result, these claims have decreased by almost 34%. Ms. Higa stated that HR has been putting strong emphasis on management the last few years and working closely with the projects. Historically, those who were on workers' compensation were not being actively engaged. Today, HR staff proactively engage with the project supervisors and employees to help evaluate what can be done to get the employee back in the workforce, or work through the ADA process if it's a permanent disability. Ms. Higa added that since projects are being educated on leave management, RCUH is starting to see an increase in claims. Chair Karl asked whether volunteers and students are included in workers' compensation and Ms. Higa responded that RCUH only has one project in the field that uses volunteers, so they would be covered.

ED Gouveia reviewed the FLSA overtime rule update and provided some background on this two-phase approach to increase the minimum salary threshold for exempt status employees. The first phase already took effect, but on Nov. 15 a federal judge in Texas struck down the final rule. Ms. Higa explained that RCUH worked closely with projects to align with this rule in July, but the big change in January would have impacted more than 100 employees. While working with these projects, HR staff began revisiting the status of exempt positions and whether those classifications were appropriate. ED Gouveia gave kudos to Ms. Higa's team for always being ready to make the changes and being flexible since there are things beyond their control.

In conclusion, ED Gouveia mentioned that he has a meeting with President Lassner, incoming President Wendy Hensel, and VPRI Syrmos on Dec. 10 to discuss the RCUH/UH relationship. He'll inform the Board if there are any items that may impact RCUH's strategic plan and will report on the discussion at the next RCUH Board meeting. ED Gouveia has already shared RCUH's various reports with the incoming president and has had a chance to meet with her, thanks to Directors Wilson and Leong.

Lastly, he mentioned that there are no new direct projects to report. However, there have been many discussions with different agencies and conversations continue about potential projects RCUH could support if needed.

To close his report, ED Gouveia thanked Mr. Yee for his years of service to RCUH as this is likely his last board meeting. He'd also like to thank Gayle Hamasaki who has been with RCUH for a long time and will be retiring soon. She helps Ms. Hull put together these meetings and events and he'd like to thank her for her years of service.

Director Wilson asked whether RCUH anticipates any impacts based on the results of the recent election. VPRI Syrmos stated that he believes the State of Hawai'i should be in a good position as most of the federal money the State receives is from the military. He added that Sen. Schatz will now be the ranking member in the Senate Appropriations Committee, which is the same status that Sen. Inouye had before he passed. VPRI Syrmos shared that the programs that may be affected will be programs under the Department of Education, but believes that not much will change within the first two years of the new administration. ED Gouveia said that he remains optimistic, as things take time before change can happen.

ADJOURNMENT

The meeting adjourned at 10:21 a.m. The next Board of Directors meeting is tentatively scheduled for March 5, 2025.

/s/

Kaylee Hull
Executive Administrator

NOTE: Unless otherwise noted in minutes, all motions were passed unanimously.

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
BALANCE SHEETS
JANUARY 31, 2025 and 2024

ASSETS	<u>2025</u>	<u>2024</u>
CASH AND CASH EQUIVALENTS	\$ 18,935,604	\$ 13,764,233
RESTRICTED CASH (RETIREE MEDICAL AND LIFE INSURANCE)	1,700,000	1,700,000
TIME CERTIFICATES OF DEPOSIT	2,000,000	3,000,000
SHORT TERM INVESTMENT	4,236,667	4,032,434
RECEIVABLES		
UNIVERSITY OF HAWAII, NET	188,079	3,090,316
PREPAID EXPENSES	<u>90,896</u>	<u>88,684</u>
TOTAL CURRENT ASSETS	<u>27,151,246</u>	<u>25,675,667</u>
FIXED ASSETS (Less accumulated depreciation of \$6,748,942 and \$8,133,159 for FY 2025 and FY 2024, respectively)	<u>4,194,600</u>	<u>3,399,304</u>
TOTAL ASSETS	<u>\$ 31,345,846</u>	<u>\$ 29,074,971</u>
LIABILITIES AND RETAINED EARNINGS		
LIABILITIES:		
ACCOUNTS PAYABLE	\$ 388,996	\$ 527,438
ACCRUED EXPENSES AND PAYROLL TAXES WITHHELD	2,719,822	2,925,232
ADVANCES		
OTHER SPONSORING AGENCIES, NET	3,487,145	2,309,687
WORKER'S COMPENSATION RESERVE	2,582,778	2,651,304
UNEMPLOYMENT RESERVE	3,422,155	3,194,998
VACATION PAY OUT RESERVE	<u>620,623</u>	<u>769,598</u>
TOTAL CURRENT LIABILITIES	<u>13,221,519</u>	<u>12,378,257</u>
LEASE LIABILITY	25,669	145,554
SUBSCRIPTION LIABILITY	90,866	140,844
ACCRUED SUPPLEMENTAL RETIREMENT BENEFITS	1,761,774	1,863,876
RETIREE MEDICAL AND LIFE INSURANCE BENEFITS	<u>2,519,009</u>	<u>2,539,015</u>
TOTAL LIABILITIES	<u>17,618,837</u>	<u>17,067,546</u>
RETAINED EARNINGS:		
INVESTED IN CAPITAL ASSETS	4,194,600	3,399,304
DESIGNATED FOR:		
WORKING CAPITAL	8,364,099	7,495,923
PROJECT CONTINGENT LIABILITIES RESERVE	<u>1,168,310</u>	<u>1,112,198</u>
TOTAL RETAINED EARNINGS	<u>13,727,009</u>	<u>12,007,425</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 31,345,846</u>	<u>\$ 29,074,971</u>

NOTES:

- 1) This balance sheet does not include accruals for liabilities related to project expenditures.
- 2) Outstanding purchase orders totaled \$146,815,451 and \$71,119,927 at January 31, 2025 and 2024, respectively.

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JANUARY 31, 2025 and 2024**

	FYE 6/30/25 BUDGET	YTD ACTUAL	% OF BUDGET	YTD LAST YEAR
REVENUES:				
UNIVERSITY OF HAWAII	\$ 7,840,387	\$ 4,563,590	58.2%	\$ 4,241,283
OTHER SPONSORING AGENCIES	571,795	341,731	59.8%	325,751
INTEREST AND OTHER INCOME	740,000	791,762	107.0%	988,252
TOTAL OPERATING REVENUES	9,152,182	5,697,083	62.2%	5,555,286
OPERATING EXPENSES:				
SALARIES & WAGES	3,890,945	2,215,278	56.9%	1,954,797
FRINGE BENEFITS	982,431	528,459	53.8%	470,785
INFO TECH SERVICES	719,518	401,019	55.7%	457,739
HUMAN RES./PAYROLL SYSTEM	711,407	401,194	56.4%	352,704
SUPPLIES	45,000	27,942	62.1%	44,473
TRAVEL	35,000	8,881	25.4%	2,761
CPA SERVICES	54,450	54,450	100.0%	51,832
UTILITIES	15,000	4,282	28.5%	4,788
RENTAL - SPACE/EQUIP/OTHER	149,000	87,195	58.5%	78,745
REPAIRS & MAINTENANCE	-	-	0.0%	-
BANK FEES	32,000	27,351	85.5%	23,029
TRANSPORTATION	500	-	0.0%	-
BOARD OF DIRECTORS MEETINGS	5,000	1,366	27.3%	1,134
INSURANCE	642,000	347,737	54.2%	360,839
PROFESSIONAL/TECHNICAL SUPPORT	305,414	36,359	11.9%	89,497
DISCRETIONARY FUND	10,000	2,716	27.2%	4,801
STAFF DEVELOPMENT	24,000	15,577	64.9%	11,206
TRAINING MATERIAL DEVELOPMENT	90,000	59,355	66.0%	56,079
TUITION SUPPORT	75,000	22,553	30.1%	28,563
OTHER	128,555	118,449	92.1%	154,660
DEPRECIATION EXPENSE	708,000	413,000	58.3%	368,200
CLAIMS & SETTLEMENTS	-	-	0.0%	-
PROJ OVERRUNS & DISALLOWANCE	-	-	0.0%	-
TOTAL OPERATING EXPENSES	8,623,220	4,773,163	55.4%	4,516,632
OPERATING INCOME (LOSS)	\$ 528,962	\$ 923,920		\$ 1,038,654
INVESTMENT IN CAPITAL ASSETS				
FIXED ASSETS	-	33,717		26,483
IT SYSTEM DEV - INFO TECH SERVICES	675,000	549,738		261,780
IT SYSTEM DEV - HR/PAYROLL SYSTEM	210,000	181,259		48,223
TOTAL INVESTMENT IN CAPITAL ASSETS	\$ 885,000	\$ 764,714		\$ 336,486

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
RETAINED EARNINGS (NET ASSETS)
JANUARY 31, 2025

CHANGES IN RETAINED EARNINGS

	<u>INVESTED IN CAPITAL ASSETS</u>	<u>WORKING CAPITAL</u>	<u>PROJ CONTING LIABILITIES</u>	<u>TOTAL OPER FUND BALANCE</u>
BEGINNING BALANCE AS OF JULY 1, 2024	\$ 3,842,886	\$ 7,791,893	\$ 1,168,310	\$ 12,803,089
OPERATING INCOME	(413,000)	1,336,920	-	923,920
INVESTMENT IN CAPITAL ASSETS	764,714	(764,714)	-	-
ENDING BALANCE	<u>\$ 4,194,600</u>	<u>\$ 8,364,099</u>	<u>\$ 1,168,310</u>	<u>\$ 13,727,009</u>

VOLUME OF BUSINESS

	<u>FY 2025 YTD</u>	<u>FY 2024 YTD</u>
UH PROJECTS		
EXTRAMURAL	\$ 169,478,898	\$ 151,199,509
INTRAMURAL (GRS)	12,247,902	15,382,252
REVOLVING & SSF	16,161,621	30,368,578
DIRECT PROJECTS		
FEDERAL	-	74,935
NON-FEDERAL	8,489,341	7,902,938
	<u>\$ 206,377,762</u>	<u>\$ 204,928,212</u>

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED JANUARY 31, 2025 and 2024**

	<u>CURRENT MONTH</u>	<u>FY 2025 YEAR-TO-DATE</u>	<u>FY 2024 YEAR-TO-DATE</u>
BEGINNING CASH BALANCE	\$ 17,312,119	\$ 22,164,986	\$ 31,943,905
Receipts:			
UH Projects	29,824,245	190,360,097	161,181,859
Direct Projects	1,120,967	9,062,130	7,417,407
Revolving Funds and Other	1,072,016	4,791,998	4,707,887
UH Management Fee	-	2,972,989	3,047,241
	<u>32,017,228</u>	<u>207,187,214</u>	<u>176,354,394</u>
TCD Redemption	-	3,000,000	2,500,000
Total Receipts	<u>32,017,228</u>	<u>210,187,214</u>	<u>178,854,394</u>
Disbursements:			
Vendors	14,948,868	102,322,043	95,318,211
UH Payroll Clearing	5,132	41,501	375,589
Salaries & Wages	8,878,902	63,232,924	58,146,508
Payroll taxes	3,744,491	26,476,009	24,474,237
TIAA-CREF	1,298,457	8,809,424	8,006,224
HMSA/Kaiser/HDS	1,516,207	10,530,499	9,724,626
TCD Purchase	-	2,000,000	1,000,000
Short Term Investment Purchase	-	-	-
Other	-	-	-
	<u>30,392,058</u>	<u>213,412,401</u>	<u>197,045,395</u>
Total Disbursements	<u>30,392,058</u>	<u>213,412,401</u>	<u>197,045,395</u>
Increase(Decrease):			
Petty Cash Balances	(2,682)	700	1,290
Bank of Hawaii (PR)	-	-	-
Savings - TCD	-	-	-
Retricted Cash - Retiree Health Ben	-	-	-
Other	996	(4,896)	10,039
	<u>(1,686)</u>	<u>(4,196)</u>	<u>11,329</u>
ENDING CASH BALANCE	<u>\$ 18,935,604</u>	<u>\$ 18,935,604</u>	<u>\$ 13,764,233</u>

February 19, 2025

Ms. Tracey Heinrich
Director of Finance
Research Corporation of the University of Hawaii
Submitted via e-mail to
theinrich@rcuh.com

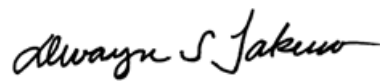
Thank you for giving us the opportunity to express our interest in continuing to provide professional audit services for the Research Corporation of the University of Hawaii (Corporation). We understand the services requested include the audit of the financial statements and schedule of management fees of the Corporation as of and for the year ended June 30, 2025. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Based on our discussions, our proposed fees are estimated to be \$54,080.

We have also enclosed the external peer review report of N&K CPAs, Inc. for the year ended June 30, 2020.

We would be pleased to meet with you to answer any questions you may have. We hope to have the opportunity to continue to work with you.

Sincerely,

N&K CPAs, Inc.



Dwayne S. Takeno
Principal

Enclosure: External Peer Review Report of N&K CPAs, Inc.

REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

December 2, 2020

To the Shareholders of N&K CPAs, Inc.
and the Peer Review Committee of the Oregon Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of N&K CPAs, Inc. (the firm) in effect for the year ended June 30, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included audits performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and audits of employee benefit plans

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of N&K CPAs, Inc. in effect for the year ended June 30, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. N&K CPAs, Inc. has received a peer review rating of *pass*.

FRANKEL ZACHARIA LLC

Frankel Zacharia, LLC

Audit Fee History & Analysis

FISCAL YEAR	AUDIT FEES	YoY Change (%)
2020	\$45,000	-
2021	\$45,000	0.0%
2022	\$46,800	4.0%
2023	\$49,500	5.8%
2024	\$52,000	5.1%
2025	\$54,080	4.0%



RCUH BOARD OF DIRECTORS MEETING – MARCH 5, 2025 EXECUTIVE DIRECTOR'S REPORT

This report presents programmatic updates and summarizes RCUH's major initiatives since the Board's December 4, 2024 meeting. It begins with updates, followed by a status report of the actions taken toward RCUH's 2022-2026 Strategic Plan.

UPDATES

Legislative Update

Prior to the Legislative session, RCUH worked with UH to provide travel information for UH employees who processed travel in the RCUH Financial Portal. This request for information took significant time to clean the data and involved staff from all three RCUH departments. RCUH continues to make every attempt within reasonable cost to implement changes to the Financial Portal after the SAP conversion to reduce the manual labor that is required for these annual requests.

In the 2025 Legislative Session, the lone bill that specifically references RCUH is [Senate Bill 1254](#), which prohibits active UH and RCUH employees from serving on the UH Board of Regents. RCUH notified its Board of Directors on Feb. 4, 2025, and the bill subsequently passed the Senate Higher Education Committee and was referred to the Senate Judiciary Committee. RCUH did not submit testimony or comments on this bill as the bill does not directly impact the RCUH Board.

Federal Funding Update

US President recently issued a number of Executive Orders that have impacted universities, federally-funded projects, organizations, and agencies across the country. UH President Wendy Hensel released a statement on Feb. 24, 2025, acknowledging that these Executive Orders and directives impact our university community in a variety of ways. In response, she announced a [New Federal Policy Information and Resources webpage](#) to provide everyone with up-to-date information and resources as the situation evolves. The webpage is intended to serve as a centralized hub for the latest news, guidance and FAQs to support UH faculty, staff and students.

In addition, VPRI Dr. Vassilis Syrmos also developed a webpage to track this evolving situation with the latest updates, with more specific guidance for UH researchers and administrators. Since the vast majority of RCUH employees work for UH projects, RCUH has helped to share UH's messages via email and our e-Newsletter with links to the above references. RCUH is also working closely with UH Principal Investigators (PIs) and carefully evaluating procurement and employment actions for federally-funded research projects, especially those where stop work orders have been issued. To date, there are a number of PIs who received stop work orders from their respective sponsors and RCUH has only furloughed a handful of RCUH employees after coordination and evaluation with appropriate personnel from the VPRI office and PIs. This is an ongoing fluid matter that requires us to monitor and work with all of these offices to carefully address procurement and contractual issues moving forward. I am happy to report that for the most part, everyone has been calm and patient with the process and the work is continuing despite this disruption.

RCUH SAP Transition

The Finance team remains focused on the transition to SAP 4/Hana. Team members have frequent meetings with the DataHouse team, meeting several times each week. The Director of Finance also holds

a weekly one-on-one with the project manager, which is proving helpful to the overall effort in our attempt to prevent further delays. Additionally, Human Resources/Payroll representatives attend relevant meetings as needed.

Recent efforts have primarily concentrated on areas such as the Chart of Accounts, Grants (i.e., Projects) Management, Purchase Order Change Forms (POCFs), Journal Entry Requirements, the R/FREDI feed, Data Migration, and the Cut Over Date.

The planned go-live date for SAP 4/Hana is now set for October 2025, a three-month extension from the previously communicated timeline. The total project cost remains unchanged at \$2,500,000, which was reported at our last meeting.

RCUH Firearms Insurance Update

The firearms/airguns policy documents are in the finalization process after consultation with the appropriate UH offices (VPRI, Office of General Counsel, and Risk Management, and impacted PIs). The decision was made to obtain coverage of \$1 million per occurrence and \$2 million aggregate at a cost of a little over ten thousand dollars per year. Annually, during the renewal period, a list of firearm/airgun users will be provided, which may affect the premium. The costs of the firearm/airgun insurance will be the responsibility of the projects. The Pacific Cooperative Studies Unit (PCSU) is currently the only project authorized to use firearms under this coverage, with 58 employees using airguns and 2 using firearms.

Update to RCUH's Retirement Plan

RCUH HR recently met with TIAA and will be moving forward with the transition to the TIAA Nuveen Lifecycle Series as the investment option for RCUH participants. This change maintains the same target date series currently in place while offering additional benefits, including the option for guaranteed income in retirement and improved risk-adjusted returns. Participants investing in the default fund will experience similar savings outcomes as bonds but with lower expected volatility, which is particularly beneficial for those nearing retirement. Additionally, TIAA's profit-sharing approach provides an opportunity for increased retirement income over time. The transition to this structure significantly reduces costs, lowering expenses from 57bps (0.57%) to 2bps (0.02%), representing a 96% cost reduction. This move strengthens RCUH's retirement plan offerings by enhancing financial security for participants while optimizing cost efficiency.

ACTIONS TAKEN TOWARD GOAL ACHIEVEMENT RCUH 2022 - 2026 STRATEGIC PLAN

GOAL 2. CLARIFY RCUH'S IDENTITY WITH UH AND THE STATE.

- **Clearly define RCUH's role and relationship with UH, State of Hawai'i.**
 - **Engage with stakeholders to establish guidelines, expectations for RCUH's scope of work.** RCUH Human Resources is working closely with key stakeholders, including the UH Office of the Vice President for Research and Innovation (UH OVPRI) and the UH Office of Human Resources (UH OHR), to establish clear guidelines and expectations for RCUH's scope of work. This collaboration ensures alignment with UH policies and strategic goals while maintaining the flexibility necessary to support research and project-based hiring. By

engaging in regular discussions and joint planning efforts, RCUH HR helps streamline hiring processes, address compliance requirements, and facilitate efficient workforce management to meet the needs of UH-affiliated research initiatives.

- **Ensure stakeholders understand RCUH’s role and limitations.**
 - **Educate government agencies, private companies, not-for-profits about RCUH’s services and capabilities.** ED Gouveia held several meetings with representatives from the Maunakea Stewardship and Oversight Authority (MKSOA) to explain RCUH’s services and to discuss the transition of current RCUH employees under the Center for Maunakea Stewardship.

GOAL 3. REFORM RCUH’S INTERNAL OPERATIONS.

- **Identify and implement efficiencies in RCUH’s operations.**
 - **Evaluate internal procedures and streamline for efficiencies.** As part of RCUH HR’s ongoing efforts to improve operational efficiency, we identified the manual processing of paper W-2s as a time-intensive task that required significant staff resources. Historically, nearly 1,000 paper W-2s, about one-third of all W-2s issued, had to be printed, verified, and manually stuffed into envelopes by payroll and HR staff each year. To streamline this process and support RCUH’s shift toward digital solutions, we implemented electronic W-2 consent upon hire in May 2023. While the impact in tax year 2023 was moderate due to missing the bulk of summer hires, by tax year 2024, after a full year and a half of implementation, we saw a significant reduction in paper W-2s:

Year	Paper W-2s	Electronic W-2s	Total W-2s
2022	1,170	2,383	3,553
2023	866	2,957	3,823
2024	323	3,346	3,669

This shift has not only reduced the workload for payroll and HR staff but also aligns with RCUH’s strategic plan and commitment to streamline for efficiencies.

- **Invest in development of RCUH core staff.** RCUH is dedicated to fostering continuous learning and professional growth for our core staff. Our HR team members actively participate in professional development opportunities. Recently, another team member achieved both the HRCI Professional in Human Resources (PHR) and the SHRM Certified Professional (SHRM-CP) certifications, bringing our total to nearly 60% of the HR team holding these credentials. Additionally, our recruitment team successfully completed the Korn Ferry Job Evaluation program. This training equipped them with the fundamental principles of the Korn Ferry Hay Method, the world’s most widely accepted job evaluation methodology. Through this program, our team gained hands-on experience in analyzing roles, evaluating job structures, and connecting job evaluation with broader HR functions such as career pathing, skill development, and compensation strategies. In our continuous effort to enhance HR operations and better serve our employees, we also welcomed two student interns to conduct an in-depth analysis of our employee population, communication strategies, and benefit offerings. Their insights will help us refine our outreach and improve the overall employee experience.

- **Hold an annual RCUH retreat.** RCUH held an all-staff retreat at the UH Mānoa Executive Dining Room on Dec. 11, 2024. This year's meeting featured facilitator and trainer Jamie Champagne, who led sessions on Agile Project Management and Business Process Improvement. Feedback after the retreat found that 100% of the 20 respondents found the session valuable. Attendees said:
 - *"Insightful techniques that I can directly apply to roadblocks and processes I regularly struggle with at my job."*
 - *"We learned simple yet valuable ways to think about approaching our work differently to get things done faster, to have a "to do" list, and to improve processes!"*
- **Ensure systems are secure and in compliance with applicable policies, regulations.** RCUH's IT System/Security Administrator has continued to evaluate and strengthen RCUH's IT infrastructure, while making efforts to reduce IT costs. Recent actions include deploying a syslog server with UH and transferring the management of RCUH's DNS records from DataHouse to internal staff.
 - **Conduct random inspections to ensure internal policies are being followed.** RCUH HR is committed to ensuring compliance with all applicable policies and regulations. To uphold these standards, we conduct regular random audits to verify that internal policies are being followed. During a recent audit, we identified projects that were in violation of Policy 3.210: Hiring Options through RCUH, specifically regarding non-recruited intermittent hires who had not worked within a six-month period. We promptly reached out to the respective projects and took corrective action to ensure compliance. Additionally, we found employees with expired Attachment B agreements that required immediate attention, whether through creating a new position request, transitioning to UH employment, or initiating termination. RCUH HR will continue to perform these audits to reinforce compliance and uphold the integrity of our hiring processes.
- **Enhance IT systems to reduce manual processes and eliminate paper documents.**
 - **Update Human Resources Portal.** The RCUH Human Resources Portal and Employee Self-Service (ESS) underwent a system upgrade on Dec. 9, 2024, introducing a new fluid layout for improved functionality, especially on mobile devices and tablets. This update enhanced user experience by providing a more responsive and intuitive interface. Following the upgrade, some users experienced an issue where certain tiles, including the eTimesheets tile, were not appearing on smaller devices. Our team promptly identified and resolved the issue, deploying the fix into production by Dec. 12, 2024.

GOAL 4. INCREASE ENGAGEMENT AND OUTREACH TO CLIENTS.

- **Strengthen relationships with PIs, FAs, and Project Staff.**
 - **Coordinate professional development opportunities for project staff.** Sixty RCUH employees attended two training sessions in February led by the Hawaii Employers Council on "Communicating with Intention for Meaningful Outcomes." In the feedback survey, 97% of the 30 respondents agreed/strongly agreed they'd be able to use what they learned on the job. The virtual series wraps up in April with training on appraising employee performance.

- **Improve external communications to projects.** RCUH released its Annual Report in early January and distributed hard copies to the Top 100 Principal Investigators across the UH System, as well as other stakeholders. The report highlighted RCUH's volume of business, new direct projects, as well as Subaru Telescope's 25th anniversary. The report is also available online at www.rcuh.com.
 - **Update RCUH website.** RCUH executed an agreement with DataHouse to proceed with developing an updated website. The RCUH management team plans to meet with DataHouse in early March for the kickoff meeting.

OTHER ITEMS OF INTEREST:

- **New Direct Projects:**
 - **Department of State Islands Resilience (\$286,582).** This project started in December 2024 but received a Notice of Suspension on January 24, 2025. The project was to catalyze island-led climate adaptation resilience by continuing to grow the Local2030 Islands Network, a global peer-to-peer forum of collaboration.



February 26, 2025

MEMORANDUM

TO: Chair David Karl
and Members of the Board of Directors

FROM: Kira Higa
Director of Human Resources

SUBJECT: 2025 Pay Award and Pay Adjustment Guidelines

RCUH is proposing the below compensation guidelines effective July 1, 2025, with an alternate effective date of October 1, 2025, for projects whose budgets are dependent on the federal fiscal year.

According to recent survey data, national salary increases are averaging 3.6% for 2025. The proposed compensation guidelines reflect a decrease from last year, aligning with national trends. While there continues to be strong competition among employers for talent, resulting in upward pressure on wages and benefits, the current economic climate necessitates a conservative approach to compensation adjustments.

These guidelines will allow Principal Investigators (PIs) to provide competitive salaries, which are essential for recruiting and retaining highly qualified staff in a tight labor market. RCUH is proposing a range for both:

- General and Merit Pay Awards (one-time payments)
- Pay Adjustments (permanent increases to base pay)

This range offers projects flexibility, especially in cases where funding may be a concern. Additionally, PIs will have the discretion to implement only General Pay Awards or Merit Pay Adjustments as needed. It is important to note that all pay adjustments and pay awards are contingent on the availability of funds within each project.

July 1, 2025 Guidelines for General and Merit Pay Awards and Pay Adjustments

2.0% to 4.0%	General Pay Award or Pay Adjustment	Eligible employees must receive a Satisfactory rating on their performance evaluation.
1.0% to 2.0%	Merit Pay Award or Pay Adjustment	Eligible employees must receive a Merit rating on their performance evaluation.