



MINUTES  
AUDIT COMMITTEE  
Board of Directors  
Monday, October 29, 2018  
@ MIC 2<sup>nd</sup> Floor Conference Room

- PRESENT:** Randolph Moore, David Duffy, and Michael Maberry  
Sylvia Yuen, Glenn Yee and Brenda Kanno  
Cory Kubota and Ryan Horiuchi, Accuity LLP
- CALL TO ORDER:** The meeting was called to order at 9:15 am by Chair  
Randolph Moore.
- APPROVAL OF MINUTES:** Upon motion made (Duffy), seconded (Moore), and duly  
carried, the minutes of the March 30, 2018 meeting were  
approved as circulated.
- AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING JUNE 30, 2018 AND OTHER COMMUNICATIONS FROM EXTERNAL AUDITOR:** Mr. Kubota reviewed Accuity's Report to the Audit  
Committee, which included the communications required by  
American Institute of Certified Public Accountants  
professional auditing standards. He then provided an  
overview of the following, for which Accuity will be issuing  
"clean" reports:
1. Report on Financial Statements and Required  
Supplementary Information.
  2. Report on Schedule of Management Fees.
  3. Internal Control and Business Issues Report.
- This year's work included a new requirement, GASB No. 75,  
Accounting and Financial Reporting for Postemployment  
Benefits Other than Pensions, which brings the financial  
statements for government entities in line with that for  
private industry. This resulted in a single year presentation.
- Chair Moore inquired about presenting comparative data  
despite the need to adjust the beginning net position. There  
is nothing in the financial statements report which states

why there is only a single year reporting. He added that the University plans to present the prior year's information with the applicable notes. Mr. Kubota responded that the report can be modified to include the comparative data if the Committee desires. Chair Moore felt that including the prior year information, even if not comparable, is better than not having anything. It was agreed that Accuity will add the prior year information in the report.

Other points raised by Chair Moore included:

- Page 3 of Management's Discussion and Analysis: Why is there no explanation in the increases and subsequent decreases in projects expenditures? A note will be added to explain the growth years were because of the UH West Oahu and UH Cancer Center construction projects.
- Page 12, Money Market Mutual Fund: Mr. Yee explained the details of the BlackRock fund, 99.5% of which is invested in US obligations.
- Page 13, Deferred Inflows and Deferred Outflows: Why are we using 6.05 years? It was explained that the number is based on the actuary's report. A note will be added, "as determined by the actuary" to explain the 6.05 years reference since it is an unusual number.
- Page 14, Note 2, Cash, Money Market Mutual Fund and Time Certificate of Deposits: This will be reworded as there is currently no collateral on the BlackRock fund. Mr. Yee will check further whether collateral is necessary.
- Page 21, Note 12, Torts: RCUH's legal counsel (State AG) did not specifically opine on the material adverse effect on the corporation's financial position. However, counsel did note that RCUH has meritorious defenses in the lawsuits.

Mr. Kubota elaborated on the Internal Control and Business Issues Report deficiency whereby inaccurate census data files were provided to the actuary on two occasions. Accurate data was submitted in the third transmission. Management has changed its procedures to ensure that data submissions are reviewed for accuracy by the originating department director and again by the Director of Finance before transmittal to the appropriate parties.

The Audit Committee members were satisfied with the auditor's report, management's actions, and the proposed report changes.

Upon motion made (Duffy), seconded (Moore), and duly carried, the Committee accepted the audited financial statement report by Accuity LLP on behalf of the Board, per delegated authority.

ADJOURNMENT: The meeting adjourned at 10:15 am.

*/s/ Brenda Kanno*

Brenda Kanno  
Corporate Secretary