



DRAFT MINUTES
AUDIT COMMITTEE
Board of Directors
Thursday, October 31, 2019
@ RCUH Conference Room

PRESENT:

Randolph Moore, David Duffy, and Michael Maberry
RCUH Staff: Sylvia Yuen, Glenn Yee and Brenda Kanno

CALL TO ORDER:

The meeting was called to order at 9:05 am by Chair Randolph Moore.

APPROVAL OF MINUTES:

Upon motion made (Duffy), seconded (Maberry), and duly carried, the minutes of the March 5, 2019 meeting were approved as circulated.

FINANCIAL AUDIT FOR FISCAL YEAR ENDING 6/30/2019:

Ryan Horiuchi of Accuity LLP distributed and reviewed a report covering the RCUH FY 2019 financial statement highlights and required communications.

He then reviewed the Internal Control and Business Issues Report, which included one significant deficiency related to a matter for which University personnel are primarily responsible. Since the matter will be in the University's audit report, Accuity included it in RCUH's report since RCUH will be working with the University in preventing and resolving the matter which deal with payroll expenditures for RCUH employees on federally-funded projects. Mr. Yee noted that the first item related to an erroneous payment, which has been resolved and the project has recovered the payment. Executive Director Yuen added that the deficiency involved Windward Community College. She will be informing the Chancellor about the matter and again make the offer for RCUH to provide training.

A control deficiency was also cited. It involved the postemployment health care and life insurance benefits actuarial valuation. An incorrect birthdate for a participant was entered by the actuary which resulted in an overstatement of RCUH's postemployment health care and life insurance benefits liability at 6/30/18. Also, erroneous provisions were applied for the life insurance benefits during the 2018 actuarial valuation, which resulted in an understatement of the postemployment health care and life insurance benefits liability. The end result was not significant to require a restatement of the 2018 financials. Management will be working more closely with the actuary to ensure accurate information and data are provided and will be reviewing policies/procedures to ensure implementation actions are consistent with policy requirements.

The financial audit report and schedule of management fees were reviewed and there were no concerns.

Upon motion made (Maberry), seconded (Duffy), and duly carried, the Committee accepted the audited financial statements for the fiscal year ending 6/30/2019, in accordance with its board-delegated authority.

AMENDMENT TO AGENDA:

Upon motion made (Maberry), seconded (Duffy), and duly carried, the Committee voted to amend the agenda by adding: Executive Session – Matter Exempted by HRS §92-5(a)(2) [personnel matter].

EXECUTIVE SESSION:

Upon motion made (Maberry), seconded (Duffy), and duly carried, the Committee voted to enter into Executive Session to discuss a matter exempted by §92-5(a)(2) [personnel matter]. The Executive Session convened at 9:45 am and adjourned at 9:55 am.

REPORT ON EXECUTIVE SESSION:

Chair Moore reported that the Executive Session discussion was for the purpose of evaluating the RCUH staff in relation to the audit engagement. The Accuity LLP staff commended the RCUH staff for their professionalism and cooperation throughout the audit.

EXTERNAL AUDITOR SELECTION PROCESS:

RCUH's engagement with Accuity LLP ended with the 6/30/19 audit. The Committee agreed that RCUH should proceed with an RFP for audit services for a 5-year period, with the option to extend for an additional year. Executive Director Yuen responded that an RFP will be drafted and will be sent to the Committee for review.

INVESTMENT GUIDELINES:

Executive Director Yuen explained the proposed guidelines. RCUH has communicated to its banking partner that our goal is to achieve higher yields on funds deposited, which are rather substantial. In the past, deposits were limited to TCDs. So RCUH is looking at vehicles to maximize investment returns, while maintaining liquidity and low risk tolerance for loss of invested funds. The proposed guidelines will assist the bank in identifying appropriate investment options for RCUH's consideration and final approval. After some discussion, it was agreed that the following revisions will be made to the proposed guidelines for the Committee's review:

- Section 1, 3rd bullet: Define 'investment advisor' and 'investment managers'
- Section III, last 2 bullets: Define maximum term of such investments (eg, no 30-year commitments, etc.).

ADJOURNMENT:

The meeting adjourned at 10:30 am.

Brenda Kanno, Corporate Secretary