Introduction to RCUH

February 2022
Presentation Outline

- About RCUH
- Overview of RCUH Financials
- Summary of State Audits
- Current Priorities
About RCUH
A Brief Background

The Research Corporation of the University of Hawai‘i (RCUH) was established by the Hawai‘i State Legislature in 1965 as a public instrumentality and is attached to the University of Hawai‘i for administrative purposes. RCUH provides the ancillary services to hire personnel and procure goods/services on behalf of its clients (e.g., UH, state agencies, private not-for-profits).

MISSION
To support and enhance research, development, and training in Hawai‘i, with a focus on the University of Hawai‘i.

VISION
A Hawai‘i where research, development, and training flourish and energize a prosperous state economy.
RCUH Board of Directors

Eugene Bal III
Chair, UH Board of Regents Member

Kelli Goodin
Vice Chair, Governor's Non-UH Research Organization Appointee

Ken Hayashida
Governor's Business Sector Appointee

David Karl
Governor's UH System Research Faculty Member Appointee

Michael Maberry
House Speaker's Appointee

Diane Paloma
UH Board of Regents Member

Joseph Pickard
Senate President's Appointee

Vassilis Syrmos
UH Vice President for Research and Innovation (ex-officio, non-voting)
Leonard R. Gouveia, Jr.
RCUH Executive Director

B.S., Chaminade University
J.D., Gonzaga University School of Law

More than 18 years of experience at the University of Hawai‘i serving in a variety of roles:

- Director, UH Office of Research Services
- Director, UH Office of Research Compliance
- Director, UH Office of Export Control
- UH Facility Security Officer
RCUH's Function
What is our purpose?

Research contracts often require a much more flexible and streamlined method of operation than is permitted by typical state agencies, which is one of the primary reasons why RCUH was created. In order to help the University run more like a business, RCUH was established to help hire personnel and procure goods and services in an expeditious manner. To provide this flexibility and expedite actions for research projects, RCUH is excepted from certain state laws, such as:

- **Sections 36-27 and 36-30**, relating to special fund reimbursements to the state general fund
- **Chapter 103D**, relating to procurement and construction contracts *
- **Chapter 76**, relating to civil service
- **Section 78-1**, relating to public employment

* Provided that the exception shall not apply where state funds are used and compliance with Chapter 103D is required by a bill enacted by the legislature
RCUH Operations & Services

Departments

**Finance**
- Accounting
- Disbursing
- Employee Travel
- Procurement
- Project Administration

**Human Resources**
- Employee Benefits
- Employment
- Information Systems
- Payroll
- Recruitment

**Corporate Services**
- Board Matters
- Communications
- Executive Office Support
- Online Training
- Special Events
Although the numbers fluctuate throughout the year, RCUH services approximately 3,800 active research and training projects and processes more than $250 million in annual expenditures for researchers.

These projects employ approximately 2,500 individuals in a wide range of fields, including astronomy, oceanography, health, human services, natural resources, agriculture, education, business, and other areas. Employees are located throughout the state of Hawai‘i, as well as the continental U.S. and other countries.

Click here for an overview of RCUH’s FY 2021 statistics
Overview of RCUH Employees

**RCUH employees are state, non-civil service employees**

All employees are subject to all applicable RCUH policies and procedures, UH and/or business entities’ policies and procedures (as applicable), as well as the Hawaii State Ethics Code.

**Employment is dependent upon funding**

Since RCUH employees are not paid from appropriated General funds (G-funds), continuation of employment is dependent upon availability of funds, program needs, satisfactory work performance, and compliance with applicable federal and state laws.

**RCUH employees are non-union and have different benefits from UH/State employees**

Please click here for an overview of employee benefits.
Guidelines for Hiring RCUH Employees
(for UH Projects)

AP 12.203

1. Any UH request which involves the appointment of an RCUH employee for a covered type of position shall be accompanied by a Service Order Personnel Form which must be reviewed and approved by the UH Office of Human Resources before it is sent to the UH Office of the Vice President for Research and Innovation for final institutional approval.

2. Any covered type of position that is continuously filled by an RCUH employee for three years shall be subject to review and re-authorization by the UH Office of Human Resources and VPRI.

3. The RCUH shall not establish any covered type of position unless it has been specifically approved by the UH Office of Human Resources and VPRI.
Overview of RCUH Financials
RCUH's Operations

How is RCUH funded?

RCUH does not directly receive any appropriated G-funds from the State Legislature to support its operations. Instead, RCUH is funded through fees collected from a percentage of expenditures that run through RCUH's Financial System.

University of Hawai’i projects pay RCUH based on the applicable formula/rate stated in the Internal Agreement between UH and RCUH. Direct projects from state agencies follow the formula listed in the Master Agreement.

It cost UH just 2.7% of its FY 2021 expenditures to run its research and training projects through RCUH.
# RCUH REVENUE SOURCES

<table>
<thead>
<tr>
<th>UH EXTRAMURAL PROJECTS</th>
<th>UH INTRAMURAL PROJECTS</th>
<th>UH REVOLVING PROJECTS</th>
<th>DIRECT PROJECTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Externally sponsored federal and non-federal contracts, grants, and other agreements</td>
<td>Internally sponsored programs or activities funded with UH Research and Training Revolving Funds (RTRF) or Tuition and Fee Special Funds (TFSF)</td>
<td>Self-sustaining, income-generating projects established to support a specialized service activity, a recharge center, or other sales and service activities</td>
<td>Projects assigned to and accepted by RCUH from non-UH organizations, including federal and state agencies, international organizations, and other not-for-profit organizations</td>
</tr>
</tbody>
</table>

Flow Chart of Grant Awards
UH Service Orders to RCUH

**UH Extramural Funds** *(RP 12.207, AP 12.203)*

The university service orders extramural contracts and grants to RCUH. However, RCUH shall not be used to circumvent statutes, board policies, contracts, settlements, or regulations.

**UH Intramural Funds** *(RP 12.207, AP 12.203)*

To request RCUH's services for an intramural funded project, it should be for a new or on-going scientific and technical developments or unanticipated contingency situation that requires immediate action for the successful completion of the project or activity.

**UH Revolving Accounts** *(AP 12.204)*

A revolving account should be established only if it can operate as an ongoing activity.
The Internal Agreement establishes a mutually acceptable set of relationships, responsibilities, and procedures. This agreement controls fees paid by UH to RCUH and has been in place since 1968. It compensates RCUH for servicing three types of University projects/accounts:

- UH Extramural Projects
- UH Intramural Projects
- UH Revolving Accounts

It has been renegotiated, amended, and restated 10 times in its 50-year history, most recently in 2017, and is currently being re-evaluated.
Modified Total Direct Cost (MTDC) is a federal term used to determine reimbursable indirect costs on grants and contracts. MTDC includes costs such as salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and the first $25,000 of each subaward. In accordance with the federal definition, it excludes costs such as equipment, capital expenditures, scholarships and fellowships, and the portion of each subaward in excess of $25,000.

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Cost Base</th>
<th>Cost Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>UH Extramural Projects</td>
<td>RCUH Operating Expense</td>
<td>% = Extramural MTDC / All Projects MTDC</td>
</tr>
<tr>
<td>UH Intramural Projects</td>
<td>MTDC</td>
<td>2.9%</td>
</tr>
<tr>
<td>UH Revolving Accounts</td>
<td>MTDC</td>
<td>2.9%</td>
</tr>
</tbody>
</table>
### FY 2021 Volume of Business

(Monies that were processed in the RCUH Financial System on behalf of research projects)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Percentage</th>
<th>of RCUH’s volume of business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extramural Expenditures</td>
<td>$206,162,197</td>
<td>78.9%</td>
<td></td>
</tr>
<tr>
<td>Intramural Expenditures</td>
<td>$15,026,236</td>
<td>5.8%</td>
<td></td>
</tr>
<tr>
<td>Revolving Expenditures</td>
<td>$26,381,785</td>
<td>10.1%</td>
<td></td>
</tr>
<tr>
<td>Direct Expenditures</td>
<td>$13,724,843</td>
<td>5.3%</td>
<td></td>
</tr>
</tbody>
</table>

**Total FY 2021 Expenditures:** $261,295,061
**FY 2021 RCUH Revenue**

(RCUH Revenue collected from UH Extramural, Intramural, and Revolving Projects)

<table>
<thead>
<tr>
<th><strong>Extramural Fees</strong></th>
<th><strong>Intramural Fees</strong></th>
<th><strong>Revolving Fees</strong></th>
<th><strong>Total Fees Paid by UH</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,531,531</td>
<td>$406,716</td>
<td>$727,314</td>
<td>$6,665,561</td>
</tr>
<tr>
<td>2.7%</td>
<td>2.7%</td>
<td>2.8%</td>
<td>2.7%</td>
</tr>
<tr>
<td>of UH's Extramural Expenditures</td>
<td>of UH's Intramural Expenditures</td>
<td>of UH's Revolving Expenditures</td>
<td>of UH's Expenditures processed by RCUH</td>
</tr>
</tbody>
</table>
FY 2021 RCUH Revenue (from UH Projects)

FY 2021 Fees Collected from UH: $6,665,561

- Extramural ($5,531,531)
- Revolving ($727,314)
- Intramural ($406,716)
NOTE: Extramural awards can extend across multiple fiscal years, and not all expenditures are run through RCUH (e.g., salaries for UH researchers).
About the Master Agreement

This agreement compensates RCUH for servicing state agencies (excluding UH) and establishes the guidelines state agencies must follow in order to seek RCUH services. Here are some examples of the criteria projects must follow:

- The nature of the research or investigation is at an intellectual level appropriate for university-level research
- Funding for the project exceeds $25,000
- The project does not involve classified research
- The State program manager requires professional assistance in such areas as the development of the project scope
- Private sector assistance for the project is inappropriate because of such factors as lack of technical expertise, etc.
Current Management Fee for Direct Projects

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Cost Base</th>
<th>Cost Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Projects (State &amp; Private)</td>
<td>MTDC</td>
<td>3.1% - 5.0%</td>
</tr>
</tbody>
</table>

Direct Projects that are a State of Hawai‘i Department/Agency have an indirect cost rate of 3.1%. Direct Projects that are Non-State entities have an indirect cost rate of 5.0%.
FY 2021 RCUH Revenue
(from Direct Projects)

FY 2021 Fees Collected from Direct Projects: $552,855

- Non-State ($439,484) - 79%
- State ($113,371) - 21%
Summary of State Audits
Summary of Findings

1. RCUH operates as an independent entity with little accountability and oversight by either the university or its board.

2. Federal funds have been jeopardized and significant deficiencies found in RCUH's financial management because the university and RCUH have not defined clearly their respective responsibilities.

3. The RCUH's financial reports are misleading and do not adhere to generally accepted accounting principles for treatment of assets.

4. RCUH lacks clear policies, criteria, and management controls for contracting with state agencies. It has allowed abuses to occur.

5. Executive departments use contracts with RCUH to evade state requirements.

6. RCUH charges an arbitrary fee for its services to state agencies.
Summary of Findings

1. Complacency and weak planning by the RCUH Board of Directors and executive director have resulted in a reactive approach to supporting research and training that focuses support services on University of Hawai'i activities. In addition, plans do not address RCUH's mandate to initiate, stimulate, conduct, and coordinate research and training generally in Hawai'i.

2. RCUH project oversight deficiencies jeopardize the integrity of the corporation's services.

NOTE: Among the 23 agencies for which follow-up reviews were conducted, RCUH was 1 of 3 agencies to implement all of its recommendations.
Current Priorities
Goals

1. Evaluate and implement recommendations from the RCUH Task Force.
2. Clarify RCUH's identity with UH and the State.
3. Reform RCUH's Internal Operations.
4. Increase engagement and outreach to clients.
2022-2026 Strategic Plan

2022 Objectives

1. Update the UH/RCUH Internal Agreement.
2. Collaborate with UH in an effort to reduce IT costs.
3. Ensure stakeholders understand RCUH's role and limitations.
4. Identify and implement efficiencies in RCUH's operations.
5. Ensure systems are secure and in compliance with applicable policies, regulations.
6. Strengthen relationships with PIs, FAs, and Project Staff
Remembering the Mission: Supporting Research, Development, and Training in Hawai‘i

After supporting researchers in Hawai‘i for more than 50 years, RCUH is taking a closer look on how to reduce the administrative burden on researchers so that they can focus more time on their research. Using feedback from our clients and recommendations from the state auditor, RCUH is committed to increasing administrative efficiencies, while following proper compliance with the State and federal government.

The Value of Research Funding

In May 2021, the Economic Research Organization at the University of Hawai‘i released a report, which found that each research-related dollar generated $1.83 of total business sales, $0.59 of employee earnings, and $0.10 of state tax revenue; and each million dollars of spending generated 13.5 local jobs.

Final Thoughts
Contact Us

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