



Minutes
BOARD OF DIRECTORS
The Research Corporation of the University of Hawai'i
March 1, 2022
Virtual Meeting

PRESENT:

Eugene Bal, Kelli Goodin, Ken Hayashida, Diane Paloma, Vassilis Syrmos, Michael Maberry (non-voting). Excused: Joseph Pickard, David Karl.

RCUH Staff: Leonard Gouveia, Nelson Sakamoto, Glenn Yee, Kaylee Hull
Attorney General's Office: Reese Nakamura

CALL TO ORDER:

The meeting was called to order by Chair Bal at 9:03 a.m.

PUBLIC COMMENT PERIOD (IF APPLICABLE)

No written or oral testimony was received.

APPROVAL OF MINUTES OF THE DECEMBER 14, 2021 MEETING

Director Paloma identified a minor error to the time of adjournment. Upon motion made (Paloma), seconded (Hayashida), and duly carried, the minutes of the December 14, 2021 meeting was approved as amended.

FINANCIAL STATEMENT FOR JANUARY 2022

Mr. Yee reviewed the January 2022 balance sheet. The cash balance remained at approximately \$39 million, which is typical in terms of the variance from last year. He highlighted the major line items such as assets (\$42 million), liabilities (\$28 million), and total retained earnings (\$9.6 million).

Mr. Yee used a benchmark of 58.3% to evaluate RCUH's spending and revenue for seven months into the fiscal year. RCUH's operating expenses totaled \$4 million, which represents 50% of RCUH's budget. He emphasized that the underspending is not a coincidence, as RCUH is intentionally cutting costs by not filling vacant positions (there are approximately 4-5 open positions between RCUH Human Resources and Finance). Mr. Yee explained that UH's extramural fees are based as a ratio of RCUH's operating budget due to the Internal Agreement. This means if RCUH spends less, UH pays less in fees.

Mr. Yee also highlighted revenue from non-UH agencies, which has grown to 83.6%. He shared that RCUH has received more direct project requests from the State over the past year, including the Governor's Emergency Education Relief (GEER) funds, which has recorded a high number of expenditures thereby increasing RCUH's fees. Mr. Yee reported that interest and other income has been down since rates have been dismal (0.1% to 0.15% locally). He anticipates that interest rates will start increasing within the next year. Lastly, Mr. Yee stated that RCUH has a slight surplus of operating income at \$171,000 for the year.

When reviewing the retained earnings document, Mr. Yee highlighted RCUH's volume of business, which is the amount of expenditures run through RCUH's system by the research projects. For Fiscal Year 2022 (year-to-date), RCUH processed \$169 million, most of which are extramural funds. The volume of business from direct projects are also up with \$13.6 million in expenditures compared to

last year's \$8 million in expenditures. This information is provided by the UH Office of Research Services, which shows an all-around strong performance in terms of extramural activity.

REPORT OF AUDIT COMMITTEE

Director Hayashida chaired the Audit Committee meeting, which was held prior to the board meeting. He stated that the committee approved the proposal from N&K CPAs, which requested a 4% increase after allowing a flat rate the previous year. The total amount for the FY 2022 audit proposal is \$46,800. Upon motion made (Hayashida), seconded (Goodin), and duly carried, the Audit Committee's decision to approve the FY 2022 audit fee proposal by N&K CPAs was ratified by the board.

EXECUTIVE DIRECTOR'S REPORT

ED Gouveia reported that there has been a lot of activity at RCUH and thanked Deputy Attorney General Reese Nakamura for his help. He also noted that RCUH has increased its meetings with members of the University of Hawai'i and thanked Director Syrmos for facilitating those discussions.

- **Legislative update:** ED Gouveia shared that there has been increased activity this session with two bills that would alter RCUH's statute and operations—[Senate Bill 2304](#) and [Senate Bill 3267](#). RCUH has submitted written and oral testimony in opposition to both bills, however both have passed the Senate Higher Education Committee with amendments, despite receiving opposition from researchers and administrators. ED Gouveia explained that RCUH is currently working on the 2022 legislative summary, which will be distributed shortly, and wanted to ensure the public and legislature that RCUH is keeping its Board of Directors apprised of legislative activity.

In summary, ED Gouveia stated that RCUH will continue to oppose both bills since we do not believe that the proposed changes are appropriate or necessary at this time. Many of these changes were addressed in the UH Task Force Report, which was submitted prior to the start of this legislative session and includes numerous recommendations that RCUH had planned to address prior to these bills. ED Gouveia reminded board members that when he was hired in this role, he met with VPRI Syrmos to discuss concerns about RCUH and planned to evaluate RCUH's existing operations and services. ED Gouveia followed up with a recap of the establishment of the task force and how it ties into RCUH's strategic plan.

VPRI Syrmos concurred that the task force had been established before Senate Resolution 148 and added that it provided several recommendations, which included the clarification of RCUH's relationship with UH. He pointed out that this has been an ongoing issue with the legislature, in addition to three topics:

- UH/RCUH employment,
- internal service orders to RCUH, and
- UH revolving funds at RCUH.

VPRI Syrmos disclosed that UH updated [Executive Policy 12.207](#) to address some of these issues. These changes were actually proposed in September, but had to go through consultation with the various faculty senates and unions. He highlighted Item III.B.2.a in the policy, which states that "UH employees shall not be hired concurrently through RCUH on UH funds." This clarifies the employment relationship between UH and RCUH.

In terms of UH revolving funds at RCUH, VPRI Syrmos referred to Item III.B.1.d, which states "Intramural fund or revolving account service orders shall not be used to conduct tuition and fee generating activities. Tuition and fees and related expenditures shall be properly accounted for and expended through UH."

Although VPRI Syrmos believed this to be common sense, it was incorporated into the UH policy to ensure everyone understands the proper use of revolving funds. He added that UH will be reviewing the mission of each revolving fund account at RCUH and determine whether these projects should be returned to the UH commercial enterprise account, UH auxiliary enterprise account, or remain at RCUH. UH will also look into each individual account for financial compliance to ensure researchers are following UH policies. VPRI Syrmos believes that these changes will lessen the criticism from the legislature.

ED Gouveia thanked VPRI Syrmos for the UH update and reminded the board he had expected feedback on the task force report from Senator Kim's office. In the prior legislative session, Senator Kim had stated she would change the statute if these issues weren't addressed. ED Gouveia felt that the task force report was a good start to address some of these matters, but would like the legislature to give RCUH and UH the time to execute changes appropriately. The existing bills includes= ambiguous language and could create additional layers of bureaucracy, which is not in the best interest of research in the State of Hawai'i.

ED Gouveia noted that Director Pickard suggested including the revolving funds discussion as an agenda item for the next board meeting. Although the topic was addressed briefly at this meeting, including a detailed update from VPRI Syrmos, ED Gouveia deferred to Chair Bal on whether it should be included on the next agenda. Chair Bal shared that Senator Kim had sent a letter to the chair of the UH Board of Regents Committee on Independent Audit requesting an audit be done on this topic. Chair Bal suggested it would be beneficial from an instructional perspective to offer a primer on revolving accounts to the RCUH Board of Directors, but would like to see how the matter plays out before committing to this topic as an agenda item.

ED Gouveia explained that his only concern in the letter is the reasoning behind the audit and noted that RCUH had less than 24 hours to provide the information to Senator Kim's office so the information may not be complete (since UH could have additional related documents). ED Gouveia stands by his original statement that RCUH will not stop "cold turkey" on supporting these accounts and will work with UH to evaluate these accounts moving forward, as VPRI Syrmos had mentioned earlier. He noted for the record that it's not RCUH's purview to interpret or establish UH's policies. UH researchers need to reach out to UH administration to discuss and evaluate whether it is appropriate for these accounts to be service ordered to RCUH. ED Gouveia stated that RCUH will continue to support UH's needs and make necessary changes as requested by the University, as long as the decision is from UH administration and in accordance with the intent of the legislature and existing statute. He stressed that he does not want to create any breach of contract issues and will work with UH to make this process happen in a reasonable manner.

VPRI Syrmos commented that he is working on the revolving accounts with UH Chief Financial Affairs Officer Kalbert Young. They had emailed Senator Kim explaining that they will be putting a group together from their respective departments to review each revolving account and will need 6-12 months to correct any issues they may find. VPRI Syrmos suggested this in lieu of an internal audit. He believes it would be much more efficient and rational, but has not heard back from Senator Kim's office at this time.

Lastly, ED Gouveia noted that RCUH discussed an operational audit as part of its strategic plan, so he is not opposed to the request as long as it's proper and in accordance with UH policy. He has spoken to UH Board of Regents Secretary Kendra Oishi on the matter so that she could report back to Regent Kudo, but has not heard back as of today. At the conclusion of ED Gouveia's legislative update, Director Paloma asked how many faculty will dual employment affect. VPRI Syrmos clarified that it only affects faculty at the Shidler College of Business and that President Lassner has been working with the union to create a different

structure of compensation for the Executive MBA program. Mr. Sakamoto clarified that it would affect 18 faculty members.

ED Gouveia emphasized that RCUH is working hard to address these issues rather than throwing them on the backburner. He thanked Mr. Sakamoto for all of his work and acknowledged staff for hanging in there despite these challenges.

- **Recruitment for the Director of Human Resources:** ED Gouveia announced that after 30 years of service with RCUH, Director of Human Resources Nelson Sakamoto announced his plans to retire by the end of the fiscal year. Mr. Sakamoto has contributed a great deal to the University and his retirement will be a big loss for RCUH. ED Gouveia has been aware of this for some time and has already posted the position to recruit his successor. The position will close on March 4, 2022. RCUH received interest from more than 60 individuals and is working to onboard a new director as soon as possible.
- **Strategic Plan Updates:**
 - **UH/RCUH Internal Agreement:** ED Gouveia noted that updating the UH/RCUH Internal Agreement is critical and that President Lassner is in the process of scheduling a meeting with VPRI Syrmos, Chair Bal, ED Gouveia and himself. RCUH is leaving it up to UH to decide how they want to address this and when they want to start discussions, but stressed that it needs to be completed. Although there was a target date of April 30, he anticipates it will be delayed due to anticipated negotiations between the Office of the University General Counsel (OGC) and the Deputy Attorney General.
 - **UH IT discussions:** RCUH has been working with VPIT Garret Yoshimi on its Multi-Factor Authentication (MFA) initiative. Unfortunately, it was determined that if RCUH were to be added onto UH's existing contract, prices would increase significantly. ED Gouveia indicated that RCUH will proceed with the MFA initiative on its own contract as he believes this safeguard is absolutely necessary. He thanked VPIT Yoshimi, President Lassner, and the University for their assistance in evaluating this potential cost-saving opportunity. RCUH also had discussions with VPIT Yoshimi to establish an IT position for RCUH. Mr. Yoshimi is helping with the job description and incorporating ways to work closer with UH's IT staff. He has also agreed to assist RCUH with its IT needs relating to the move to East-West Center.
 - **Clarify RCUH's identity with UH and the State:** VPRI Syrmos arranged a meeting to discuss insurance coverages with OGC, Risk Management, ITS, Deputy Attorney General Reese Nakamura, and numerous individuals. The primary reason for this meeting was to have a better understanding of the various insurance coverages and liability/risk management issues from both UH and RCUH. Another reason was to determine whether there are any potential savings and whether RCUH has appropriate coverage. This was an initial briefing and RCUH will work with UH to evaluate this matter further. ED Gouveia added that he has been meeting with numerous stakeholders to educate them on RCUH's services.
 - **Reform RCUH's Internal Operations:** ED Gouveia reported that this is an ongoing process. RCUH recently changed [Policy 2.203](#) to match UH's policy to ensure we do not require more than what UH does, and to cut down the administrative burden on researchers.
 - **Move to East-West Center:** RCUH is working on a plan to implement a telework policy (for core staff), which will impact the plan to move to the East-West Center. ED Gouveia is hoping that the move will occur by summer, but assured the board that it would be no later than the end of this year. Internal discussions are being scheduled

with more staff, as the departments focus on getting rid of or digitizing paper documents. He anticipates saving more than \$50,000 per year in rental costs with the move.

- **New Direct Projects:** ED Gouveia explained that although RCUH has received an increase in direct projects, it has also rejected some requests over the last year. This is part of RCUH's commitment to ensure it is acting within its scope, although there is no standardized record keeping process to track this yet.

RECOGNITION OF OUTGOING BOARD MEMBER MICHAEL MABERRY

ED Gouveia shared that Director Maberry has been a great mentor and made the work at UH very interesting. He thanked him for inspiring him to continue with this important work, despite the many complications. Director Maberry said it has been an honor and that RCUH is absolutely essential to the groundbreaking research at UH. Chair Bal thanked Director Maberry for all that he has done for RCUH on behalf of the entire board and also thanked him for all he's done for Maui County.

ADJOURNMENT

The meeting adjourned at 9:56 a.m.

/s/ Kaylee Hull

Kaylee Hull
Executive Administrator

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