

# Board of Directors Meeting

**Tuesday, March 7, 2023**  
**East-West Center | Burns Hall**  
**9:30 a.m.**



Meeting  
BOARD OF DIRECTORS

Research Corporation of the University of Hawai'i

Date: Tuesday, March 7, 2023 | Time: 9:30 a.m.

In-Person Location: East-West Center Burns Hall 4<sup>th</sup> Floor, Makai Wing, Room 4005/4009  
1601 East-West Road, Honolulu, HI 96848

A G E N D A

Public Testimony on Agenda Items

*Written testimony may be submitted via email to [rcuhed@rcuh.com](mailto:rcuhed@rcuh.com); U.S. mail to 1601 East-West Road, Burns Hall 4<sup>th</sup> 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 6, 2022 Meeting
3. Financial Statements for January 2023
4. Report of Audit Committee
  - a. N&K CPAs Fee Proposal for FY 2023 Audit
5. Executive Director's Report
  - a. Legislative Update
  - b. Strategic Plan Update
6. Proposed Salary Adjustment Guidelines Effective July 1, 2023
7. Discussion and Approval of Proposed Policy for RCUH Working Capital Reserves
8. Adjournment

c: Office of the Lieutenant Governor

*Individuals who require an auxiliary aid/service or other accommodation due to a disability should contact Kaylee Hull at (808) 956-0503 or [rcuhed@rcuh.com](mailto:rcuhed@rcuh.com) as soon as possible, preferably by March 3, 2023. If a response is received after March 3, 2023, we will try to obtain the auxiliary aid/service or accommodation, but we cannot guarantee that the request will be fulfilled.*

*Upon request, this notice is available in alternate formats, such as large print, Braille, or electronic copy.*



**DRAFT** Minutes  
BOARD OF DIRECTORS  
Research Corporation of the University of Hawai'i  
Tuesday, December 6, 2022  
In-Person Meeting

**PRESENT:** Eugene Bal, Kelli Goodin, Ken Hayashida, Jaret KC Leong, Diane Paloma, Taryn Salmon.  
**Excused:** David Karl, Vassilis Syrmos

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

DataHouse: Eddie Ontai, Scott Fujieda

**CALL TO ORDER**

The meeting was called to order by Chair Bal at 9:04 a.m.

**WELCOME NEW BOARD MEMBER**

Chair Bal welcomed Taryn Salmon to the RCUH Board of Directors. She is the Senior Executive Vice President and Chief Information Officer at Bank of Hawaii and was appointed by Senate President Ron Kouchi to fill Joseph Pickard's open seat after his resignation.

**APPROVAL OF MINUTES OF SEPTEMBER 6, 2022 MEETING**

Upon motion made (Hayashida), seconded (Paloma), and duly carried, the minutes of the September 6, 2022 meeting were approved as circulated.

**FINANCIAL STATEMENTS FOR OCTOBER 2022**

Mr. Yee reviewed RCUH's financial statements as of Oct. 31, 2022. The corporation recorded \$32.7 million in total assets, \$2.7 million in total liabilities, and right below \$10 million for total retained earnings. RCUH's ending cash balance decreased by \$11 million compared to Fiscal Year 2022's numbers, but it is due to the timing of the collections of receivables from UH, as well as the coding of advances by UH projects.

Mr. Yee reported that RCUH currently held \$7.7 million in its working capital reserve, which included a \$1 million project contingent liability reserve. He added that he will present on this topic later in the meeting. Mr. Yee continued with reviewing the statement of revenues, expenses, and changes in net assets. He noted that RCUH slightly underspent due to core staff vacancies and that any excess cash is put into TCDs and a sweep account. In terms of volume of business, RCUH processed \$109 million in research expenditures this fiscal year (July–October), which amounts to approximately \$27 million per month. UH Extramural awards have also increased by 4.6%.

**REPORT OF AUDIT COMMITTEE**

Director Hayashida presented the report on behalf of the Audit Committee which met with N&K CPAs on October 26, 2022 to review and accept the audited financial statements for the 2022 Fiscal Year. N&K reported that they expected to provide an unmodified opinion and that there were no material

weaknesses or significant deficiencies found in the audit. He explained that RCUH adopted GASB 87 relating to leases and consulted with the Governmental Accounting Standards Board for an official opinion. Director Hayashida made a motion for the Board to ratify the Audit Committee's acceptance of the financial audit for Fiscal Year 2022 and Vice Chair Goodin seconded the motion. The Board unanimously voted to accept the financial audit. Director Hayashida recognized Mr. Yee and his finance staff for doing a good job on the audit.

### EXECUTIVE DIRECTOR'S REPORT

ED Gouveia noted that this would be the last board meeting at the Mānoa Innovation Center (MIC) and thanked his team for their hard work transitioning to Burns Hall. The 20 RCUH employees at MIC are anticipated to move in late January. He continued by highlighting some items in the ED's Report:

- DCSA Security Review: RCUH received a Satisfactory rating in its DCSA Security Review conducted in September. The DCSA recently changed its grading system, so 80% of cleared facilities received a Satisfactory rating. The agency has also been removing facility clearances at a higher rate than in the past. RCUH updated its Insider Threat program and is scheduled to conduct its last self-inspection with ED Gouveia in his Facility Security Officer (FSO) role on Dec. 15, 2022. Ms. Hull is working on receiving the appropriate security clearance and will take over FSO duties, while ED Gouveia transitions to the Assistant FSO role.
- Revolving Funds Update: RCUH is working with UH's Office of Research Services (ORS), Fiscal Department, and IT Department on the transition of Revolving accounts from RCUH to UH. The accounts must be returned to UH by July 1, 2023, or they will be terminated. Moving forward these accounts may be service ordered to RCUH, similar to Extramural projects. From a financial standpoint, the biggest impact is that RCUH will not be able to maintain Certificates of Deposit (CDs) that support RCUH's funding.
- Replacement of AS400: The transition of the Revolving accounts ties into the replacement of the AS400 system. This has been an ongoing need for years and was recently delayed due to the pandemic. RCUH has been collaborating with UH IT on this project, which will be significantly affected by the return of Revolving accounts. This transition will require reprogramming of FREDI, the interface connecting RCUH's and UH's financial systems. ED Gouveia thanked VPIT Garret Yoshimi and DataHouse for meeting and working closely together on these issues.
- Other items:
  - HR internal efficiencies: ED Gouveia thanked everyone who contributed to these efficiencies that benefit researchers.
  - State Ethics Code Training: RCUH is working closely with UH to ensure we're on the same page and not duplicating efforts.
  - Recognition of Deputy Attorney General: ED Gouveia thanked Mr. Nakamura for working closely with UH's Office of General Counsel relating to litigation, and requests for information.



- 2022 Awards Luncheon: ED Gouveia thanked Director Leong and VPRI Syrmos for presenting the awards. RCUH played the First Place awardee videos for each category since most of the directors were unable to attend the luncheon.
- IT Administrator: RCUH hired Michael Cera as its in-house IT Administrator. ED Gouveia added that it's been helpful to have someone physically present on site to address IT issues immediately.
- Strategic Plan Updates: ED Gouveia stated that he reviewed the previous plan with Director Salmon during her orientation. The Board was provided with an update in the ED's Report that displays RCUH's progress.

Following the ED's report, Director Hayashida suggested that the DataHouse presentation be moved earlier in the agenda, prior to the RCUH Reserves presentation and Chair Bal concurred.

### **PRESENTATION AND APPROVAL OF DATAHOUSE AMENDMENT FOR IT INITIATIVES**

DataHouse President Eddie Ontai provided a brief history of the company, which was started in 1975 by Dan Arita. He explained that DataHouse's goal was to use the power of technology to shift Hawai'i's economy and to provide high-paying jobs for local kids. Mr. Ontai stated that DataHouse partnered with RCUH in the '90s to build a web application and over time they've been able to modernize it with more common web-based technology. He explained that in the last five years, there's been a worldwide shift with digital transformation. This wave has forced businesses to adapt to more modern technologies that will enhance their business strategies and missions.

DataHouse provided RCUH with a digital transformation plan four years ago with recommendations for its various systems. It described an enterprise environment that was based on the latest technology using mobile-ready, cloud-based infrastructure. Due to evolving technologies, there are not many RPG coders around to improve or troubleshoot RCUH's current AS400 system, and DataHouse's last coder is retiring. Mr. Ontai noted that the public and private sector is moving to cloud platforms, which can support future business needs.

Mr. Ontai explained that there are two main components of this proposal: modernizing the bulk of the financial system and incorporating key enterprise integration components. This would include enhanced reporting formats and using a system that allows RCUH to build and maintain modern applications. This would be the same platform that American Samoa used to repatriate thousands of citizens and track their quarantine status. Mr. Ontai recognized that this is not the most optimal sequence of delivery due to the transition of Revolving accounts, but in this proposal concurrent teams would be working on the new FIS system and FREDI interface to meet these timelines.

Mr. Ontai reviewed the benefits of this new modernized platform and reported that the State has selected SAP due to a broader support group and resources. As this is one of the top cloud solutions, DataHouse is recommending that RCUH adopt SAP for this transition. The bulk of the work in this proposal would be to replace existing systems that have been around for nearly 40 years and developing interfaces with RCUH's HR system, UH's Kualii Financial System, and other external systems. Mr. Ontai added that in discussions with RCUH it has been made clear that the current customized user interface that researchers use has to be the same in terms of functionality.

Director Hayashida inquired about RCUH's current ongoing costs and Mr. Ontai explained that it's approximately \$400,000 to \$500,000, and that should be able to be reduced. Director Paloma asked when the State made the decision to use SAP and Mr. Ontai responded that the decision was made last year. It is important to note that DataHouse is part of the team that is helping to implement SAP with State agencies.

Due to the unique RCUH/UH relationship, ED Gouveia shared that no significant cost savings are likely to happen, but RCUH will try to utilize UH assistance and support as much as possible. He did discuss this with VPIT Yoshimi who indicated that UH would be able to assist RCUH more and concurred that ongoing costs will likely be reduced with this update.

Director Salmon expressed her appreciation for this background information and assessment, and questioned how confident DataHouse is in the pricing. Mr. Fujieda explained that they've had two years to fine-tune the numbers and that they've documented significant savings in the business processes and technical schema that will lower implementation costs. ED Gouveia noted that this aspect was considered while reviewing the option of amending DataHouse's existing contract. If this proposal was opened up to a new vendor, the pricing would significantly increase. Mr. Fujieda explained that there is significant training management for staff included in the proposal.

Director Hayashida asked whether Principal Investigators would see savings on their end. Mr. Fujieda clarified that researchers don't see the AS400 directly; instead, Financial Portal users interact with a replicated version on a modernized interface. However, there is a growing backlog of requests that DataHouse has postponed due to the anticipated platform transition.

Chair Bal recalled that one of the reasons RCUH chose not to migrate to UH's Kualii system in the past is the preference PIs have for the RCUH Financial System. He thanked Mr. Ontai as his narrative solidified the proposal and allayed many of his initial concerns. Chair Bal followed up by asking about the associated risks related to the July 1<sup>st</sup> deadline.

Mr. Fujieda stated that from a risk standpoint the AS400 transition will not occur before July 1<sup>st</sup>. This means that DataHouse will have to work on a direct interface with the AS400 to ensure that data is able to transfer over in the future, once completed. Once DataHouse is in the process of implementation and migration to SAP, the automated interface will already be running and close to real-time. The biggest risk is to ensure there is a duplicated interface to test that the new interface will work as planned. Chair Bal supported this strategy.

Chair Bal questioned whether there will be a strain on personnel resources or if this work has already been anticipated. Mr. Fujieda stated that DataHouse is ready and has anticipated this project for some time. He also recognized that RCUH's Finance staff will have to go through the change management with project staff in terms of training and familiarity with new tools.

Director Salmon asked DataHouse what they have put in place to ensure they can support the current transition. Mr. Fujieda explained that an AS400 technician will be available as a back-up independent contractor to support this project for DataHouse. However, he stressed the importance of starting as soon as possible due to pending retirements and having the ability to leverage the experience and institutional knowledge from current staff. Mr. Ontai added that it comes down to

business risk, since RCUH won't be able to address certain new requirements or business needs due to timing.

Director Leong asked whether running parallel systems is built into the proposed cost. Mr. Ontai responded that to a certain extent it has, as they're currently looking at a 12-month transition period. While the implementation is a fixed price, they have not considered the changes in cost if the project were to be delayed another six months.

ED Gouveia shared that from a RCUH perspective, they expect to modify the current contract with DataHouse. After evaluating the contract and situation, he believes an amendment looks like the appropriate way to proceed. As mentioned earlier, there are concerns about the costs if the contract were to be subject to open competition. ED Gouveia stated that he is willing to answer any questions regarding the procurement and that RCUH is trying to save as much money as possible.

Chair Bal expressed that the Board wants to make sure there's no contractual requirements regarding the procurement of this agreement. ED Gouveia acknowledged the Board's concerns and reported that he will continue to work with Mr. Nakamura to ensure that RCUH is following the appropriate legal path. He will provide an update to Chair Bal before making any final decisions to proceed with a contract with DataHouse, and RCUH can come back to the Board if Chair Bal feels it is necessary.

Upon motion made (Hayashida), seconded (Paloma), and duly carried, DataHouse's proposal to proceed with the FIS Strategic Enhancements was unanimously approved by the Board, contingent that the contractual process is vetted and approved through Reese Nakamura (AG's Office) to be sure there is no violation of any state policy.

Following the vote, Chair Bal called for a brief recess at 10:43 a.m. The meeting resumed at 10:53 a.m.

### **RCUH RESERVES PRESENTATION**

Mr. Yee explained that RCUH has always had a working capital reserve, but it was not memorialized in a formal policy. He also emphasized that RCUH is set up and operates very differently from the University and it's important to understand the differences. This presentation was developed due to prior questions by board members on whether it's appropriate for RCUH to have a reserve and if so, what the appropriate amount would be for a working capital reserve.

Mr. Yee explained that RCUH's working capital reserve is defined as RCUH's unrestricted net position. Within the working capital reserve, there is a project contingent liability reserve that was established in 1998 by the RCUH Board of Directors. The intent of that reserve was to be used for emergencies and unforeseen expenditures (e.g., a lawsuit that is not covered by insurance). Mr. Yee reminded the Board that RCUH has two additional reserves for (1) workers' compensation and unemployment claims, and (2) postemployment healthcare and life insurance benefits, but those are covered in RCUH's assets.

Mr. Yee noted that one of the 2017-2021 Strategic Plan goals was to have a \$7.5 million working capital reserve. He discussed the basis of the \$7.5 million amount with former Finance Director

Doug Tonokawa, who indicated that it was based upon RCUH's core operating expenditures and the ability to cover one semi-monthly payroll for all RCUH employees.

Mr. Yee displayed a chart that reflected several fluctuations in RCUH's Unrestricted Net Position between 2003 and 2022. He shared the circumstances behind two of these variations:

- With RCUH's working capital reserve increasing from \$5.6 million in 2003 to \$10.4 million in 2006, the Internal Agreement was adjusted and RCUH reimbursed the University \$3 million in 2007. RCUH is still operating under the same Internal Agreement.
- RCUH saw a decrease of nearly \$2 million in working capital in 2018 that was attributed to IT improvements as part of the strategic plan.

To provide some context, Mr. Yee shared that UH recently updated its Board of Regents Policy 8.203, which identifies three reserves: an emergency reserve, mandatory reserve, and operating reserve.

While determining the appropriateness of RCUH's working capital reserve, Mr. Yee shared some factors and considerations that the Board should consider, such as RCUH's \$6.2 million semi-monthly payroll, cash flow for necessary expenditures, and the line of credit that is maintained for emergency operating purposes. This line of credit, which has been used in the past, requires a contractual covenant that requires RCUH to maintain a total net position of \$8.9 million.

Mr. Yee added that the transition of Revolving accounts from RCUH to UH will be a significant outflow of cash for the organization. The cash from these accounts are held in trusts, and allows RCUH the flexibility to accommodate any large cash variances. The other point Mr. Yee made was that RCUH supplements its budget with earned interest from Revolving account balances, which is estimated to reach at least \$500,000 this year.

While developing options to present to the Board, Mr. Yee reviewed previous Board minutes and referred to an idea that the reserve could be based upon RCUH's core operating expenditures. However, he believes that the maximum amount of \$2.5 million would be rather low since it's not enough to cover one payroll for core and project staff. Mr. Yee stated that if RCUH were to proceed with this route, it would have to rely on UH to reimburse RCUH timely on research operating expenditures.

Chair Bal suggested that Mr. Yee confer with VP Kalbert Young on the interpretation of the minimum and maximum operating reserves. He does not believe that the 5% and 16% are combined and that the maximum reserve should be 16% of operating expenditures. Mr. Yee said that he will confer with VP Young, who had previously discussed the reserves relating to the Executive Policy, but not the Board of Regents policy.

Mr. Yee continued to present Option #2, which would be a hybrid approach based on core operating expenditures and average bi-monthly payroll. Chair Bal sought clarification whether the average bi-monthly payroll is the two-week payroll period for both research staff and core staff. Mr. Yee concurred and mentioned that the core staff's payroll was removed from operating expenditures on the slide.

Mr. Yee presented Option #3, which is another hybrid approach that includes the items in Option #2, as well as \$3 million in planned capital expenditures for the replacement of the AS400. Chair Bal

questioned why the \$3 million would be carried over eternally after the project is completed, as opposed to including it in RCUH's budget. Mr. Yee shared that the idea would be to secure the funding to ensure RCUH is able to complete the initiative and once completed, the reserve can be reduced to a smaller level.

Chair Bal emphasized that he wouldn't want RCUH to carry something along that is allotted for a specific period of time and is allocated to be spent. Mr. Yee referred to Option #2 as a possibility, but it would restrict RCUH's flexibility in terms of cash flow.

Director Leong suggested that RCUH appears to conduct a major IT improvement every four years, but Mr. Yee clarified that RCUH's IT investments have only occurred in one time period. ED Gouveia shared that it's his understanding that RCUH frequently patched the AS400, but did not make many IT investments until the last 5-year strategic plan. He added that he spoke with VPRI Syrmos about this presentation and VPRI Syrmos had suggested that RCUH should prepare for other capital expenditures in the future. ED Gouveia anticipates that most IT expenses moving forward will be for maintenance and doesn't anticipate any major investments based on conversations with VPIT Yoshimi and Mr. Ontai.

Director Hayashida pointed out that RCUH will have common maintenance costs, similar to a building, but the organization will have to identify when to implement major expenditures moving forward. ED Gouveia agreed that RCUH has to come up with a plan for computer systems and recognized that costs are rising everywhere.

Chair Bal noted that the presentation was for informational purposes and no action is required at this meeting. However, directors should be prepared in the future to take action on this item.

## **EXECUTIVE SESSION**

Upon motion made (Salmon), seconded (Hayashida), and duly carried, the RCUH Board of Directors convened in executive session to consider the hire, evaluation, dismissal, or discipline of an officer or employee, where consideration of matters affecting privacy will be involved, pursuant to Section 92-5(a)(2), Hawai'i Revised Statutes (HRS).

During the Executive Session, the Board took the opportunity to review and discuss the ED Gouveia's performance evaluation based on the self-assessment and survey results that were provided. Chair Bal announced that the Board of Directors is very pleased with ED Gouveia's performance. Chair Bal and Vice Chair Goodin, who chaired the personnel committee, will schedule a meeting to provide direct feedback. NOTE: Director Paloma left the meeting during the Executive Session.

## **ADJOURNMENT**

The meeting adjourned at 12:08 p.m.

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII**  
**BALANCE SHEETS**  
**JANUARY 31, 2023 and 2022**

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
CASH AND CASH EQUIVALENTS	\$ 26,851,146	\$ 22,093,658
RESTRICTED CASH (RETIREE MEDICAL AND LIFE INSURANCE)	1,700,000	1,700,000
TIME CERTIFICATES OF DEPOSIT	9,500,000	13,072,329
SHORT TERM INVESTMENT	3,949,993	2,991,552
RECEIVABLES	-	-
PREPAID EXPENSES	<u>475,543</u>	<u>97,828</u>
<b>TOTAL CURRENT ASSETS</b>	<u>42,476,682</u>	<u>39,955,367</u>
FIXED ASSETS (Less accumulated depreciation of \$7,902,582 and \$7,363,619 for FY 2023 and FY 2022, respectively)	<u>2,058,953</u>	<u>2,385,381</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 44,535,635</u></u>	<u><u>\$ 42,340,748</u></u>
<b>LIABILITIES AND RETAINED EARNINGS</b>		
<b>LIABILITIES:</b>		
ACCOUNTS PAYABLE	\$ 157,020	\$ 214,231
ACCRUED EXPENSES AND PAYROLL TAXES WITHHELD	3,136,215	2,662,953
ADVANCES		
UNIVERSITY OF HAWAII, NET	16,914,795	16,142,062
OTHER SPONSORING AGENCIES, NET	3,040,893	4,249,516
WORKER'S COMPENSATION RESERVE	2,722,245	2,774,849
UNEMPLOYMENT RESERVE	2,975,754	1,745,475
VACATION PAY OUT RESERVE	<u>506,803</u>	<u>406,851</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>29,453,725</u>	<u>28,195,937</u>
LEASE LIABILITY	257,434	-
ACCRUED SUPPLEMENTAL RETIREMENT BENEFITS	1,958,116	1,909,689
RETIREE MEDICAL AND LIFE INSURANCE BENEFITS	<u>2,560,866</u>	<u>2,582,805</u>
<b>TOTAL LIABILITIES</b>	<u>34,230,141</u>	<u>32,688,431</u>
<b>RETAINED EARNINGS:</b>		
INVESTED IN CAPITAL ASSETS	2,058,953	2,385,381
DESIGNATED FOR:		
WORKING CAPITAL	7,165,279	6,190,607
PROJECT CONTINGENT LIABILITIES RESERVE	<u>1,081,262</u>	<u>1,076,329</u>
<b>TOTAL RETAINED EARNINGS</b>	<u>10,305,494</u>	<u>9,652,317</u>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<u><u>\$ 44,535,635</u></u>	<u><u>\$ 42,340,748</u></u>

**NOTES:**

- 1) This balance sheet does not include accruals for liabilities related to project expenditures.
- 2) Outstanding purchase orders totaled \$88,017,697 and \$56,990,965 at January 31, 2023 and 2022, respectively.



**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE PERIOD ENDED JANUARY 31, 2023 and 2022**

	<b>FYE 6/30/23 BUDGET</b>	<b>YTD ACTUAL</b>	<b>% OF BUDGET</b>	<b>YTD LAST YEAR</b>
<b>REVENUES:</b>				
UNIVERSITY OF HAWAII	\$ 7,226,019	\$ 4,036,561	55.9%	\$ 3,661,195
OTHER SPONSORING AGENCIES	589,020	307,046	52.1%	498,758
INTEREST AND OTHER INCOME	145,250	561,885	386.8%	77,379
<b>TOTAL OPERATING REVENUES</b>	<b>7,960,289</b>	<b>4,905,492</b>	<b>61.6%</b>	<b>4,237,332</b>
<b>OPERATING EXPENSES:</b>				
SALARIES & WAGES	3,774,251	1,818,747	48.2%	1,747,835
FRINGE BENEFITS	980,113	470,154	48.0%	450,270
INFO TECH SERVICES	540,000	262,501	48.6%	191,797
HUMAN RES./PAYROLL SYSTEM	701,826	381,343	54.3%	327,996
SUPPLIES	100,450	21,630	21.5%	36,421
TRAVEL	18,000	8,659	48.1%	-
CPA SERVICES	49,005	49,005	100.0%	47,120
UTILITIES	20,850	8,277	39.7%	8,129
RENTAL - SPACE/EQUIP/OTHER	215,200	173,182	80.5%	172,082
REPAIRS & MAINTENANCE	500	-	0.0%	-
BANK FEES	24,000	18,551	77.3%	14,055
TRANSPORTATION	500	-	0.0%	-
BOARD OF DIRECTORS MEETINGS	4,000	1,257	31.4%	-
INSURANCE	608,412	336,504	55.3%	315,164
PROFESSIONAL/TECHNICAL SUPPORT	250,319	97,048	38.8%	107,739
DISCRETIONARY FUND	10,000	670	6.7%	952
STAFF DEVELOPMENT	17,500	5,936	33.9%	8,127
TRAINING MATERIAL DEVELOPMENT	60,000	46,768	77.9%	45,213
RETIREE MEDICAL AND LIFE INS BENEFITS	-	-	0.0%	-
TUITION SUPPORT	75,000	24,246	32.3%	24,571
UH RESEARCH AWARDS	-	-	0.0%	-
OTHER	116,990	59,986	51.3%	47,437
DEPRECIATION EXPENSE	665,000	387,800	58.3%	498,750
CLAIMS & SETTLEMENTS	-	-	0.0%	22,080
PROJ OVERRUNS & DISALLOWANCE	-	-	0.0%	-
<b>TOTAL OPERATING EXPENSES</b>	<b>8,231,916</b>	<b>4,172,264</b>	<b>50.7%</b>	<b>4,065,738</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (271,627)</b>	<b>\$ 733,228</b>		<b>\$ 171,594</b>
<b>INVESTMENT IN CAPITAL ASSETS</b>				
FIXED ASSETS	300,000	-		-
IT SYSTEM DEV - INFO TECH SERVICES	850,000	-		-
IT SYSTEM DEV - HR/PAYROLL SYSTEM	270,423	17,284		53,309
<b>TOTAL INVESTMENT IN CAPITAL ASSETS</b>	<b>\$ 1,420,423</b>	<b>\$ 17,284</b>		<b>\$ 53,309</b>

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII**  
**RETAINED EARNINGS (NET ASSETS)**  
**JANUARY 31, 2023**

**CHANGES IN RETAINED EARNINGS**

	INVESTED IN CAPITAL ASSETS	WORKING CAPITAL	PROJ CONTING LIABILITIES	TOTAL OPER FUND BALANCE
BEGINNING BALANCE	\$ 2,429,469	\$ 6,061,535	\$ 1,081,262	\$ 9,572,266
OPERATING INCOME	(387,800)	1,121,028	-	733,228
INVESTMENT IN CAPITAL ASSETS	17,284	(17,284)	-	-
ENDING BALANCE	<u>\$ 2,058,953</u>	<u>\$ 7,165,279</u>	<u>\$ 1,081,262</u>	<u>\$ 10,305,494</u>

**VOLUME OF BUSINESS**

	FY 2023	FY2022
UH PROJECTS		
EXTRAMURAL	\$ 149,333,603	\$ 129,972,833
INTRAMURAL (GRS)	9,130,815	8,328,393
REVOLVING & SSF	21,571,983	17,131,006
DIRECT PROJECTS		
FEDERAL	95,185	219,700
NON-FEDERAL	7,290,863	13,647,800
	<u>\$ 187,422,449</u>	<u>\$ 169,299,732</u>

**UH EXTRAMURAL AWARDS**

(obtained from UH Office of Research Services)

	FY 2023	FY 2022	VARIANCE	% VARIANCE
Fiscal Year to Date (Jul 01 to Jan 31)	\$ 335,136,476	\$ 337,404,136	(2,267,660)	-0.7%
12 month period (Feb 01 to Jan 31)	504,892,842	506,638,186	(1,745,344)	-0.3%
3 month period (Nov 01 to Jan 31)	87,488,195	90,693,857	(3,205,662)	-3.5%

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII**  
**STATEMENT OF CASH FLOW**  
**FOR THE PERIOD ENDED JANUARY 31, 2023 and 2022**

	CURRENT MONTH	FY 2023 YEAR-TO-DATE	FY 2022 YEAR-TO-DATE
<b>BEGINNING CASH BALANCE</b>	\$ 23,472,960	\$ 20,979,139	\$ 21,749,404
<b>Receipts:</b>			
UH Projects	25,405,485	161,893,518	134,955,368
Direct Projects	151,504	7,311,957	14,888,284
Revolving Funds and Other	1,634,712	11,873,031	8,570,650
UH Management Fee	-	1,049,824	1,321,645
	<u>27,191,701</u>	<u>182,128,330</u>	<u>159,735,947</u>
TCD Redemption	<u>796,000</u>	<u>7,696,000</u>	<u>4,750,000</u>
<b>Total Receipts</b>	<u>27,987,701</u>	<u>189,824,330</u>	<u>164,485,947</u>
<b>Disbursements:</b>			
Vendors	11,519,836	86,630,532	74,563,429
UH Payroll Clearing	204,336	1,619,967	1,477,570
Salaries & Wages	7,310,160	51,793,423	48,303,998
Payroll taxes	3,194,899	22,015,329	20,503,974
TIAA-CREF	1,109,259	7,257,195	7,262,250
HMSA/Kaiser/HDS	1,267,349	8,919,120	8,235,432
TCD Purchase	-	4,000,000	3,796,000
Short Term Investment Purchase	-	-	-
Other	-	-	-
	<u>24,605,839</u>	<u>182,235,566</u>	<u>164,142,653</u>
<b>Total Disbursements</b>	<u>24,605,839</u>	<u>182,235,566</u>	<u>164,142,653</u>
<b>Increase(Decrease):</b>			
Petty Cash Balances	(300)	(5,800)	(2,650)
Bank of Hawaii (PR)	-	-	-
Savings - TCD	-	-	-
Retricted Cash - Retiree Health Ben	-	(1,700,000)	-
Other	<u>(3,376)</u>	<u>(10,957)</u>	<u>3,610</u>
	<u>(3,676)</u>	<u>(1,716,757)</u>	<u>960</u>
<b>ENDING CASH BALANCE</b>	<u><u>\$ 26,851,146</u></u>	<u><u>\$ 26,851,146</u></u>	<u><u>\$ 22,093,658</u></u>

**NOTES:**

This statement of cash flow does not include transactions for revolving accounts or specialized service facilities which are processed by journal entry transactions.

February 23, 2023

Mr. Glenn Yee  
Director of Finance  
Research Corporation of the University of Hawaii  
Submitted via e-mail to  
GYee@rcuh.com

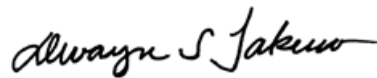
Thank you for giving us the opportunity to express our interest in continuing to provide professional audit services for the Research Corporation of the University of Hawaii (Corporation). We understand the services requested include the audit of the financial statements and schedule of management fees of the Corporation as of and for the year ended June 30, 2023. 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 \$49,500.

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](http://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





## RCUH BOARD OF DIRECTORS MEETING – MARCH 7, 2023 EXECUTIVE DIRECTOR'S REPORT

This report presents programmatic updates and summarizes RCUH's major initiatives since the Board's December 6, 2022 meeting. It begins with updates, followed by a status report of the actions taken toward RCUH's 2022-2026 Strategic Plan for calendar year 2023.

### UPDATES

#### Move to Burns Hall

RCUH is pleased to announce that for the first time in more than 25 years, all core staff will be working together under the same roof. Installation of new office furniture was completed by Interior Showplace on Jan. 27, 2023 (excluding some minor finishes), and on Feb. 6, 2023, RCUH officially moved all operations into East-West Center's Burns Hall. RCUH's IT System/Security Administrator worked closely with UH ITS on transitioning from Servpac to UH VoIP (which entails obtaining new phone numbers for most MIC personnel), in addition to transitioning the network and servers with minimal disruption.

By completing this move, RCUH will save the University an approximately \$155,000 per year, while reducing its square footage by nearly 40%, from 7,052 sq. ft. to 4,285 sq. ft.

#### Legislative Update

RCUH continues to monitor two bills that were recently passed with amendments in the Senate: [SB1414](#) and [SB1511](#).

RCUH submitted written and oral testimony in opposition to SB1511, however the Higher Education Committee advanced the bill despite recording more than 20 testifiers in opposition. In sum, the suggested changes of the committee are concerning as RCUH strongly believes that these changes would create unintended consequences and hardship for our research community.

Although RCUH was not included anywhere in SB1414's language, the dialogue at the HRE Committee hearing on Feb. 9, 2023 was a cause for concern as RCUH was mentioned during the discussion between VPRI Syrmos and committee members. On Feb. 22, 2023, SB1414 was advanced with amendments by the Senate Ways and Means Committee and SB1511 was deferred to the Ways and Means Committee Hearing on March 1, 2023. It is too early to tell what will happen with either of these bills.

ED Gouveia met with VPRI Syrmos to discuss these bills and let him know that concerns were raised after the hearing by both researchers and RCUH employees. VPRI Syrmos assured ED Gouveia that UH and RCUH will work together in the event either bill passes to determine how it will impact services and processes moving forward. In any event, it was agreed that the necessary changes would take years to implement, and RCUH would still be available to function in support of UH, albeit probably to a lesser extent, if UH is granted some procurement authority.

RCUH has also responded to a legislative request for information that originated from Sen. Dela Cruz's office and was forwarded from the University's Disbursing and Payroll Department on Feb. 13, 2023. The request asked for data on all RCUH travel for calendar year 2022, which resulted in more than 6,000 records. The data was pulled from the RCUH Financial Portal and submitted to UH on Feb. 16, 2023. RCUH is concerned that these ongoing legislative requests and bills will continue to negatively impact staff morale, particularly at a time when the corporation is focused on improving employee retention.

## Revolving Funds Update

The collaborative work continues between RCUH and UH's ORS, Fiscal Department, and ITS on the transition of UH Revolving Accounts from RCUH's Financial Portal to UH's Kuali Financial System (KFS). Meetings have increased to a bi-weekly basis with a target finish date of May 30, 2023. Current issues being addressed include the confirmation of KFS revolving account specifications and attributes to be sent in the data interface (FREDI), and the creation of a detailed development and testing plan and schedule for the RCUH Financial Portal.

## Replacement of the AS400

RCUH entered into a \$3 million contract with DataHouse to begin the implementation of the RCUH IT Transformation Plan, which includes the replacement of the AS400. This contract was the result of a collaborative effort with UH ITS. UH ITS' involvement included input on technology enhancements, work scope, and pricing. RCUH performed a sole source justification, as well as a Cost Price Reasonableness evaluation, in awarding this contract to DataHouse. Additionally, RCUH consulted with its Deputy Attorney General for any potential procurement issues. The two primary objectives of the contract are:

1. Implementation of an Enterprise and Development platform.
2. Implementation of a Software as a Service (SaaS) financial accounting system to replace the AS400.

This initial phase of the IT Transformation Plan is anticipated to take approximately 12 months to complete. Periodic updates will be provided to the RCUH Board.

## ACTIONS TAKEN TOWARD GOAL ACHIEVEMENT RCUH 2022 – 2026 STRATEGIC PLAN

### GOAL 1. EVALUATE AND IMPLEMENT RECOMMENDATIONS FROM THE RCUH TASK FORCE.

- **Determine the appropriate level of and proper use of RCUH's reserves, line of credit.** RCUH has drafted a proposed Working Capital Reserve policy to be discussed and voted on at this meeting.
- **Collaborate with UH in an effort to minimize IT costs.** See update related to "Replacement of the AS400."

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

- **Ensure stakeholders understand RCUH's role and limitations.**
  - **Increase engagement with board members.** Board members have been kept apprised of legislative activity regarding two bills that would impact RCUH operations.
  - **Develop marketing strategy, materials for outreach purposes.** RCUH recently released its Annual Report that featured highlights of 2022, project spotlights, outstanding employees, and financial reports (see Attachment A). Hard copies of the report were distributed to the Top 100 Principal Investigators of 2022, as well as UH Administrators.

The digital report is also publicly posted on RCUH's website.

- **Educate government agencies, private companies, not-for-profits about RCUH's services and capabilities.**
  - UH BOR Presentation. ED Gouveia presented at the UH Board of Regents Research & Innovation Committee on February 2, 2023. He provided a condensed and updated version of the "Introduction to RCUH" presentation available on the RCUH website.
  - Leading with Excellence Conference. RCUH has agreed to participate in the 2023 Leading with Excellence Conference hosted by the UH Office of the Vice Provost for Academic Excellence. The Leadership Team will conduct a workshop on August 9, 2023, titled "Enhance Your Research with RCUH" that will provide an overview of the various services RCUH can offer to Principal Investigators.
  - Tracking Direct Project Requests. RCUH Project Administration has established a log to track the status of Direct Project inquiries. RCUH was previously questioned by legislators on how many Direct Projects have been rejected and this mechanism will provide the ability to report these numbers.

### **GOAL 3. REFORM RCUH'S INTERNAL OPERATIONS.**

- **Identify and implement efficiencies in RCUH's operations.**
  - **Evaluate current roles/positions to consider modification of RCUH's organizational chart.**
    - Corporate Services. CS is planning to recruit an Office Manager to consolidate administrative duties that were previously split or shared between the Finance and HR Departments. A job description is currently being developed based on input from managers across all departments.
    - Human Resources. HR has completed the review of all HR functions and attributes of employees to identify performance gaps and opportunities for improvement. Departmental changes have included reassignments, changes in roles and responsibilities, training and development, changes in job titles, hiring of quality contributors, and distribution of functions throughout the organization (i.e., definition of functions to be performed, groupings of functions, and the relationships among functions). HR hired two new employees in January 2023 and is now fully staffed with a total of 16 full-time personnel. HR will continue to reassess the department as the demands of the projects change.
  - **Establish a single physical location for core staff.** See update on "Move to Burns Hall."
- **Invest in development of RCUH core staff.** Training completed in FY 2023 by HR staff:
  1. Society of Human Resources Management Certification – 3 completed, 2 in progress
  2. Certified Employee Benefit Specialist Certification – 1 in progress
  3. American Payroll Association – Certified Payroll Professional – 2 in progress
  4. HEC Supervisor Training – 4 completed
  5. Miscellaneous HEC/HR Training Sessions – 21 completions
- **Ensure systems are secure and in compliance with applicable policies, regulations.**

- **Implement MFA for all RCUH systems no later than calendar year 2022.** The Multi-Factor Authentication (MFA) rollout to RCUH webmail users was completed. In preparation for the implementation in the HR Portal and Employee Self-Service, HR staff is currently working on contacting individuals who have multiple user identifications to consolidate login IDs for the user list. Testing continues in the Financial Portal and has recently begun in the Training Portal. In addition, an internal user management workflow and policy is being developed to ensure proper maintenance of the user groups.
- **Develop and implement an action plan for data and systems security.** IT System/Security Administrator Michael Cera has conducted or is in the process of conducting the following security initiatives for RCUH's network at MIC:
  - Implemented geo-blocking on firewalls, monitoring for issues.
  - Tested a full system restore from a backup successfully.
  - Looking into alternatives to our current anti-virus and anti-malware solutions.
  - Working on getting systems and software up-to-date, along with a patch management policy.
  - Auditing the use of weaker protocols within the domain network.

He recently obtained access to HR's network and will evaluate what resources can be consolidated between the two systems. Mr. Cera is also in the process of migrating users to a single domain, which is to be completed in early March. This will consolidate the costs of hardware, software, and support, in addition to maintaining a healthier domain.

- **Miscellaneous – RCUH Letterhead & Website Update.** In order to be compliant with Act 170 from the 2022 Legislative Session, RCUH reached out to Professor Emeritus Dr. Puakea Nogelmeier for a translation of "Research Corporation of the University of Hawaii." His translation "'Ahahuina Noi'i O Ke Kulanui O Hawai'i" is now featured on the header of RCUH's website and official letterhead. RCUH has also incorporated the Hawaiian translation into the e-Newsletter header and other documents.
- **Reduce the administrative burden for researchers.** RCUH HR recently received a historic amount of Employee/Independent Contractor (EIC) reviews—600 requests in 2022 compared to 478 requests in 2021, and 365 requests in 2020. HR recently updated its policy and announced new procedures to clearly define Non-Employee categories. This will allow Principal Investigators and Project staff to determine whether a formal EIC determination is needed and thereby reduce any administrative delays.
- **Enhance IT systems to reduce manual processes and eliminate paper documents.** Electronic W-2 consent is currently only collected in Employee Self-Service. While employees are encouraged to consent through hiring emails and notifications as it gets closer to year-end, employees often do not complete this step. This results in a large volume of printed W-2s (1,400 in 2022 and 1,200 in 2023) that must be prepped and mailed manually. RCUH will begin to include electronic W-2 consent with hiring documents, which will increase the number of employees that elect to receive a PDF versus paper forms.
  - **Replace AS 400 system.** See update related to "Replacement of the AS400."

**GOAL 4. INCREASE ENGAGEMENT AND OUTREACH TO CLIENTS.**

- **Strengthen relationships with PIs, FAs, and Project Staff.**
  - Upcoming Open Enrollment Campaign. The HR team has been meeting with key stakeholders to gather empathy on how RCUH can better support their needs as well as educate RCUH employees about their benefits. The Benefits section is revamping how RCUH typically promotes and conducts Open Enrollment with a campaign titled “2023 RCUH Open Enrollment – Explore, Engage, Enroll.” The goal this year is to educate RCUH employees about their benefits by increasing engagement, changing the communication platform, partnering with vendors for content, etc.
  - 2022 Service Awards. To reward and recognize employees who have committed at least 10 years of continuous service, RCUH distributed service awards to 110 RCUH employees in early February. Regular-status employees are eligible for this award at their 10-year mark and every 5 years thereafter. RCUH Corporate Services worked with the Human Resources team to include the monetary award in their paycheck via direct deposit, as opposed to issuing paper checks.
- **Improve external communications to projects.** RCUH promoted several UH initiatives in its February e-Newsletter that would be beneficial to researchers, such as the Faculty Puwalu Research Forums and ORS Contracts and Grants Certification Program. RCUH plans to continue to cross-promote UH trainings, events, workshops, etc. that can benefit UH PIs, FAs, and RCUH Employees.

**NEW DIRECT PROJECTS:**

- No new Direct Projects were recorded in Q1 of 2023.





RCUH

Research Corporation  
of the University of Hawai'i

*'Ahahuina Noi'i O Ke Kulanui O Hawai'i*

2022

ANNUAL REPORT



# WELCOME



With the end of a year comes the promise of a new beginning. This year marked the beginning of a new five-year strategic plan for the Research Corporation of the University of Hawai'i (RCUH). Our work is guided by its four goals:

1. Evaluate & implement recommendations from the RCUH Task Force.
2. Clarify RCUH's identity with the University of Hawai'i (UH) and the State.
3. Reform RCUH's internal operations.
4. Increase engagement & outreach to clients.

In 2022, we focused on updating the UH/RCUH Internal Agreement, collaborating with UH in an effort to reduce information technology (IT) costs, ensuring that stakeholders understand RCUH's role and limitations, identifying and implementing efficiencies in RCUH's operations, ensuring IT and data systems are secure and in compliance with applicable policies and regulations, and strengthening relationships with Principal Investigators (PIs), Fiscal Administrators (FAs), and Project Staff.

Our major achievements in calendar year 2022 include:

- Evaluating and maintaining the UH/RCUH Internal Agreement.
- Onboarding a new HR Director and IT System/Security Administrator.
- Revising internal HR procedures to transition to 100% electronic processing.
- Implementing system features for external users to expedite transactions and increase efficiency (e.g., telework code in eTimesheet, eUpload feature in the HR Portal, Job Description Library).
- Increasing retention of RCUH core staff.



Leonard Gouveia, Jr.  
*Executive Director*



Eugene Bal III  
*Board Chair*

This year also saw us continue to be responsive to a fluid public health climate. At times it felt like two steps forward and one step back, but when it was safe to do so, we started to entertain some in-person functions that were a mainstay in the past. In October we honored 16 exemplary employees at our first in-person awards luncheon in three years. The newly renovated UH Mānoa Campus Center Ballroom was the perfect venue to accommodate nearly 100 employees, principal investigators, and staff for the special celebration.

We are grateful to the research community for allowing us to serve them and to share in their achievements. It is always a joy to read, see, or hear about a project that we supported and the impact it has made on others. It is also extremely important for us to recognize and commend the 30-plus women and men on the RCUH corporate staff who work tirelessly to help others advance research, training, and development in Hawai'i and beyond. A project's successes would not happen without you!

Finally, we wish to acknowledge and thank the RCUH Board of Directors for their support and guidance throughout the past year. We look forward to working closely with them as we make further progress on our strategic plan goals. We hope that you find this annual report interesting and helpful and encourage anyone to reach out to us if there are any questions or concerns. This report is also posted at [www.rcuh.com](http://www.rcuh.com).

Cover photo by Zach Pezzillo; back cover photo courtesy Pacific Cooperative Studies Unit, Ko'olau Mountains Watershed Partnership

# ABOUT US



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 (UH) for administrative purposes.

To fulfill its mission, RCUH is exempt from certain State procurement and personnel laws. This allows RCUH to provide rapid and efficient services that enable its clients to be more productive and to meet their research, development, and training objectives in a timely manner.

## OUR VISION

A Hawai'i where research, development, and training flourish and energize a prosperous state economy.

## OUR MISSION

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

## RCUH BOARD OF DIRECTORS

The affairs of the Research Corporation of the University of Hawai'i are under the general management and control of its eight-member Board of Directors.



Eugene Bal III  
*Board Chair*



Kelli Goodin  
*Vice Chair*



Ken Hayashida



David Karl



Jaret KC Leong



Diane Paloma



Taryn Salmon



Vassilis Syrmos

### ALOHA 'OE!

Mahalo to our two outgoing board members who completed their term in 2022. You'll be missed!



Michael Maberry

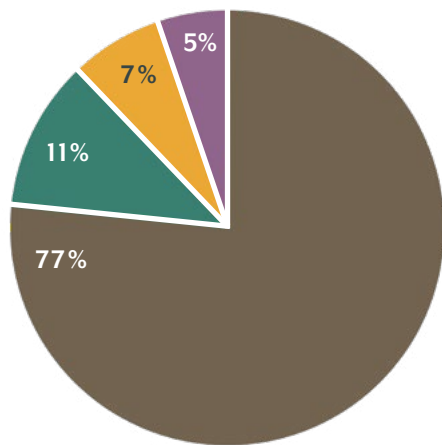


Joseph Pickard

# FINANCIAL & HR REPORT



## VOLUME OF BUSINESS BY PROJECT TYPE



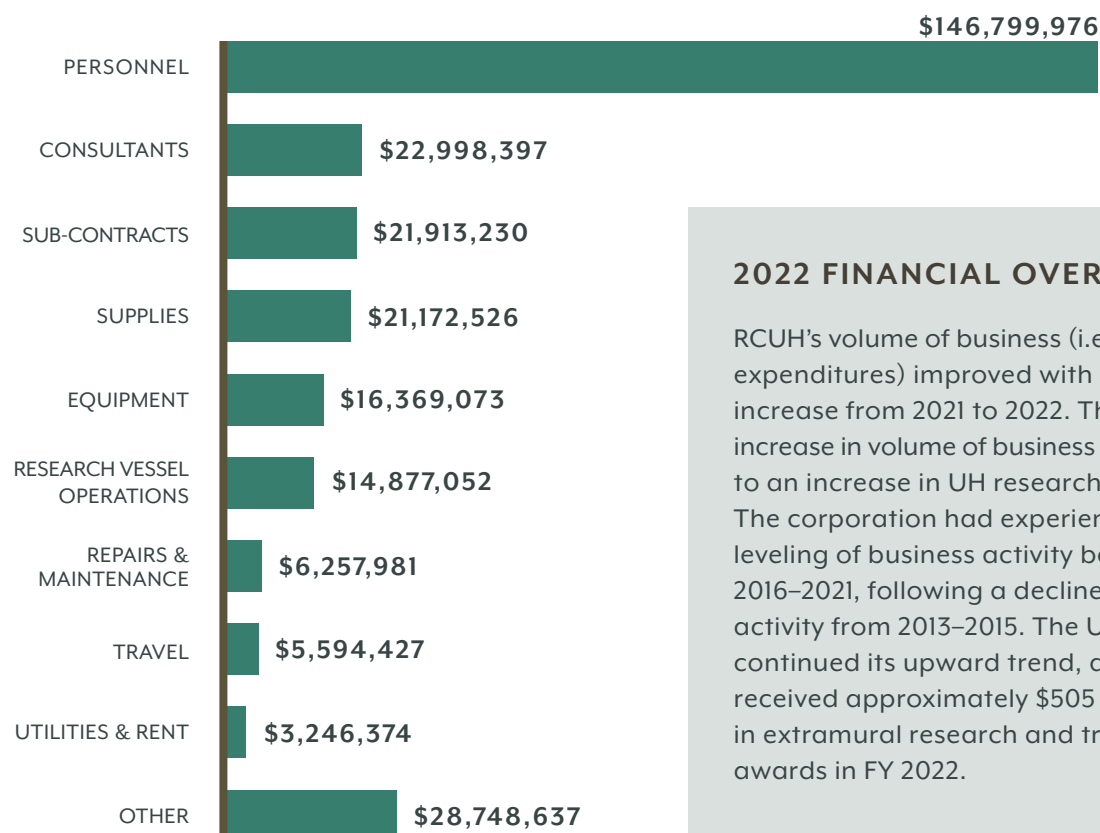
**TOTAL VOLUME  
OF BUSINESS:**  
**\$287,977,672**

- UH EXTRAMURAL PROJECTS (\$220,558,687)**  
Externally sponsored federal and non-federal contracts, grants, and other agreements
- UH REVOLVING PROJECTS (\$32,732,567)**  
Self-sustaining, income-generating projects established to support a specialized service activity, a recharge center, or other sales and service activities
- DIRECT PROJECTS (\$19,819,260)**  
Projects assigned to and accepted by RCUH from non-UH organizations, including federal and State agencies, international organizations, and other not-for-profit organizations
- UH INTRAMURAL PROJECTS (\$14,867,158)**  
Internally sponsored programs or activities funded with UH Research and Training Revolving Funds (RTRF) or Tuition and Fee Special Funds (TFSF)

## PROJECTS BY COUNTY

COUNTY	NO. OF PROJECTS	NO. OF EMPLOYEES	VOL. OF BUSINESS
HONOLULU	3,500	1,623	\$240,668,024
HAWAI'I	404	542	\$29,209,577
MAUI	124	270	\$16,852,041
KAUA'I	17	70	\$1,248,030
STATEWIDE	4,045	2,505	\$287,977,672
OTHER (Continental U.S. + International)		161	

## FY 2022 FINANCIAL EXPENDITURES



### 2022 FINANCIAL OVERVIEW

RCUH's volume of business (i.e., project expenditures) improved with a 10% increase from 2021 to 2022. The increase in volume of business correlates to an increase in UH research awards. The corporation had experienced a leveling of business activity between 2016–2021, following a decline in activity from 2013–2015. The University continued its upward trend, and received approximately \$505 million in extramural research and training awards in FY 2022.

## TRANSACTIONS BY FISCAL YEAR

TRANSACTIONS	FY 2022	FY 2021	FY 2020
TIMESHEETS/eTIMESHEETS	57,367	57,379	56,089
VENDOR PAYMENTS	33,814	29,981	42,381
NON-PO PAYMENTS	18,688	16,983	25,381
PURCHASE ORDERS	11,186	9,997	12,711
TRAVEL REQUESTS/COMPLETIONS	7,572	3,256	14,178
CASH RECEIPTS	8,832	6,316	9,176
W-2'S ISSUED *	3,527	3,574	3,385
TERMINATIONS	1,497	1,445	1,388
NEW HIRES	1,520	1,633	1,375

\* Data reported based on calendar year

# 2022 YEAR IN REVIEW



RCUH had ambitious goals for Year 1 of its 2022–2026 Strategic Plan and although not all targets were met, a solid foundation was laid for the next four years. The summary below will take a look at each goal and provide updates on objectives that are in progress or have been completed.

## GOAL #1: EVALUATE AND IMPLEMENT RECOMMENDATIONS FROM THE RCUH TASK FORCE.

### **Update the UH/RCUH Internal Agreement.**

After discussions in March between UH President David Lassner, VP for Research & Innovation Vassilis Syrmos, UH Board of Regent/RCUH Board Chair Eugene Bal, and Executive Director Lenny Gouveia, all parties agreed that the current Internal Agreement should remain in place with no modifications. The group also agreed that the 10% cap on RCUH's management fee would be removed from UH Executive Policy 12.216.

### **Determine the appropriate level of and proper use of RCUH's reserves, line of credit.**

RCUH provided a presentation to the Board of Directors at the December 6, 2022 meeting to begin the discussion on the appropriate level of the corporation's working capital reserves. This topic will be discussed at the March 2023 meeting and a formal policy will be proposed.

### **Collaborate with UH in an effort to minimize IT costs.**

RCUH has worked closely with UH VP of Information Technology and Chief Information Officer Garret Yoshimi to determine whether future IT initiatives can be integrated within UH's existing systems/plans. For example, RCUH assessed the possibility of merging UH and RCUH users for the implementation of a Multi-Factor Authentication system, however, the price point would have been costly for the University. Ultimately it was determined that it would be best for both parties if RCUH had its own plan.

RCUH continues to work with VPIT Yoshimi to determine ways to minimize IT costs. He has provided valuable feedback as RCUH finalizes the procurement of new software to replace the aging AS 400 accounting system that serves as the backbone for RCUH's Financial Portal.

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

### **Clearly define RCUH's role and relationship with UH, State of Hawai'i.**

RCUH has met with numerous stakeholders to discuss and evaluate the existing Master Agreement. An internal review is ongoing. RCUH has also communicated established guidelines on RCUH's scope of work relating to Direct Project inquiries.

### **Ensure stakeholders understand RCUH's role and limitations.**

RCUH developed an "Introduction to RCUH" presentation that provides a comprehensive look at RCUH's history and operations. This presentation will be used to onboard new board members and can be modified depending on the target audience.



## NEW DIRECT PROJECTS IN CALENDAR YEAR 2022

- **Dept. of Health - Adult Mental Health Division Project (est. budget: \$3.5 million)**  
The project will conduct research of new evidence-based programs and translational research of existing evidence-based programs for use in Hawai'i and develop and maintain a robust data system that links to appropriate evidence-based clinical care.
- **Dept. of Health - Development Disabilities Division Project (est. budget: \$3.1 million)**  
This project will focus on the development of a training and certification framework for workforce development of Direct Support Professionals and research analytics for critical incident response and continuous quality improvement.
- **Local 2030 Islands Network (est. budget: \$3 million)**  
The Local 2030 Islands Network coordinates island members to support green growth, sustainable development, and climate resilience.
- **Hawaii Library Access & Mobile Clinic (est. budget: \$2.2 million)**  
This project strives to improve access for underserved communities to online health information and telehealth services through state libraries, improve access to preventive health services using mobile clinic vans statewide, and establish a data collection and reporting system to catalog data.
- **Dept. of Agriculture - Produce Safety Program (est. budget: \$360,000)**  
This alliance of federal-state cooperators should result in on-farm consistencies that will meet the expectations of the Produce Safety Program and signifies progress toward improved food safety.
- **Dept. of Health - Microbiologist Training Program (est. budget: \$352,000)**  
RCUH will provide administrative support to this program that will help individuals qualify for the State of Hawaii Department of Health Clinical Laboratory Personnel License as a Clinical Laboratory Specialist in Microbiology/Molecular Biology.
- **Two-Line Spittlebug Management & Control (est. budget: \$300,000)**  
The scope of this project is to create a reimbursement program to address the cost to ranchers for the impacts of the highly invasive two-lined spittlebug as set forth in Act 137 Session Laws of Hawaii 2021.
- **Hawaii Local2030 Hub (est. budget: \$80,000)**  
The Hawaii Local2030 Hub is a public-private partnership and a United Nations Local2030 Hub that is committed to advancing economic, social, and environmental goals.
- **Dept. of Land and Natural Resources - Hawaii Freshwater Public Fishing Area Resource Monitoring Project (est. budget: \$65,000)**  
This DLNR project will educate and engage local and visiting communities in pono fishing practices and conduct research to help facilitate management of PFAs in Hawai'i.



## GOAL #3: REFORM RCUH'S INTERNAL OPERATIONS.

### **Identify and implement efficiencies in RCUH's operations.**

HR Director Kira Higa conducted an organizational evaluation during the first six months in her new role. During this evaluation period, she focused on hiring and retaining high-quality contributors. After aligning the roles and responsibilities of current staff, she identified and addressed gaps in training/development and staffing needs.

RCUH also worked towards centralizing its operations on the Mānoa campus. RCUH anticipates moving all staff from the Mānoa Innovation Center (MIC) to East-West Center's Burns Hall in February 2023.

In terms of developing a formal remote work policy, RCUH released a memo to project staff that aligns with UH's Telework Policy. To ensure accurate reporting, HR also developed a new code in the eTimesheet to track telework hours.

### **Invest in development of RCUH core staff.**

During Director Higa's evaluation of her department, she worked with individual staff to create custom career maps with actionable goals. These plans should help increase the retention of core staff, which has already improved with six less terminations than the previous year. Staff have also completed professional development sessions with the Hawaii Employers Council, American Payroll Association, and other HR-related institutions.

### **Ensure systems are secure and in compliance with applicable policies, regulations.**

RCUH hired an IT System/Security Administrator in October 2022 to maintain RCUH's computer systems. In just three months, he has evaluated and implemented recommendations for RCUH's IT infrastructure at MIC. This includes deploying an internal vulnerability scanner to detect security issues, deploying a backup system for full system restores, and documenting RCUH's inventory of servers, equipment, network, etc.

Additionally, RCUH has also begun to implement Multi-Factor Authentication for several internal systems, such as webmail and PeopleSoft. Testing is underway for the Financial Portal with an anticipated systemwide rollout in 2023.

### **Reduce the administrative burden for researchers.**

In an effort to ease the administrative burden for researchers and their staff, RCUH:

- Consolidated the annual performance evaluation to a single two-page form.
- Implemented an eUpload feature in the HR Portal and Employee Self-Service that provides a secure method to upload documents with sensitive information to HR.
- Developed a Job Description (JD) Library to assist projects with job description management. It provides quick access and centralized storage for all established JDs unique to each project.
- Enabled a security question feature for password resets in the HR Portal and Employee Self-Service.
- Revised a policy to give PIs and FAs the ability to approve certain terms and conditions for purchases below \$25,000.

### **Enhance IT systems to reduce manual processes and eliminate paper documents.**

To promote internal efficiencies, HR implemented automatic email notifications for terminations, position selections, and closed recruitments. These were previously manual processes that took up many work hours.

On the Finance side, RCUH has had many discussions with IT vendors, as well as UH ITS, to determine the most appropriate platform to replace the AS 400. DataHouse presented a proposal at the December 6, 2022 Board of Directors meeting that was approved on the condition that the procurement process is vetted by RCUH's assigned Deputy Attorney General.

## ADDITIONAL ACCOMPLISHMENTS & ENDEAVORS IN 2022

### Recruiting & Onboarding New HR Director

After serving as RCUH's Director of Human Resources for more than 30 years, Nelson Sakamoto retired in May 2022. RCUH's Leadership Team worked with an executive recruiter to find a successor and were pleased to welcome Kira Higa as the incoming HR Director. She previously worked at the Office of Hawaiian Affairs and has held various roles at Hawaiian Telcom for the past 13 years, most recently as HR Director.

### DCSA Security Review

The Defense Counterintelligence Security Agency conducted a security review of RCUH in September 2022. RCUH received a Satisfactory Security Rating with one administrative finding, two follow-up actions, and one serious vulnerability, which RCUH respectfully disagreed with. Appropriate action was taken on all items and have been resolved.

### Legislative Activity

There was significant activity in the 2022 legislative session with two bills that would alter RCUH's statute and impact its operations. RCUH submitted written and oral testimony in opposition to SB2304 and SB3267 since many of the concerns were already addressed in the UH Task Force Report that was submitted prior to the 2022 session. Both bills passed through the Senate with amendments, despite receiving opposition from researchers and administrators, however, they failed to pass after the first crossover to the House.

### Transition of Revolving Accounts to UH

RCUH collaborated with UH's Office of Research Services, Fiscal Department and IT on the transition of UH's Revolving Accounts from RCUH's Financial System to UH's Kuali Financial System. The targeted date to complete this transition is July 1, 2023.

## GOAL #4: INCREASE ENGAGEMENT AND OUTREACH TO CLIENTS.

### Strengthen relationships with PIs, FAs, and Project Staff.

In October 2022, a gathering of nearly 100 individuals celebrated the accomplishments of 16 exemplary RCUH employees at the annual RCUH Awards Luncheon. The in-person event was brought back for the first time in three years and was held at the newly renovated UH Mānoa Campus Center Ballroom.

RCUH's Board of Directors reinstated funds to support its Tuition Expense Reimbursement program for eligible RCUH employees. The funds were cut by 50% for the previous two years and during that period RCUH received many messages of support for this employee benefit.

### Improve external communications to projects.

The pandemic persuaded many professionals to elect for an early retirement, including a large number of prominent researchers at the University of Hawai'i. In response to this exodus, RCUH held a virtual Q&A forum "Pathways to Research Success: Lessons Learned" to provide an opportunity for up-and-coming researchers to hear from some of the most experienced and successful UH Principal Investigators and learn from their experiences. Nearly 100 individuals participated in the webinar, which provided the ability to pose questions to panelists in real-time. A [report and recording](#) were also made available on RCUH's website for those who weren't able to attend.

# PROJECT SPOTLIGHT



## WATERSHED PARTNERSHIPS BRING LANDOWNERS TOGETHER TO PROTECT HAWAI‘I’S NATURAL RESOURCES

With the Red Hill water crisis receiving prominent coverage in the media in 2022, the safety of O‘ahu’s drinking water has been brought to the forefront. Besides the obvious danger of fuel leaks, there are many other threats to the island’s water supply, such as invasive species, development, and climate change. The [Pacific Cooperative Studies Unit](#) at the University of Hawai‘i at Mānoa supports seven watershed partnerships across the state to combat these threats. Their focus is to reintegrate native species into forests, stabilize Hawai‘i’s unique ecosystems, and provide a sustainable water supply for our isolated island state.

“These watershed partnerships play an integral role by striving to maintain healthy forests where our rainwaters can be absorbed into the ground, rather than run-off, and restore the water table that is so vital to our living on these islands,” said Principal Investigator Cliff Morden.

According to Dr. Morden, close to 50% of Hawai‘i’s native forests have been lost and those that remain are threatened by invasive species. The watershed partnerships continually propagate native plant species, including rare and endangered species, which is vital to restore these habitats.

### What is a Watershed?

According to the Board of Water Supply, it’s “an area of land, encompassing a mountain or valley, that catches and collects rainwater.” An ahupua‘a is the Hawaiian equivalent of a watershed as it includes land from mauka to makai.





Staff collect and store native plant seeds that can later be grown in greenhouses and evaluate the best methods for their reintroduction into their natural habitats. With 60% of Hawai'i's native flora in danger of becoming extinct, the work of these watershed partnerships are as important as ever. Watershed staff have built miles of fencing on several islands to combat non-native hoofed animals, such as wild pigs, goats, mutton sheep, and axis deer. These feral ungulates destroy native vegetation, spread invasive weeds, accelerate erosion, and pollute waterways with disease.

Because each watershed is so different geographically, from dryland forests to tropical rainforests, each partnership has different research and management methods, while sharing the same goal of protecting Hawai'i's ecosystems. For example, the Wai'anāe Mountains Watershed Partnership takes a holistic management approach by incorporating 'Ōlelo noeau (Hawaiian proverbs or poetical sayings), mo'olelo (Hawaiian stories, myths, and legends), ahupua'a (traditional Hawaiian land division system), and Hawaiian moon phase concepts in their activities, attempting to find a balance between modern science and ancient Hawaiian practices and culture.

Regardless of their methods or geographic terrain, one thing these watershed partnerships all have in common is their ability to bring together federal, state, county, and private landowners and organizations to protect the state's natural resources. The State set a goal to protect 30% of remaining watershed forests by 2030 and progress can be tracked here: <https://alohachallenge.hawaii.gov/pages/nrm-02-watershed-forest-areas>.

Photo on left: A crew from the Ko'olau Mountains Watershed Partnership uses binoculars to survey for invasive species in the area.

Photo courtesy the Pacific Cooperative Studies Unit

## PCSU-Supported Watershed Partnerships



### 3 WAYS YOU CAN HELP

#### VOLUNTEER

Volunteer days with projects make a tremendous impact on what can get done in a very short time. Opportunities can range from field work, such as seed cleaning, weed control, and plant identification, to office-based work. Private group opportunities may also be arranged.

#### PROMOTE CONSERVATION EFFORTS

Monitor your water use and recycle the water you use for other purposes. Support quarantine and invasive species prevention initiatives and programs. Prevent the spread of weeds by checking your clothing and boots after hiking.

#### VOICE YOUR SUPPORT

Contact your elected officials to support or oppose bills impacting watershed health. Share the importance of protecting our local watersheds with your families and friends, or schedule a presentation on watersheds for your colleagues.



Staff participate in training during the Phase II kickoff of the PhilAWARE Campaign in October 2022. PhilAWARE is a custom version of PDC's DisasterAWARE platform and has already made an impact since its deployment in late 2021. The system has helped the Philippines Office of Civil Defense monitor and respond to Super Typhoon Rai and numerous landslides caused by Tropical Storm Agaton. Photo courtesy Pacific Disaster Center

## PACIFIC DISASTER CENTER EXPANDS ITS REACH, IMPACT, AND INTERNATIONAL PARTNERSHIPS

Natural hazards occur every day around the world. As rapid population growth and with climate change increase the frequency and intensity of these hazards, threatening more lives and livelihoods, it is more critical than ever to work to reduce disaster risks. A powerhouse when natural disasters come calling is the [Pacific Disaster Center](#) (PDC), a University of Hawai'i applied science and research center, located in Kihei, Maui.

After Hurricane Iniki's devastating effects in 1992, the late U.S. Senator Daniel K. Inouye conceived PDC as a hub to advance use of science, information, and technology for disaster prevention at home and beyond. The Center opened in 1995 and at its earliest inception was focused on support to Hawai'i's own emergency management and disaster management agencies, as well as to inform

policymakers with the best science and information.

Today, PDC serves a global audience, helping communities across the world to increase disaster management capacity and embolden more effective, evidence-based risk reduction decisions, policies, and actions for a safer world. PDC has completed projects in Hawai'i, North America, and more than 70 countries, and equipped nations across Asia Pacific, Latin America, the Caribbean, Africa, and Eastern Europe with the most advanced technologies and best practices.

Technology advancements, innovation, and agility, along with a very forward-leaning vision of what is likely needed by future decision makers drive PDC's services and reach. Their DisasterAWARE platform is used by

tens of thousands of disaster management and humanitarian assistance practitioners across the globe. The platform provides multi-hazard early warning, hazard monitoring, and risk intelligence for effective disaster preparedness, recovery, and mitigation. Additionally, DisasterAWARE provides access to the largest, high-resolution, scientifically-vetted big data catalog, along with real-time information, precision modeling, and artificial intelligence (AI)-based advanced analytics. Disaster Alert, PDC's public mobile app, has been downloaded by more than two million people.

International partnerships with the United Nations, World Food Program, U.S. Geological Survey, NASA, and the International Federation of Red Cross, among others, provide critical information and data that improve PDC's ability to anticipate hazard impacts to populations and infrastructure. A new life-saving technology developed in partnership between PDC and NASA has just been released—providing the world's first global flood detection capability to help reach 50% of the world's population which currently lack adequate early warning.

## 2022 PDC HIGHLIGHTS

- Four national baseline assessments for Guyana, Palau, Djibouti, and Nepal.
- Nearly \$1 million in funding support from USAID for a major expansion to PhilAWARE early warning system.
- All 192 societies of the International Federation of Red Cross granted direct access to PDC life-saving early warning and hazard impact information.
- First global gender trend analysis of “Women, Peace and Security” to improve gender-based resilience, peace, and security worldwide.
- First multi-hazard Climate Risk Analysis, comparing impacts of numerous weather-related hazards between 2000 and 2050 within the Asia Pacific region.

## UNITED NATIONS RECOGNIZES PDC WITH SASAKAWA AWARD

The Pacific Disaster Center was honored with the Sasakawa Award, a once-in-a-lifetime achievement award granted every three years by the United Nations to recognize excellence in reducing disaster risk for a more inclusive and sustainable world—leaving no one left behind.

PDC was nominated for its national baseline assessment program which helps countries put risk information into action and operationalizes the goals of the United Nations Sendai Framework for Disaster Risk Reduction. It was also nominated by the AHA Centre for its nearly two decades of work with the ASEAN (Association of

Southeast Asian Nations) region to build multi-hazard warning and advanced disaster management capacity.

Following the award announcement, PDC Executive Director Ray Shirkhodai said, “Pacific Disaster Center is honored and humbled by the recognition we’ve received from the United Nations and our partners for our efforts to help create safer, more disaster-resilient communities. We share this award with all like-minded, hard-working humanitarians with a passion for helping the vulnerable among us and reducing disaster risk to make life better for all citizens.”



# OUTSTANDING EMPLOYEES



After a three-year hiatus due to the COVID-19 pandemic, RCUH recognized 16 exemplary employees at the 2022 RCUH Awards Luncheon. Nearly 100 individuals attended the event held at the renovated UH Mānoa Campus Center Ballroom. Each employee received a certificate and cash award; first-place awardees received \$1,000 (shared equally among team members) and second place awardees received \$500.

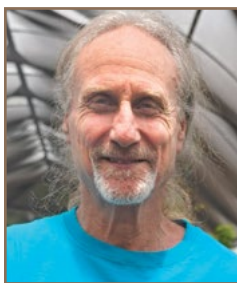


## RESEARCH/PROJECT MANAGER CATEGORY



### **1st Place:** [Cris Milne](#), UH John A. Burns School of Medicine

Cris has served as a Research Nurse Practitioner at the Hawai'i Center for AIDS for more than 25 years. Cris and five other nurses were presented with the 2021 Suzanne Richmond-Crum Award for their outstanding contributions in providing HIV/AIDS services to the community. Dr. Dominic Chow said that Cris truly embodies the mission of the center as a tireless advocate for quality medical care, research, and education for health professionals.



### **2nd Place:** [Hank Oppenheimer](#), UH College of Natural Sciences

Hank is one of the premier botanists in Hawai'i and has discovered six new and invasive plant species on Maui over the last 14 years. As the Maui Nui Coordinator for the Plant Extinction Prevention Program, Hank strives to protect and save Hawai'i's rarest plants using a variety of methods, including fencing, rat trapping, and weed control. Because of his efforts, there are currently restored populations of native plants that would have otherwise gone extinct.



### **Honorable Mention:** [Jesse Abdul](#), UH School of Ocean and Earth Science and Technology

As a Data Applications Developer with the Cooperative Institute for Marine and Atmospheric Research (CIMAR), Jesse works closely with NOAA and other stakeholders to help monitor the health of commercial fisheries around the Pacific. He recently developed and successfully launched a personal tracking system in just two months to ensure the health and safety of employees returning to the Inouye Regional Center on Ford Island.

## PROJECT SUPPORT STAFF CATEGORY



**1st Place: [Kelsey McBeain](#), UH School of Ocean and Earth Science and Technology**

As a Lab Research Technician, Kelsey is responsible for maintaining a unique collection of phytoplankton and virus cultures from the ocean waters around the Hawaiian islands. There are hundreds of strains that must be kept alive, which is no easy task. Kelsey has streamlined and reduced the time for culture maintenance procedures by nearly 50% so that it now takes less than a week per month.



**2nd Place: [Naomi Moran](#), Subaru Telescope**

With Naomi's help, accidents at Subaru Telescope have declined since 2018, however safety is a daily challenge. High altitude conditions can cause staff to lose awareness of their environment. Naomi provides on-site safety training for staff and conducts monthly inspections. She also took the lead in updating Subaru's COVID-19 guidelines and procedures, keeping pace with ever-changing local and federal guidance.



**Honorable Mention: [Joanna Norton](#), UH College of Tropical Agriculture and Human Resources**

Cassava isn't a well-known food in the U.S., but this important crop is eaten by more than 500 million people in developing countries. Under a project funded by the Bill and Melinda Gates Foundation, Joanna has developed a successful breeding program in Hilo and has provided cassava seeds to partners around the world. Her work has produced some of the highest yielding cassava on the Hāmākua Coast.



**[Click here](#) to view a video playlist featuring each Outstanding Employee nominee or visit: <https://www.rcuh.com/about/awards/>.**

### MAHALO TO THE 2022 SELECTION COMMITTEE

RCUH wants to give a special mahalo to the Selection Committee members who volunteered their time to review and score these nominations:

- **Ken Hayashida**, President, KAI Hawaii; RCUH Board Member
- **Marie Kumabe**, Principal and Owner, Kumabe HR
- **Clyde Shiigi**, Chief Technology and Strategy Officer, DataHouse

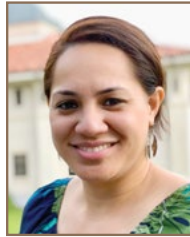


## TEAM CATEGORY

### 1st Place: [Telecommunications and Social Informatics \(TASI\)](#)



Umerang  
Imetengel



Ginger Porter



Alyssa Shimizu

This trio supports the Pacific Basin Telehealth Resource Center (PBTRC) and the Pacific International Training Desk. One of the team's largest PBTRC projects was its support of the American Samoa Repatriation Project, which was extremely complicated due to COVID-19 regulations. Ginger, Alyssa, and Umerang were also instrumental in maintaining disaster communications when the Kingdom of Tonga was struck by a volcanic eruption and tsunami in January. The team spent hundreds of hours sending and monitoring messages via Chatty Beetle, a portable satellite terminal used by the Pacific Desk.

### 2nd Place: [ITS Cyberinfrastructure](#)



Sean Cleveland



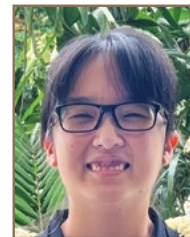
Jennifer Geis



Jared McLean



Maria Dumanlang



Michelle Choe

This team supports several research projects across the 10-campus UH system, including Hawai'i EPSCoR (Established Program to Stimulate Competitive Research), which recently received a \$20 million NSF award. Sean, Jennifer, Jared, Maria, and Michelle played a major role in developing EPSCoR's Hawai'i Climate Data Portal. This platform provides climate-related data and products for stakeholders in agriculture, energy, conservation, and disaster preparedness. The team also contributes to the Hawai'i Data Science Institute.

### Honorable Mention: [UH Cancer Center Shepherd Research Lab](#)



Nisa Kelly



En Liu

En and Nisa followed Principal Investigator John Shepherd across the Pacific when the Shape Up study moved from UC San Francisco to the University of Hawai'i in 2018. This duo helped implement the Shape Up! Keiki study, which focuses on children from birth to age five. In order to make these keiki feel at ease, En and Nisa transformed the research lab into a child-friendly playground.

# FINANCIAL STATEMENTS



**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII  
STATE OF HAWAII  
Fiscal Years Ended June 30, 2022 and 2021 and 2020**

## Condensed Statements of Net Position (Unaudited)

The Corporation's assets and deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2022, 2021 and 2020 are summarized below:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 52,652,187	\$ 43,570,646	\$ 40,880,000
Noncurrent assets	--	--	1,750,000
Capital assets	<u>2,429,469</u>	<u>2,830,822</u>	<u>3,260,152</u>
Total assets	55,081,656	46,401,468	45,890,152
Deferred outflows of resources	<u>86,456</u>	<u>138,003</u>	<u>189,550</u>
Total assets and deferred outflows of resources	\$ <u>55,168,112</u>	\$ <u>46,539,471</u>	\$ <u>46,079,702</u>
Current liabilities	\$ 40,419,330	\$ 31,596,937	\$ 31,291,424
Noncurrent liabilities	<u>4,207,587</u>	<u>4,826,947</u>	<u>4,919,604</u>
Total liabilities	44,626,917	36,423,884	36,211,028
Deferred inflows of resources	<u>968,928</u>	<u>634,864</u>	<u>453,086</u>
Total liabilities and deferred inflows of resources	45,595,845	37,058,748	36,664,114
Net position			
Invested in capital assets	2,172,035	2,830,822	3,260,152
Unrestricted	<u>7,400,232</u>	<u>6,649,901</u>	<u>6,155,436</u>
Total net position	<u>9,572,267</u>	<u>9,480,723</u>	<u>9,415,588</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>55,168,112</u>	\$ <u>46,539,471</u>	\$ <u>46,079,702</u>



To view RCUH's complete audited financial statements for FY 2022, please visit <https://www.rcuh.com/rcuh-fy2022-audit/> or scan the QR code with your smartphone.

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII  
STATE OF HAWAII  
Fiscal Years Ended June 30, 2022 and 2021 and 2020**

**Condensed Statements of Revenues, Expenses and Changes in Net Position (Unaudited)**

The Corporation's statements of revenues, expenses and changes in net position for the fiscal years ended June 30, 2022, 2021 and 2020 are summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues			
University of Hawai'i	\$ 6,705,099	\$ 6,665,561	\$ 7,760,462
Other sponsor agencies	<u>732,743</u>	<u>552,855</u>	<u>593,243</u>
Total operating revenues	7,437,842	7,218,416	8,353,705
Operating expenses			
Personnel costs	3,778,162	4,098,339	4,673,097
Data processing services	1,171,655	1,139,123	1,609,753
Depreciation and amortization	897,037	873,309	764,318
Insurance	574,374	477,322	436,680
Professional and technical support	261,613	151,610	196,445
Office and equipment rental	179,901	291,077	288,606
Other expenses	506,720	297,194	578,994
Project development	<u>--</u>	<u>--</u>	<u>500,000</u>
Total operating expenses	<u>7,369,462</u>	<u>7,327,974</u>	<u>9,047,893</u>
Operating income (loss)	68,380	(109,558)	(694,188)
Nonoperating revenues			
Intergovernmental (Federal awards)			
Revenue	349,424	307,889	191,730
Expense	(349,424)	(307,889)	(191,730)
Interest Income	167,550	199,670	555,366
Unrealized loss	<u>(144,386)</u>	<u>(24,977)</u>	<u>--</u>
Increase (decrease) in net position	91,544	65,135	(138,822)
Net position			
Beginning of year	<u>9,480,723</u>	<u>9,415,588</u>	<u>9,554,410</u>
End of year	\$ <u><u>9,572,267</u></u>	\$ <u><u>9,480,723</u></u>	\$ <u><u>9,415,588</u></u>



To view RCUH's complete audited financial statements for FY 2022, please visit <https://www.rcuh.com/rcuh-fy2022-audit/> or scan the QR code with your smartphone.

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII  
STATE OF HAWAII  
Fiscal Years Ended June 30, 2022 and 2021 and 2020**

**Condensed Statements of Cash Flows (Unaudited)**

The Corporation's statements of cash flows for the fiscal years ended June 30, 2022, 2021 and 2020 are summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating activities			
Cash received from operations	\$ 7,857,215	\$ 8,235,545	\$ 7,605,984
Cash payments for operations	(6,302,378)	(6,558,201)	(8,192,458)
Project expenditures and reimbursements, net	<u>(3,697,056)</u>	<u>9,781,624</u>	<u>(7,919,874)</u>
Net cash provided by (used in) operating activities	(2,142,218)	11,458,968	(8,506,348)
Capital and related financing activities	(238,250)	(443,979)	(807,883)
Investing activities	<u>1,860,202</u>	<u>(4,565,164)</u>	<u>(3,367,382)</u>
Increase (decrease) in cash	<u>(520,266)</u>	<u>6,449,825</u>	<u>(12,681,613)</u>
Cash			
Beginning of year	<u>21,749,405</u>	<u>15,299,580</u>	<u>27,981,193</u>
End of year	\$ <u><u>21,229,139</u></u>	\$ <u><u>21,749,405</u></u>	\$ <u><u>15,299,580</u></u>



To view RCUH's complete audited financial statements for FY 2022, please visit <https://www.rcuh.com/rcuh-fy2022-audit/> or scan the QR code with your smartphone.





## GENERAL INQUIRIES

✉ [rcuh@rcuh.com](mailto:rcuh@rcuh.com)

🌐 [www.rcuh.com](http://www.rcuh.com)

📍 1601 East-West Road  
Burns Hall 4th Floor, Makai Wing  
Honolulu, HI 96848

## EXECUTIVE OFFICE

✉ [rcuhed@rcuh.com](mailto:rcuhed@rcuh.com)

☎ (808) 956-0503

## FINANCE

✉ [rcuhfiscal@rcuh.com](mailto:rcuhfiscal@rcuh.com)

☎ (808) 956-0500

## HUMAN RESOURCES

✉ [rcuhhr@rcuh.com](mailto:rcuhhr@rcuh.com)

☎ (808) 956-3100





February 21, 2023

**MEMORANDUM**

**TO:** Chair Eugene Bal, III  
and Members of the Board of Directors

**FROM:** Kira Higa  
Director of Human Resources

**SUBJECT: 2023 Pay Award and Pay Adjustment Guidelines**

Escalating inflation coupled with an increasingly competitive labor market has been a challenge for our projects. RCUH is proposing the compensation guidelines below, effective July 1, 2023 (or an alternate effective date of October 1<sup>st</sup> for projects' whose budgets are dependent on the new federal fiscal year). The high side of the General Pay Awards/Adjustments range is consistent with the UH collective bargaining pay adjustment for 2023. According to recent survey data, the national salary increases are ranging between 4% - 5% for 2023.

These compensation guidelines will allow Principal Investigators to provide competitive salaries, which are essential to recruiting and retaining highly qualified staff in a tight labor market. RCUH is proposing a range for both General and Merit Pay Awards (i.e., one-time payment) and Pay Adjustments (i.e., permanent increase to base pay rate) to give projects flexibility if there are funding concerns. In addition, this proposal would allow PIs to provide only General or only Merit pay awards or adjustments. Please note that all pay adjustments and pay awards are dependent upon the availability of funds.

**July 1, 2023 Guidelines for General and Merit Pay Awards and Pay Adjustments**

3.0% to 5.0%	General Pay Award or Pay Adjustment	Eligible employees must receive a Satisfactory rating on their performance evaluation.
2.0% to 3.0%	Merit Pay Award or Pay Adjustment	Eligible employees must receive a Merit rating on their performance evaluation.

# RCUH

# Working Capital Reserve

Tuesday, March 7, 2023

# Agenda

- I. Highlights from December 7, 2022 BOD Meeting
  - Working Capital Reserve - Defined & History
  - Reviewed UH's Reserve Policy (RP 8.203 and EP 8.210)
  - Option
- II. Recommendation
- III. Working Capital Reserve Policy/Guideline
- IV. Discussion and Questions

# Working Capital Reserve - Defined

- Unrestricted Net Position
  - Liquid Assets minus Liabilities = Net Cash
  - Includes 1998 established Project Contingent Liability Reserve (currently \$1.1 million)
- \*\*\* A copy of the Guidelines on Project Contingent Liability Reserve is attached (press icon to view)



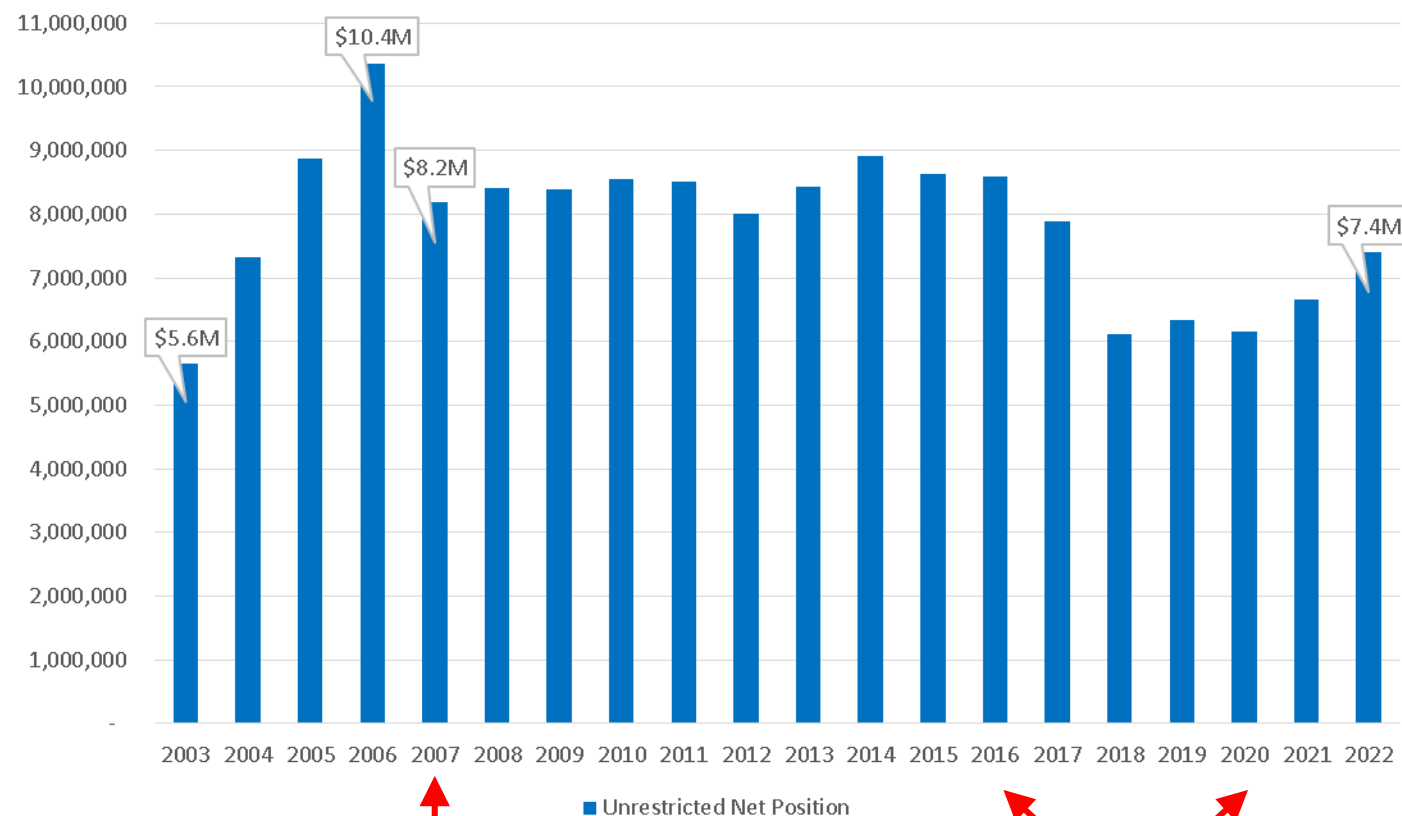
Microsoft Edge  
PDF Document

# Recent History

- RCUH's 2017-2021 Strategic Plan Goal was a \$7.5 million Working Capital Reserve
- Based upon 2 months of core operating expenditures and average Bi-Monthly Payroll for all RCUH staff (core and research)



## Unrestricted Net Position (Working Capital Reserve)



2007 - Changed Internal Agreement. RCUH reimbursed UH \$3.0M

2016 to 2020 investments into IT systems.

# UH Reserve Policies (RP 8.203 and EP 8.210)

- **Emergency Reserves** – Funds set aside to address financial emergencies = 16% (2 months) of operating expenditures.
- **Operating Reserves** – Flows to Executive Policy 8.210 (Systemwide Financial Reserves) = 5-16% of each unit's operating expenditures.

[LINK TO POLICY](#)

# Option 1 – Reserve on Core Expenditures

- Reserve based upon Core Operating Expenditures (\$7.9 million) and applying UH Policy 8.203
- Reliance on fact that UH ensures payment to RCUH for reimbursement of UH Research Operating Expenditures

	<u>2020-22 Average</u>		<u>Emergency Reserve 16%</u>	<u>Minimum Operating Reserve 5%</u>	<u>Maximum Operating Reserve 16%</u>		<u>Minimum Reserve</u>		<u>Maximum Reserve</u>
Core Operating Expenditures	7,915,110		1,266,418	395,755	1,266,418		1,662,173		2,532,835

Note: Confirmed with Calbert Young (UH CFO) that calculation is consistent with UH policy (RP 8.203 and EP 8.210)

# Option 2 – Hybrid Approach

- Reserve based upon Core Operating Expenditures and Average Bi-Monthly Payroll
- Reserve for specific risks

	<u>2020-22 Average</u>	<u>Emergency Reserve 16%</u>	<u>Minimum Operating Reserve 5%</u>	<u>Maximum Operating Reserve 16%</u>	<u>Minimum Reserve</u>	<u>Maximum Reserve</u>
Core Operating Expenditure (less Core Staff Payroll )	4,127,741	660,439	206,387	660,439	866,826	1,320,877
Average Total Semi-Monthly Payroll					<u>6,200,000</u>	<u>6,200,000</u>
					7,066,826	7,520,877

# Option 3 – Hybrid Approach

- Reserve based upon Core Operating Expenditures, Average Bi-Monthly Payroll and Planned Capital Expenditures
- Reserve for specific risks

	<u>2020-22 Average</u>	<u>Emergency Reserve 16%</u>	<u>Minimum Operating Reserve 5%</u>	<u>Maximum Operating Reserve 16%</u>	<u>Minimum Reserve</u>	<u>Maximum Reserve</u>
Core Operating Expenditure (less Core Staff Payroll )	4,127,741	660,439	206,387	660,439	866,826	1,320,877
Average Total Semi-Monthly Payroll					6,200,000	6,200,000
Capital Expenditures (Planned IT improvements)					<u>3,000,000</u>	<u>3,000,000</u>
					10,066,826	10,520,877



# Recommendation:

Combination of Option 2 and Option 3

# Policy / Guideline

## A. Minimum Working Capital Reserves will include:

1. Project Contingent Liabilities Reserve
2. 5% of annual core operating expenditures, and
3. The average payroll expenditure for one bi-monthly pay period

## B. Maximum Working Capital Reserves will include:

1. Project Contingent Liabilities Reserve
2. 16% (two months) of annual core operating expenditures, and
3. The average payroll expenditure for one bi-monthly pay period, and
4. Planned capital expenditures

# Discussion/Questions

## 4.900 RCUH Working Capital Reserve Policy

### I. Definitions:

The “Working Capital Reserve” is defined as the balance of funds beyond regular annual operational funds that can be utilized to address requirements associated with RCUH core operations, as well as repair and maintenance requirements associated with facilities or one-time investments in either infrastructure, equipment, or programs. The Working Capital Reserve is equivalent to the Unrestricted Net Position in RCUH’s audited financial statements.

“Core Operating Expenditures” are defined as annual expenditures to operate the core Management, Human Resources, Corporate Services and Finance functions for RCUH. The core operating expenditures excludes expenditures made by research projects.

“Average Payroll Expenditures” are defined as total payroll and benefits for all RCUH employees (i.e., research employees and core staff) for one bi-monthly pay period.

“Capital Expenditures” are defined as purchases of Capital Assets and are also referred to as fixed assets, or property, plant and equipment ([RCUH Policy 4.700 Equipment and Property](#)). Capital Assets include significant IT enhancements, improvements or equipment that are amortized or depreciated over its useful life.

### II. Policy:

RCUH shall establish and maintain a working capital reserve from its unencumbered balances, the purpose and objective of which shall be to meet needs associated with planned and unplanned non-recurring expenses such as repairs and maintenance, as well as those that may be necessary to assist with operational fluctuations in revenues or expenses that may occur on a year-to-year basis.

RCUH’s Working Capital Reserve includes the Project Contingent Liabilities Reserve. The Project Contingent Liabilities Reserve was established by the RCUH Board of Directors on March 13, 1998, to pay for any unforeseen expenditures made by the RCUH on behalf of projects for which the RCUH has assumed responsibilities.

#### A. Minimum Working Capital Reserves will include:

1. Project Contingent Liabilities Reserve
2. 5% of Core Operating Expenditures, and
3. The Average Payroll Expenditure

**B. Maximum Working Capital Reserves will include:**

1. Project Contingent Liabilities Reserve
2. 16% (two months) of Annual Core Operating Expenditures, and
3. The Average Payroll Expenditure, and
4. Planned Capital Expenditures

**C. Use of Reserves**

1. The operating reserves shall be maintained and managed by the Director of Finance. Use of these reserves to cover expenses other than its intended purpose must be reviewed and approved by the board.
2. The board shall approve an annual operating budget that shall explicitly show the current and projected balances of working capital reserves for the budget year.

**D. The board delegates the responsibility for the implementation of this policy to the Executive Director, in consultation with the Director of Finance.****III. Contact**

RCUH Finance Director: (808) 956-0507  
[rcuhfinance@rcuh.com](mailto:rcuhfinance@rcuh.com)

**IV. Relevant Documents**

[Policy 4.700 Equipment and Property](#)

**Date Revised: TBD**