



DRAFT Minutes
Remote Meeting
AUDIT COMMITTEE

Research Corporation of the University of Hawai'i

Thursday, October 26, 2023

In-Person Location: East-West Center Burns Hall 4th Floor Makai Wing, Room 4012
1601 East-West Road, Honolulu, HI 96848

PRESENT

Audit Committee members: Kelli Goodin, Jaret Leong, Taryn Salmon, Wally Chin (ad hoc member).
Excused: Ken Hayashida

RCUH Staff: Leonard Gouveia, Glenn Yee, Maile Brooks, Kaylee Hull

N&K CPAs: Dwayne Takeno, Christian Hara

CALL TO ORDER

The meeting was called to order at 10:01 a.m. by Vice Chair Goodin. Per the Sunshine Law, Vice Chair Goodin checked whether anyone over the age of 18 was present with members who were participating virtually. All remote participants confirmed that there was no one present in their location. In terms of public testimony, Ms. Hull indicated that no written or oral testimony was received.

OVERVIEW OF AUDIT COMMITTEE RESPONSIBILITIES

Vice Chair Goodin reminded attendees that the Audit Committee was established to ensure that RCUH's financial statements, internal controls, and audit processes are in accordance with generally-accepted auditing standards in the U.S. and are compliant with policies, statutes, and regulations. The committee is also responsible for recommending the engagement of RCUH's auditor and reviewing the audit findings and reports and ensuring that the appropriate actions are taken.

APPROVAL OF MINUTES OF THE MARCH 7, 2023 MEETING

Upon motion made (Salmon), seconded (Leong) and duly carried, the minutes of the March 7, 2023 meeting was approved as circulated.

N&K PRESENTATION OF THE AUDITED FINANCIAL STATEMENT FOR FISCAL YEAR ENDING 6/30/2023

N&K's Christian Hara shared that the audit hasn't been fully completed, but they do not expect any modifications to this. If a modification is reported, it will be shared with the Board. N&K issued an unmodified opinion (Clean) and no material weaknesses or significant deficiencies were reported. Christian Hara highlighted significant fluctuations from Fiscal Year 2023 to 2022 starting with current assets. This amount decreased by approximately \$2.2 million, which is primarily due to a decrease in AR from the University of Hawai'i for cost reimbursable projects. The net capital assets increased by approximately \$1 million mainly due to significant IT acquisitions. RCUH's current liabilities is comprised of AP, which can fluctuate year-to-year based on the timing of vendor payments.

On the Statements of Revenues, Expenses, and Changes in Net Position, N&K did not report any significant fluctuations, but did see a \$1.2 million increase in non-operating revenues, which is comprised mostly of interest income. Mr. Hara pointed out the swing in net cash by operating activities, due to a decrease in receivables from FY22 and an increase in investing activities comprised of Time Certificate of Deposit purchases. He also noted a reduction in investments.

N&K's Dwayne Takeno mentioned that he's been working with RCUH management and there were some changes from the draft that was distributed. There was a change in the statement of cash flows for capital assets financed by accounts payable; that ended up being a non-cash transaction. It also affected cash flows from capital and related financing activities. Mr. Takeno informed the committee that there's going to be a modification from the capital assets note to break out non-depreciable assets from depreciable assets.

In terms of required communications, Mr. Takeno shared that they are required to communicate the planned scope and timing of the audit, which was done in a letter dating March 7, 2023. As far as accounting policies, they remained the same, except for GASB statement No. 96 related to subscription-based information technology (IT) arrangements. RCUH management determined that the cumulative effect of the new statement was not material. N&K noted no transactions entered into RCUH where there was a lack of consensus or authoritative guidance and all significant transactions have been reported in a proper period. Two of the more significant estimates in the financial statements are the Supplemental Retirement Benefits and Postemployment healthcare and life insurance benefits. N&K evaluated the factors and determined it was reasonable in relation to the basic financial statements taken as a whole. Mr. Takeno stated he was pleased to report no significant deficiencies in dealing with management to complete the audit and thanked Maile Brooks and Glenn Yee for their efforts.

Mr. Takeno continued with reviewing a few unrecorded misstatements as a result of their audit procedures. He reviewed three entries, the more significant being the expensing of subscription-based information technology assets in the current year. Upon implementation of the new GASB statement, management identified certain assets that were capitalized in previous years, but cleaned it up this year. There were also some omitted disclosures primarily due to long-term liabilities.

Mr. Takeno reported no disagreements with RCUH management and will be receiving a representation letter hopefully later today. However, N&K still needs a few pieces of information to complete the audit so the report date may change. There was no consultation with other independent accountants and N&K's responsibilities for required supplemental information was basically comparing the information for consistency with management's responses. He added that GASB statement No. 101 for compensated absences is on the horizon, but is pleased to report that there won't be a significant GASB statement to implement next year.

Mr. Yee asked whether the changes made to the draft at this juncture will affect the opinion and Mr. Takeno affirmed that was not the case. Vice Chair Goodin inquired on the information N&K is waiting on to complete the audit. He explained that one of the more significant pieces to the audit is that N&K will actually confirm the amounts due from the University, which usually acknowledges that they're okay. The auditors just received the confirmation letter yesterday and so they will need Ms. Brooks to assist in reconciling those differences. Mr. Takeno expected that it will be primarily timing differences, but they weren't able to confirm all of the balances this year. N&K will be working with management to resolve that and does not expect there to be an adjustment.

[Mr. Hara and Mr. Takeno exited the meeting at this time.]

Vice Chair Goodin was surprised that the audit was not completed yet, but could not recall if that was typical. Mr. Yee reported that it is pretty typical as there are usually things to tie up before the actual report goes out. Ms. Brooks added that whatever the auditors asked from RCUH management, RCUH was able to produce, but this piece of data is coming externally from UH. Vice Chair thanked Mr. Yee and Ms. Brooks for their response and wanted to ensure the delay wasn't coming from RCUH's end.

ACCEPTANCE OF AUDITED FINANCIAL STATEMENT FOR FISCAL YEAR ENDING 6/30/2023

Upon motion made (Chin), seconded (Salmon) and duly carried, the Audit Committee voted to accept the audited financial statements for Fiscal Year 2023.

ADJOURNMENT

ED Gouveia thanked Ms. Brooks and Mr. Yee for their work on this audit and providing the information in a timely fashion. Mr. Yee noted that the next committee meeting will be in March to approve the auditors for the upcoming fiscal year. N&K is in the last year of its contract and up for renewal. They typically send a request for an increase in fees, which is then negotiated with RCUH. If the requested increase is unacceptable, RCUH has the right to cancel the contract and go out for an RFP. The meeting adjourned at 10:21 a.m.

/s/

Kaylee Hull
Executive Administrator

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