



DRAFT Minutes
AUDIT COMMITTEE

Research Corporation of the University of Hawai'i
Wednesday, March 13, 2024

In-Person Location: East-West Center, Burns Hall 4th Floor, 4005/4009
1601 East-West Road, Honolulu, HI 96848

PRESENT: Kelli Goodin, Ken Hayashida, Taryn Salmon, Wally Chin

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

CALL TO ORDER

The meeting was called to order by Chair Hayashida at 9:03 a.m. Ms. Hull indicated that no written or oral testimony was received.

APPROVAL OF MINUTES OF THE OCTOBER 26, 2023 MEETING

Upon motion made (Salmon), seconded (Goodin), and duly carried, the minutes of the October 26, 2023 Audit Committee meeting were approved as circulated.

REVIEW OF N&K MANAGEMENT LETTER FOR FY 2023 AUDIT

Mr. Yee provided an overview of the management letter from N&K CPAs, which reflects their recommendations. He explained that on Page 4 of the letter, the first two bullet points reflect an expenditure that was misclassified into operating expenditures, when it should have been a capital-related activity. RCUH has made the correction, which has no effect on the cash flow.

The third bullet point relates to a footnote disclosure made by RCUH. Mr. Yee stated that the depreciation of RCUH's IT assets were not segmented in the footnote. The final three bullets on Page 4 are past adjustments that were made in response to discrepancies found within the financial statements. Since these were minor adjustments, RCUH elected not to record these three transactions, which is not unusual. Mr. Yee concluded that RCUH will do a more careful job at catching these errors, but noted that the audit opinion itself was unqualified (clean).

Mr. Chin inquired whether the \$826,000 expenditure was material. Ms. Brooks stated that it was material, but Mr. Yee clarified that as an individual item it is material, however, relative to the amount of total disbursements RCUH makes over the fiscal year (more than \$300 million), it was not material.

Vice Chair Goodin asked whether corrected misstatements are normal. Mr. Yee reported that as long as the misstatements aren't material, RCUH can elect to not correct them. All misstatements are discussed with the auditors. If the misstatements were material to the financial statement and not recorded by RCUH, the auditors would issue a qualified (negative) opinion on RCUH's financial statements.

In response to Chair Hayashida's question on how RCUH can prevent this from happening again, Mr. Yee noted that although we will never be perfect, RCUH will try to do a better job on reviewing the report checklist to ensure it's complied with and complete. He pointed out that RCUH's primary goal is to make sure that the financial statements are fairly presented and that there are no material

weaknesses or significant deficiencies in RCUH's system of internal controls. If there were material weaknesses or significant deficiencies, the auditors would issue a separate report noting those in internal controls. Mr. Gouveia added that he did meet with the Accounting team to address the same question as Chair Hayashida. He stated that preventing major issues is the primary concern, but these recommendations seem to be a classification issue. However, he assured the committee that RCUH will review its processes to make sure that RCUH will do the best it can. Chair Hayashida thanked Mr. Yee and Ms. Brooks for their hard work on this annual audit, before moving to the next agenda item.

APPROVAL OF N&K CPAS FEE PROPOSAL FOR FY 2024 AUDIT

While reviewing N&K's fee proposal for Fiscal Year 2024, Mr. Yee highlighted the audit fees for the past four years. He reported that N&K is proposing a fee of \$52,000, a 5.1% increase compared to the previous year. Mr. Yee shared that when reviewing the average increase over the four-year period, it amounts to a 3.7% increase overall. He noted that the auditors agreed to no fee increase at the start of the pandemic when RCUH was uncertain about its funding.

Mr. Yee reported that RCUH's intent is to go out for RFP in 2025 and hopefully the fees will reset at that time. Director Salmon asked whether the timing for the RFP is driven by policy and Ms. Brooks explained that RCUH typically seeks a 5-year contract, however RCUH has done one-year extensions in the past. Mr. Yee added that N&K's services were good, but they did experience a changeover in staff and it tends to be difficult on RCUH staff when dealing with new personnel. Mr. Chin shared that his organization recently went through an RFP process and shared that many firms are dealing with labor shortages so they decline to submit proposals. Chair Hayashida and Taryn Salmon added that they're seeing labor shortages and labor inflation in their respective fields (i.e., banking, engineering) as well.

Upon motion made (Chin), seconded (Salmon), and duly carried, the fee proposal for the Fiscal Year 2024 Audit was unanimously approved.

ADJOURNMENT

ED Gouveia thanked the staff for their efforts and Chair Hayashida thanked Mr. Chin for serving on the committee. The meeting adjourned at 9:16 a.m.

/s/

Kaylee Hull
Executive Administrator

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