



GOV. MSG. NO. 1274

EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

July 1, 2021

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Thirty First State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Thirty First State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on July 1, 2021, the following bill was signed into law:

SB1225 SD1 HD1 CD1

RELATING TO THE UNIVERSITY OF HAWAII
BOARD OF REGENTS INDEPENDENT AUDIT
COMMITTEE
ACT 172 (21)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

A BILL FOR AN ACT

RELATING TO THE UNIVERSITY OF HAWAII BOARD OF REGENTS
INDEPENDENT AUDIT COMMITTEE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 PART I

2 SECTION 1. Section 304A-321, Hawaii Revised Statutes, is
3 amended as follows:

4 1. By amending subsection (b) to read:

5 "(b) The independent audit committee shall consist of at
6 least three members but ~~[not]~~ no more than five members who
7 shall be appointed by the chairperson of the board of regents,
8 from among the members of the board of regents, except as
9 provided in this subsection. The chair of the independent audit
10 committee shall be selected ~~[by and from among its members.]~~ in
11 a manner consistent with the bylaws of the board of regents.

12 The independent audit committee shall include one or more
13 individuals with financial expertise. ~~[If no member of the~~
14 ~~board of regents has the requisite skills, the board of regents~~
15 ~~shall execute other arrangements, which may include the~~
16 ~~appointment of members of the general public who possess the~~
17 ~~requisite financial expertise to the independent audit committee~~



1 ~~to ensure that the independent audit committee has the capacity~~
2 ~~to carry out its duties.] "~~

3 2. By amending subsection (d) to read:

4 "(d) The independent audit committee shall be exempt from
5 chapter 91 and part I of chapter 92 to the extent that the
6 independent audit committee is engaging in discussions with
7 internal or external auditors on matters that should remain
8 confidential in accordance with nationally recognized best
9 practices for independent audit committees, or in proceedings
10 arising from an investigation by the independent audit committee
11 relating to potentially actionable civil or criminal conduct,
12 regardless of whether ~~[or not]~~ the investigation is pending or
13 outstanding. At the discretion of the chair of the independent
14 audit committee, discussions under this subsection may be held
15 in the absence of the president of the University of Hawaii or
16 the chief financial officer of the university."

17 3. By amending subsection (f) to read:

18 "(f) The independent audit committee shall engage in
19 ~~[operations]~~ oversight relating to enterprise risk management
20 including:



- 1 (1) Providing oversight of risk management, which shall
2 include determining overall strategy and influencing
3 the university's risk philosophy;
- 4 (2) Inquiring of the president of the University of
5 Hawaii, the chief financial officer of the university,
6 and external auditors about significant risks or
7 exposures faced by the university;
- 8 (3) Assessing steps that the president of the University
9 of Hawaii has taken or proposes to take to minimize
10 those risks to the university and periodically
11 reviewing compliance with those steps; and
- 12 (4) Reviewing with the general counsel of the University
13 of Hawaii, external auditors, external counsel, and
14 the chief financial officer of the university legal
15 and regulatory matters that, in the opinion of the
16 president of the University of Hawaii, may have a
17 material impact upon the financial statements, related
18 organization compliance policies, and programs and
19 reports received from regulators."

PART II



1 SECTION 2. Chapter 304A, Hawaii Revised Statutes, is
2 amended by adding a new section to part I, subpart D to be
3 appropriately designated and to read as follows:

4 "§304A- Findings of significant issues; Implementation
5 of corrective and remedial action. (a) In the event an
6 investigation or audit performed by the independent audit
7 committee, internal auditor, or external auditor, or any audit
8 report reviewed by the independent audit committee finds
9 significant issues with an operation or program of the
10 University of Hawaii, including non-compliance or possible non-
11 compliance with any applicable law, ordinance, rule, or
12 regulation, or any applicable board of regent policy or
13 executive policy of the university, and the findings recommend
14 or warrant corrective or remedial action to be taken by the
15 university, the independent audit committee shall immediately
16 notify the board of regents in writing of the significant issue
17 and the corrective and remedial action warranted or recommended
18 to be taken.

19 (b) The board of regents, upon receipt of notice from the
20 independent audit committee under subsection (a), shall:



(1) Take up the matter as board business at the meeting of the board of regents held immediately following the receipt of notice from the independent audit committee under subsection (a); provided that the meeting and notice thereof shall comply with the requirements of chapter 92;

(2) Set the deadline by which the university shall correct
or remedy the significant issue; and

(3) Require the university to submit to the board of regents a progress report in a frequency the board of regents deems reasonable.

(c) The board of regents shall review the progress reports submitted by the university pursuant to paragraph (b) (3) and take appropriate action to ensure timely implementation of the corrective or remedial action.

(d) Upon completion of the university's implementation of the corrective or remedial action, the board of regents shall take action to ensure that the underlying significant issue has been appropriately corrected and remedied."

PART III



- 1 SECTION 3. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.
3 SECTION 4. This Act shall take effect upon its approval.

APPROVED this 01 day of JUL , 2021


A handwritten signature in black ink, appearing to read "David Ige", is written over the printed name of the Governor.


GOVERNOR OF THE STATE OF HAWAII

THE SENATE OF THE STATE OF HAWAI‘I

Date: April 27, 2021
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate
of the Thirty-First Legislature of the State of Hawai‘i, Regular Session of 2021.


President of the Senate


Clerk of the Senate

SB No. 1225, SD 1, HD 1, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: April 27, 2021
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-First Legislature of the State of Hawaii, Regular Session of 2021.



Scott K. Saiki
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives