

Honolulu, Hawaii

APR 22 2021

RE: S.B. No. 1225  
S.D. 1  
H.D. 1  
C.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-First State Legislature  
Regular Session of 2021  
State of Hawaii

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirty-First State Legislature  
Regular Session of 2021  
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 1225, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE UNIVERSITY OF HAWAII BOARD OF REGENTS INDEPENDENT AUDIT COMMITTEE,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to:

- (1) Require the Chair of the Independent Audit Committee of the University of Hawaii Board of Regents to be selected in a manner consistent with the Bylaws of the Board of Regents;
- (2) Limit the Board of Regents' flexibility to appoint members to the Independent Audit Committee when no member of the Board of Regents has financial expertise, by removing its



authority to make other arrangements, including appointing a member of the general public;

- (3) Exempt the Independent Audit Committee from public proceedings and records laws and open meetings laws during its discussions with auditors on matters that should remain confidential, and, at the Independent Audit Committee Chair's discretion, allow the discussions to be held in the absence of the President or Chief Financial Officer of the University of Hawaii; and
- (4) Clarify the Independent Audit Committee's role regarding the University of Hawaii's enterprise risk management.

Your Committee on Conference finds that the Independent Audit Committee is an advisory body established within the Board of Regents of the University of Hawaii by the Bylaws of the Board of Regents, and statutorily established in section 304A-321, Hawaii Revised Statutes. The Independent Audit Committee's responsibilities include overseeing the University of Hawaii's compliance with, and internal controls relating to, various areas of risk management, finance, and accounting. The members of the Independent Audit Committee are appointed by the Chair of the Board of Regents from among the regents.

Your Committee on Conference further finds that while the chairs of the Board of Regents' other standing committees are appointed by the Board Chair pursuant to the Bylaws of the Board of Regents, existing law requires the Chair of the Independent Audit Committee to be selected by the committee members from among themselves. This requirement inadvertently creates a situation in which the Independent Audit Committee may not have a Chair, such as when the Chair's term on the Board of Regents ends on June 30, and committee membership is pending appointment by the Board Chair. In this situation, the Independent Audit Committee will have no Chair to plan and set the agenda for the committee's first meeting. This measure requires appointment of the Independent Audit Committee Chair to be consistent with the Bylaws of Board of Regents, and makes other clarifying amendments.

Your Committee on Conference also finds that there have been incidences in which audit reports of a University of Hawaii program that was reviewed by the Independent Audit Committee found significant issues warranting corrective or remedial action, including non-compliance with applicable laws and policies. Your Committee on Conference further finds that despite years after the



issuance of the audit reports, some of the significant issues continue to exist and implications of non-compliance may remain unremedied.

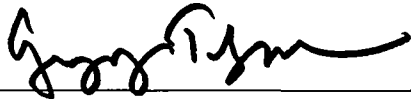
Accordingly, your Committee on Conference has amended this measure by inserting language requiring the Independent Audit Committee to report to the Board of Regents significant issues relating to the operations and programs of the University of Hawaii that warrant corrective or remedial action, and requiring the Board of Regents to take certain actions to ensure that the significant issues are appropriately corrected and remedied.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 1225, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 1225, S.D. 1, H.D. 1, C.D. 1.

Respectfully submitted on behalf  
of the managers:

ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE



\_\_\_\_\_  
GREGG TAKAYAMA  
Co-Chair



\_\_\_\_\_  
DONNA MERCADO KIM  
Chair



\_\_\_\_\_  
LINDA ICHIYAMA  
Co-Chair



\_\_\_\_\_  
MIKE GABBARD  
Co-Chair



Hawai'i State Legislature

CLR 23

Record of Votes of a  
Conference Committee

Bill / Concurrent Resolution No.: <b>SB 1225, SD 1, HD 1</b>	Date/Time: <b>4/21/21 1:48 pm</b>
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<input checked="" type="checkbox"/> The recommendation of the House and Senate managers is to pass with amendments (CD).	
<input type="checkbox"/> The Committee is reconsidering its previous decision.	
<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure	<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.

Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
KIM, Donna Mercado, Chr.	/				TAKAYAMA, Gregg, Co-Chr.	/			
GABBARD, Mike, Co-Chr.	/				ICHIYAMA, Linda, Co-Chr.	/			
FEVELLA, Kurt	/				DECOITE, Lynn	/			
					GATES, Cedric Asuega	/			
					OKIMOTO, Val	/			
<b>TOTAL</b>	<b>3</b>				<b>TOTAL</b>	<b>5</b>			

A = Aye      WR = Aye with Reservations      N = Nay      E = Excused

Senate Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted	House Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted
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Senate Lead Chair's or Designee's Signature: 	House Lead Chair's or Designee's Signature: 
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**Distribution:**      **Original**      **Yellow**      **Pink**      **Goldenrod**  
*File with Conference Committee Report      House Clerk's Office      Senate Clerk's Office      Drafting Agency*