



UNIVERSITY
of HAWAII
SYSTEM

**Senate Committee on Judiciary
Thursday, February 25, 2021, 9:30 a.m.**

Testimony by:

Kendra Oishi, Executive Administrator and Secretary of the Board of Regents

**S.B. No. 1225, S.D. 1– RELATING TO UNIVERSITY OF HAWAII BOARD OF
REGENTS INDEPENDENT AUDIT COMMITTEE**

Chair Rhoads, Vice Chair Keohokalole, and members of the Committee:

The Office of the Board of Regents (Board Office) supports S.B. No. 1225, S.D. 1 which allows the Chair of the Independent Audit Committee (Committee) of the University of Hawaii (University) Board of Regents (BOR) to be selected in a manner consistent with the BOR's Bylaws; clarifies the Committee's oversight role with regard to the University's enterprise risk management activities; allows the Committee to meet in executive session with internal and external auditors under specific circumstances; and provides the Committee Chair with the discretion to conduct executive session meetings with internal and external auditors without the presence of the President or the Chief Financial Officer of the University.

The Committee is an advisory body established under section 304A-321, Hawaii Revised Statutes (HRS), as well as under the BOR's Bylaws. The Committee provides oversight of the University's compliance with, and internal controls relating to, various areas of risk management, finance, and accounting. While the BOR chair appoints the chairperson and voting members of each of the BOR's standing committee in accordance with the BOR Bylaws, section 304A-321, HRS, requires that the chair of the Committee be selected by and from the members of the Committee. Current statutory language regarding selection of the chair of the Committee has presented challenges and has inadvertently created situations in which the Committee does not have a chair. Such situations occur when the Committee chair's term on the BOR ends on June 30 and Committee membership is pending election of a BOR chair, which occurs at the first BOR meeting after June 30. Planning the first Committee meeting after the election of BOR leadership is challenging when there is no Committee chair to set the meeting agenda. By making the selection of the Committee chair consistent with BOR Bylaws and allowing the BOR chair to appoint a Committee chair in a manner consistent with the way in which other committee chairs are appointed, this problem can be avoided.

The Board Office also notes that the Committee's responsibility is to oversee, rather than engage in operations related to, the University's enterprise risk management activities and that this measure makes a clarifying amendment to that effect.

Additionally, while the Committee is currently exempt from the provisions of Part I of Chapter 92, HRS, and may meet in executive session to the extent that it is engaging in discussions or proceedings arising from an investigation by the Committee relating to potentially actionable civil or criminal conduct, whether or not the investigation is pending or outstanding, it appears that the Committee is prohibited from meeting with internal and external auditors in executive session to discuss matters that should remain confidential in accordance with nationally recognized best practices for independent audit committees. S.B. No. 1225, S.D. 1 addresses this issue by explicitly exempting the Committee from Part I of Chapter 92, HRS, when the Committee is "...engaging in discussions with internal or external auditors on matters that should remain confidential in accordance with nationally recognized best practices for independent audit committees..." and provides discretion to the chair of the Committee to determine if these discussions may take place in the absence of the President or the Chief Financial Officer of the University.

Thank you for the opportunity to testify in support of S.B. No. 1225, S.D. 1.