



UNIVERSITY  
of HAWAII  
SYSTEM

**Senate Committee on Higher Education  
Thursday, February 11, 2021, 3:05 p.m.**

**Testimony by:**

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

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

Chair Kim, Vice Chair Kidani, and members of the Committee:

The Office of the Board of Regents (Board Office) supports S.B. No. 1225 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 and clarifies the Committee's oversight role with regard to the University's enterprise risk management activities.

The Committee is an advisory body established under section 304A-321, Hawaii Revised Statutes (HRS), as well as under the BOR's Bylaws. The purpose of the Committee is to provide 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 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.

Additionally, the Board Office 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.

The Board Office is requesting that an additional amendment be made to this measure. 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

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actionable civil or criminal conduct, whether or not the investigation is pending or outstanding, it is 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. The Board Office is offering, for consideration, language that attempts to address 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. For your convenience, draft language containing the aforementioned amendment is attached to this testimony.

Thank you for the opportunity to testify in support of S.B. No. 1225, with additional proposed amendments.

ATTACHMENT: S.B. No. 1225 - Proposed SD1

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

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

4 "(b) The independent audit committee shall consist of at  
5 least three members but not more than five members who shall be  
6 appointed by the chairperson of the board of regents, from among  
7 the members of the board of regents, except as provided in this  
8 subsection. The chair of the independent audit committee shall  
9 be selected [~~by and from among its members.~~] in a manner  
10 consistent with the bylaws of the board of regents.

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

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

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

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

15           "(f) The independent audit committee shall engage in  
16 [~~operations~~] oversight relating to enterprise risk management  
17 including:

18           (1) Providing oversight of risk management, which shall  
19 include determining overall strategy and influencing  
20 the university's risk philosophy;

21           (2) Inquiring of the president of the University of  
22 Hawaii, the chief financial officer of the university,

1 and external auditors about significant risks or  
2 exposures faced by the university;

3 (3) Assessing steps that the president of the University  
4 of Hawaii has taken or proposes to take to minimize  
5 those risks to the university and periodically  
6 reviewing compliance with those steps; and

7 (4) Reviewing with the general counsel of the University  
8 of Hawaii, external auditors, external counsel, and  
9 the chief financial officer of the university legal  
10 and regulatory matters that, in the opinion of the  
11 president of the University of Hawaii, may have a  
12 material impact upon the financial statements, related  
13 organization compliance policies, and programs and  
14 reports received from regulators."

15 SECTION 2. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17 SECTION 3. This Act shall take effect upon its approval.

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**Report Title:**

University of Hawaii Board of Regents; Independent Audit Committee

**Description:**

Allows the chair of the Independent Audit Committee of the University of Hawaii Board of Regents to be selected in a manner consistent with its bylaws and makes other clarifying amendments. Allows the Independent Audit Committee to engage in discussions on certain matters with the internal or external auditor on matters that should remain confidential in accordance with nationally recognized best practices for independent audit committees and allows discussions to be held in the absence of the President of the university or Chief Financial Officer of the university.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

**SB-1225**

Submitted on: 2/8/2021 3:37:40 PM

Testimony for HRE on 2/11/2021 3:05:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
jennifer noel	Individual	Oppose	No

Comments:

It is very obvious from the bills that are being introduced that our "elected" legislature has decided that our government will ignore the Constitution and introduce as many unconstitutional bills as possible so that we can transform Hawaii into a police state. None of our elected officials are listening to the voices of the people infact we can't even get the peoples bill such as HB241 heard. It is clear the legislature has their own agenda and that is to introduce as many bills as possible to take away our civil liberties. You all took an oath to protect the US. constitution and to protect the people of Hawaii.....but it appears that none of you have a conscious.

I OPPOSE bill SB1225 and ALL your other Communist bills!!