

STAND. COM. REP. NO.

877

Honolulu, Hawaii

MAR 05 , 2021

RE: H.B. No. 1071.
H.D. 2

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

Sir:

Your Committee on Judiciary & Hawaiian Affairs, to which was referred H.B. No. 1071, H.D. 1, entitled:

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

begs leave to report as follows:

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 Board of Regents' Bylaws;
- (2) Limit the Board of Regents' flexibility to appoint members with certain skill sets to the Independent Audit Committee;
- (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 University of Hawaii President or University of Hawaii Chief Financial Officer; and

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- (4) Clarify the Independent Audit Committee's role with regard to enterprise risk management.

Your Committee received testimony in support of this measure from the Office of the Board of Regents.

Your Committee finds that the Independent Audit Committee's primary task is to provide oversight of the University of Hawaii's compliance with, and internal controls relating to, various areas of risk management, finance, and accounting. Your Committee further finds that pursuant to existing law, the Chairperson of the Independent Audit Committee is selected by and from its members. However, this has created instances in which the Independent Audit Committee does not have a chairperson, which leads to difficulties in planning the first meeting since there is no chairperson to set the meeting agenda.

Your Committee further finds that the University of Hawaii Board of Regents' bylaws provides an alternative method of selecting the Chairperson of the Independent Audit Committee. Under the bylaws, the Chairperson of the Board of Regents appoints the Chairperson of the Independent Audit Committee. This measure, by statutorily aligning the selection of the Chairperson of the Independent Audit Committee with the bylaws, will ensure that situations in which the Independent Audit Committee has no chairpersons are avoided.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Judiciary & Hawaiian Affairs that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1071, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1071, H.D. 2.



Respectfully submitted on
behalf of the members of the
Committee on Judiciary &
Hawaiian Affairs,



MARK M. NAKASHIMA, Chair



