



HOUSE COMMITTEE ON EDUCATION
The Honorable Justin H. Woodson, Chair
The Honorable Trish La Chica, Vice Chair

S.B. NO. 494, S.D.2, RELATING TO CHARTER SCHOOLS

Hearing: Tuesday, March 11, 2025, 2:00 p.m.

The Office of the Auditor offers comments on S.B. No. 494, S.D.2, which requires the Office of the Auditor to conduct a financial audit of each of the State's public charter schools, which includes (1) a list of financial expenditures for the past three years, (2) financial information concerning faculty, and (3) the school's cash on hand balance.

Public charter schools already are required to obtain an annual financial audit conducted by an independent CPA firm. See Section 302D-32, Hawai'i Revised Statutes. The financial audits that S.B. No. 494, S.D. 2 requires duplicates those audits of public charter schools, which we suggest is unnecessary.

We also note that, while financial audits may contain some of the financial information sought by the bill, specifically the school's cash balance at the end of the audit period, a financial audit does not report "[a] list of financial expenditures for the past three years" or "[f]inancial information concerning faculty." Financial audits do not look at every financial transaction of the entity during the period of the audit; rather, the auditor offers an opinion as to whether the entity's financial statements fairly present the entity's financial position. That opinion is intended to provide reasonable assurance – but not absolute assurance – about the accuracy of the financial position based on the transactions sampled by the auditor as well as an opinion about the entity's controls over the financial reporting.

If the intent of the bill is to ensure that deficiencies in the school's financial controls (i.e., internal controls) identified in the audit are corrected, the Committee may wish to consider (1) requiring each public charter school to provide the Charter School Commission with its plan to correct those deficiencies; (2) requiring each public charter school to provide periodic (e.g., monthly) written updates to the Commission on the status of implementing its corrective action plan; (3) providing the Commission with the authority and/or mechanism to address a school's noncompliance with its regular reporting requirements; and (4) providing the Commission with the authority and/or mechanism to address recurring audit findings relating to a school's financial controls over its financial reporting.

JOSH GREEN, M.D.
GOVERNOR



MAKALAPUA ALENCASTRE, ED. D.
CHAIRPERSON

STATE OF HAWAII
STATE PUBLIC CHARTER SCHOOL COMMISSION
(‘AHA KULA HO‘ĀMANA)

<http://CharterCommission.Hawaii.Gov>
1164 Bishop Street, Suite 1100, Honolulu, Hawaii 96813
Tel: (808) 586-3775 Fax: (808) 586-3776

FOR: SB 494, SD2 Relating to Charter Schools
DATE: March 11, 2025
TIME: 2:00 P.M.
COMMITTEE: Committee on Education
ROOM: Conference Room 309 & Videoconference
FROM: Ed H. Noh, Ed. D., Executive Director
State Public Charter School Commission

Chair Woodson, Vice Chair La Chica, and members of the Committee:

The State Public Charter School Commission (“Commission”) appreciates the opportunity to offer testimony with **COMMENTS on SB 494 SD2** which requires the Auditor to conduct a financial audit of each charter school under the State Public Charter School Commission, requires a report to the Legislature, and requires the State Public Charter School Commission to take action based on the Auditor's recommendations.

For clarification, Hawaii public charter schools and State Public Charter School Commission complete annual financial audits by independent auditors pursuant to §302D-32, Hawaii Revised Statutes. There are currently four independent audit firms that conduct charter school audits: Carbonaro CPAs & Management Group; CW Associates, CPAs; Jay Miyaki CPA, LLC; and N&K CPAs, Inc. The audits are conducted according to government auditing standards and generally accepted accounting principles.

The Commission receives and provides the audits to the Department of Education, the Department of Accounting and General Service, and other associated organizations for state financial reporting purposes.

The Commission is available to work with the committee, other state agencies, and our public charter schools in providing any data and information that is needed.

Thank you for the opportunity to provide this testimony.

SB-494-SD-2

Submitted on: 3/10/2025 9:54:54 AM

Testimony for EDN on 3/11/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Steve Hirakami	Hawaii Academy of Arts & Science PCS	Oppose	Written Testimony Only

Comments:

Testimony in Opposition to SB494

Aloha Chair Woodson, Vice Chair La Chica, and Members of the Committee,

I strongly urge you to reconsider the necessity of this bill, as it imposes redundant financial reporting requirements on charter schools without clear justification.

As the Auditor’s testimony has already confirmed, charter schools are required to conduct an independent audit every year. These audits provide a detailed and transparent account of all financial expenditures. If a review of three years of financial data is needed, the Auditor can simply refer to the last three years of these reports—there is no need for additional auditing.

Furthermore, cash-on-hand balances are already reported in every charter school’s Balance Sheet. A straightforward calculation—subtracting total current liabilities from total current assets—readily provides insight into a school’s fiscal strength. There is no need to duplicate work that is already being done.

Additionally, the requirement for “financial information concerning faculty” is vague and needs clarification. What specific data is being requested? Is it related to direct instruction faculty or resource faculty? Without clear definitions, this requirement could lead to confusion and inconsistency in reporting.

Most importantly, this bill would place an unnecessary and excessive burden on both the Auditor’s office and the charter schools. Conducting two annual audits for all 39 charter schools would not only consume significant resources but also pull charter school business staff away from their primary responsibility—ensuring the financial stability of their schools to support student learning.

The real question here is why this additional audit is necessary. What specific problem is this bill attempting to solve? Before moving forward, we must consider whether this measure genuinely improves oversight or simply diverts critical resources away from educating Hawai‘i’s children.

For these reasons, I respectfully urge you not to pass this bill. Let’s keep the focus where it belongs—on students, not unnecessary bureaucracy.

Mahalo for your time and consideration.