

JAN 27 2021

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 as follows:

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~~

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1 ~~to ensure that the independent audit committee has the capacity~~
2 ~~to carry out its duties.]”~~

3 (2) By amending subsection (f) to read as follows:

4 "(f) The independent audit committee shall engage in
5 [~~operations~~] oversight relating to enterprise risk management
6 including:

7 (1) Providing oversight of risk management, which shall
8 include determining overall strategy and influencing
9 the university's risk philosophy;

10 (2) Inquiring of the president of the University of
11 Hawaii, the chief financial officer of the university,
12 and external auditors about significant risks or
13 exposures faced by the university;

14 (3) Assessing steps that the president of the University
15 of Hawaii has taken or proposes to take to minimize
16 those risks to the university and periodically
17 reviewing compliance with those steps; and

18 (4) Reviewing with the general counsel of the University
19 of Hawaii, external auditors, external counsel, and
20 the chief financial officer of the university legal
21 and regulatory matters that, in the opinion of the
22 president of the University of Hawaii, may have a
23 material impact upon the financial statements, related

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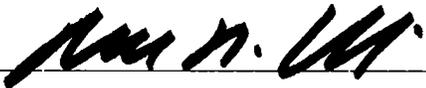
1 organization compliance policies, and programs and
2 reports received from regulators."

3 SECTION 2. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

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

6

7

INTRODUCED BY: 

8

BY REQUEST

S . B . N O . 1225

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.

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

JUSTIFICATION SHEET

DEPARTMENT: University of Hawaii

TITLE: A BILL FOR AN ACT RELATING TO THE UNIVERSITY OF HAWAII BOARD OF REGENTS INDEPENDENT AUDIT COMMITTEE.

PURPOSE: Allow 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 makes other clarifying amendments.

MEANS: Amend section 304A-321(b) and (f), Hawaii Revised Statutes (HRS).

JUSTIFICATION: The Committee is an advisory body established by the BOR's Bylaws, and is also statutorily established in section 304A-321, HRS. The purpose of the Committee is to oversee the University's compliance and internal controls relating to various areas of risk management, finance, and accounting.

The BOR's Bylaws state that the BOR chair appoints the chairperson and voting members of each standing committee. The current statutory wording may inadvertently create a situation 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, this problem can be avoided by allowing the BOR chair to appoint a Committee chair in a manner consistent with

the way in which other committee chairs are appointed and to avoid timing issues with respect to the election of the BOR chair coinciding with the potential vacancy of the Committee chair.

Additionally, the Committee's responsibility is to "oversee" the University's activities. This bill proposes a clarifying amendment to replace the term "operations" with "oversight" with regard to the Committee's role pertaining to enterprise risk management.

Impact on the public: None.

Impact on the department and other agencies:
None.

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| GENERAL FUND: | None. |
| OTHER FUNDS: | None. |
| PPBS PROGRAM DESIGNATION: | UOH900. |
| OTHER AFFECTED AGENCIES: | None. |
| EFFECTIVE DATE: | Upon approval. |