

SB-3279-SD-1

Submitted on: 2/23/2026 6:49:53 PM

Testimony for WAM on 2/25/2026 10:56:00 AM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Comments	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry,

Comment 3279 SB RELATING TO THE DEPARTMENT OF EDUCATION

FISCAL RESPONSIBLE TO HIRE OUTSIDE AUDITOR vs REGULATOR F/T HIRE? A
BUDGET ALREADY 2B?

SB-3279-SD-1

Submitted on: 2/23/2026 10:19:31 PM

Testimony for WAM on 2/25/2026 10:56:00 AM

Submitted By	Organization	Testifier Position	Testify
Susan Pcola_Davis	Individual	Oppose	Written Testimony Only

Comments:

SB3279

Strongly oppose

The Board of Education is not equipped to manage a staffed auditing office. The bill is in response to the Education Committee’s sense that the Board of Education (BOE) is not taking the two recent audits seriously. The Drivers Education needs and the Air Conditioning fiasco has yet to be placed on a BOE agenda to review and address the audit findings and recommendations.

The simple solution would be for the Board of Education in a show of good faith to take these audits seriously by placing them on the next agenda.

Relocating DOE Audit staff to the Board of Education will not solve the Committee’s issues. The implementation and operational issues are vast. This is not a solution. Holding the Board accountable to addressing the audits does not require staff it requires an agenda item(s) to address the audit and address them seriously.

Any attempt to do this will create chaos and is not fair to the current DOE staff. The bill prohibits the DOE from expending fiscal year 2026-2027 appropriated and

The Department currently maintains a staffed internal audit office focused on risk-based audits of programs, and actively performing required audit work.

As drafted, the bill expressly prohibits the Department from expending fiscal year 2026-2027 appropriated cease funding for current audit staff before a new, position structure, and funding mechanism are operational.

This creates a risk of immediate disruption to ongoing audits, loss of institutional knowledge, and delays in audit activities that are critical.



**STATE OF HAWAII
BOARD OF EDUCATION
PAPA HO'ONA'AUAO**
P.O. BOX 2360
HONOLULU, HAWAII 96804

Senate Committee on Ways and Means
Wednesday, February 25, 2026
10:56 a.m.
Hawaii State Capitol, Room 211

Measure: Senate Bill 3279 SD1, Relating to the Department of Education

Purpose of Measure:

Establishes the Board of Education Internal Audit Office to conduct program and fiscal evaluations of the Department of Education's key strategic initiatives to identify program improvements and provide other benefits and review external audits. Requires the Board of Education to establish a standing committee with a scope that includes audit-related responsibilities. Prohibits the Department of Education from expending FY 2026-2027 appropriated funds for certain auditor, evaluation specialist, and related positions and expenses. Appropriates funds.

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

The Board of Education considers oversight of audits and evaluations to be one of its key responsibilities and respectfully offers the following comments on Senate Bill 3279 SD1:

- Since 2019, the Board's Finance and Infrastructure Committee has had purview over audit-related matters.
- In recent months, Board leadership had been considering re-establishment of a separate audit committee to provide more focused and direct oversight of audits and evaluations related to the Hawaii Department of Education.
- The Board approved amendments to its bylaws to re-establish the audit committee at its February 12th meeting. The Board plans to appoint members to the Audit Committee in March.
- The Audit Committee would serve as the primary forum for audit-related oversight, and audit findings and recommendations issued by the State Auditor and the Department's internal audit office would be reviewed, and management

responses and corrective actions monitored. This structure is intended to support ongoing review and follow-up of audit and evaluation activities in a more focused manner.

The Board defers to the Department regarding the ongoing work of its Internal Audit office, which is responsible for providing independent, objective assurance and consulting services designed to add value to and improve the Department's operations, and for bringing a systematic, disciplined approach to evaluate and contribute to the effectiveness of the Department's risk management, internal control, and governance processes.

Mahalo for this opportunity to testify on behalf of the Board.



STATE OF HAWAII
DEPARTMENT OF EDUCATION
KA 'OIHANA HO'ONA'AUAO
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 02/25/2026

Time: 10:56 AM

Location: CR 211 & Videoconference

Committee: WAM

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Title of Bill: SB3279, SD1, RELATING TO THE DEPARTMENT OF EDUCATION.

Purpose of Bill: Establishes the Board of Education Internal Audit Office to conduct program and fiscal evaluations of the Department of Education's key strategic initiatives to identify program improvements and provide other benefits and review external audits. Requires the Board of Education to establish a standing committee with a scope that includes audit-related responsibilities. Prohibits the Department of Education from expending FY 2026-2027 appropriated funds for certain auditor, evaluation specialist, and related positions and expenses. Appropriates funds. (SD1)

Department's Position:

The Hawai'i State Department of Education (Department) respectfully provides comments on SB3279, SD1.

The Department supports the intent of the bill to expand program and fiscal evaluations of key strategic initiatives. Objective analysis and reliable data can assist in making informed decisions regarding the effective use of financial and human resources.

The Internal Audit Office (IAO) operates under the Institute of Internal Auditors (IIA) Global Internal Audit Standards. This framework is widely regarded as the gold standard for the profession, ensuring that the IAO strengthens the Department's ability to create, protect, and sustain value. The IAO conducts comprehensive oversight of both non-appropriated and appropriated funds, monitors payroll and financial transactions, through continuous auditing tools, investigates alleged fiscal improprieties, performs the Department's annual risk assessment, and coordinates with external auditors while tracking corrective actions. Currently, the IAO maintains a dual reporting structure – functionally to the Board of Education and administratively (e.g., approval of sick or vacation leave) to the Superintendent of Education – to ensure objectivity and independence, serving as an essential pillar of independence. It has taken many years of diligent effort to establish the viable, robust internal audit function that exists today. The IAO currently employs a staff of credentialed, well-trained professionals and has successfully passed two professional peer reviews performed by the Association of Local Government Auditors (ALGA), confirming that its operations meet the highest industry standards.

At its February 12, 2026, General Business Meeting, the Board of Education approved amendments to its bylaws to formally establish a separate Audit Committee to provide more focused oversight of audits and evaluations related to the Department. The Audit Committee's scope includes accounting and financial reporting processes, compliance with legal and

regulatory requirements, systems of internal control, and regular review of internal audit plans. This recent action demonstrates that the Board of Education has already taken steps to strengthen audit oversight within its existing governance structure.

The bill suggests a shift away from funding the Department's existing Internal Audit positions. The work of the Internal Audit Office (IAO) is essential to maintaining strong internal controls and mitigating fiscal risk; any disruption would create a significant gap in oversight and weaken accountability.

Clarification is needed regarding whether the current IAO will retain its responsibilities alongside any new evaluation duties, or whether a new structure is intended. The Department also notes the nationwide shortage of qualified auditors and the risk of losing experienced staff if positions are not preserved. Establishing a new function that meets professional standards could take nine to twelve months to recruit and train. If expanded duties are assigned to the current office, additional staffing and funding will be necessary.

While the Department supports enhanced strategic evaluation, it strongly urges preservation of the existing Internal Audit infrastructure to ensure continued protection of public resources and effective risk management.

Thank you for the opportunity to provide testimony on this measure.