



HOUSE COMMITTEE ON LEGISLATIVE MANAGEMENT
The Honorable Sean Quinlan, Chair
The Honorable Linda Ichiyama, Vice Chair

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

Hearing: Wednesday, March 25, 2026, 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 25, 2026
TIME: 2:00 P.M.
COMMITTEE: Committee on Legislative Management
ROOM: Conference Room 430 & Videoconference
FROM: Ed H. Noh, Ed. D., Executive Director
State Public Charter School Commission

Chair Quinlan, Vice Chair Ichiyama, 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:

- 1) Requires the Auditor to conduct a financial audit of each charter school, which shall include:
 - a. A list of financial expenditures for the past three years;
 - b. Financial information concerning faculty; and
 - c. The school’s cash on hand balance;
- 2) Requires the Auditor to submit a report of its findings and recommendations to the Legislature prior to the 2026 legislative session; and
- 3) Requires the Commission to take action based on the Auditor’s recommendations no later than one year after the Auditor’s report to the Legislature.

The Commission can confirm that all charter schools must conduct independent financial audits, pursuant to HRS 302D-32. These audits are conducted by independent, Commission-approved, Certified Public Accounting firms. The audits must also adhere to the accounting and financial reporting standards set by the Governmental Accounting Standards Board (‘GASB’) and contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

The Commission defers to the Auditor on the sections of this measure that are applicable to that organization. The Commission is available to work with this committee, the Auditor, and our public charter schools in resolving the concerns this legislation addresses.

Thank you for the opportunity to provide this testimony.