

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:

PART I

SECTION 1. Section 304A-321, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (b) to read:

“(b) The independent audit committee shall consist of at least three members but ~~[not]~~ no more than five members who shall be appointed by the chairperson of the board of regents, from among the members of the board of regents, except as provided in this subsection. The chair of the independent audit committee shall be selected ~~[by and from among its members.]~~ in a manner consistent with the bylaws of the board of regents.

The independent audit committee shall include one or more individuals with financial expertise. ~~[If no member of the board of regents has the requisite skills, the board of regents shall execute other arrangements, which may include the appointment of members of the general public who possess the requisite financial expertise to the independent audit committee to ensure that the independent audit committee has the capacity to carry out its duties.]”~~

2. By amending subsection (d) to read:

“(d) The independent audit committee shall be exempt from chapter 91 and part I of chapter 92 to the extent that the independent audit committee is engaging in discussions with internal or external auditors on matters that should remain confidential in accordance with nationally recognized best practices for independent audit committees, or in proceedings arising from an investigation by the independent audit committee relating to potentially actionable civil or criminal conduct, regardless of whether ~~[or not]~~ the investigation is pending or outstanding. At the discretion of the chair of the independent audit committee, discussions under this subsection may be held in the absence of the president of the University of Hawaii or the chief financial officer of the university.”

3. By amending subsection (f) to read:

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

- (1) Providing oversight of risk management, which shall include determining overall strategy and influencing the university’s risk philosophy;
- (2) Inquiring of the president of the University of Hawaii, the chief financial officer of the university, and external auditors about significant risks or exposures faced by the university;
- (3) Assessing steps that the president of the University of Hawaii has taken or proposes to take to minimize those risks to the university and periodically reviewing compliance with those steps; and
- (4) Reviewing with the general counsel of the University of Hawaii, external auditors, external counsel, and the chief financial officer of the university legal and regulatory matters that, in the opinion of the president of the University of Hawaii, may have a material impact upon the financial statements, related organization compliance policies, and programs and reports received from regulators.”

PART II

SECTION 2. Chapter 304A, Hawaii Revised Statutes, is amended by adding a new section to part I, subpart D to be appropriately designated and to read as follows:

“§304A- Findings of significant issues; Implementation of corrective and remedial action. (a) In the event an investigation or audit performed by the independent audit committee, internal auditor, or external auditor, or any audit report reviewed by the independent audit committee finds significant issues with an operation or program of the University of Hawaii, including non-compliance or possible non-compliance with any applicable law, ordinance, rule, or regulation, or any applicable board of regent policy or executive policy of the university, and the findings recommend or warrant corrective or remedial action to be taken by the university, the independent audit committee shall immediately notify the board of regents in writing of the significant issue and the corrective and remedial action warranted or recommended to be taken.

(b) The board of regents, upon receipt of notice from the independent audit committee under subsection (a), shall:

- (1) Take up the matter as board business at the meeting of the board of regents held immediately following the receipt of notice from the independent audit committee under subsection (a); provided that the meeting and notice thereof shall comply with the requirements of chapter 92;
- (2) Set the deadline by which the university shall correct or remedy the significant issue; and
- (3) Require the university to submit to the board of regents a progress report in a frequency the board of regents deems reasonable.

(c) The board of regents shall review the progress reports submitted by the university pursuant to paragraph (b)(3) and take appropriate action to ensure timely implementation of the corrective or remedial action.

(d) Upon completion of the university’s implementation of the corrective or remedial action, the board of regents shall take action to ensure that the underlying significant issue has been appropriately corrected and remedied.”

PART III

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.¹

SECTION 4. This Act shall take effect upon its approval.

(Approved July 1, 2021.)

Note

1. Edited pursuant to HRS §23G-16.5.