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**STATE OF HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**

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WRITTEN TESTIMONY  
OF  
DOUGLAS MURDOCK, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE  
HOUSE COMMITTEE  
ON  
FINANCE  
ON  
APRIL 1, 2016

S.B. 2971, H.D.1

RELATING TO THE UNIVERSITY OF HAWAII

Chair Luke and members of the Committee, thank you for the opportunity to submit written testimony on S.B. 2971, H.D. 1.

The Department of Accounting and General Services (DAGS) supports repealing the sunset provisions from Act 321, SLH 1986 with respect to the University of Hawaii, giving them flexibility by exempting them from Sections 40-1, 40-2, 40-4, 40-6, 40-58 and 40-81, Hawaii Revised Statutes

DAGS recommends the repeal date be eliminated completely from part 1 of this measure. Act 321, SLH 1986, provided authority for both UH and the Department of Education (DOE) to implement their own accounting systems in conformity with generally accepted accounting principles as they apply to schools, colleges, and universities. Last year, the Legislature passed

Act 44, which eliminated similar sunset provisions for the DOE. DAGS supports the same provision for UH. Thank you for the opportunity to submit written testimony on this matter.



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
House Committee on Finance  
April 1, 2016 at 1:00 p.m.

by  
Kalbert K. Young  
Vice President for Budget and Finance/Chief Financial Officer  
University of Hawai'i System

SB 2971 HD1 – RELATING TO THE UNIVERSITY OF HAWAII

Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

Thank you for this opportunity to testify on this measure. The University of Hawai'i (UH) supports the intent of part 1 and supports part 2 of SB 2971 HD1, Relating to the University of Hawaii. Part 1 of this bill extends the sunset provisions related to UH's authority to maintain a separate accounting and financial management system for one year. Part 2 of this measure repeals the requirement that the University of Hawai'i prepare an annual report on the development of the Construction Academy program.

### PART 1

UH respectfully requests that this repeal date be eliminated completely from part 1 of this measure. Act 321, SLH 1986, provided authority for both UH and the Department of Education (DOE) to implement their own accounting systems in conformity with generally accepted accounting principles as they apply to schools, colleges, and universities. Last year, the Legislature passed Act 44, which eliminated similar sunset provisions for the DOE. UH seeks to do the same.

UH's most recent update of its financial system is the Kualii Financial System (KFS), which is a comprehensive financial software package that was developed and is supported by a consortium of universities throughout the country that use an open source and partner enhanced process. Thus, it serves the unique needs of UH's reporting, regulatory, and accreditation requirements, while also allowing for compatibility with external partners, such as the State Department of Accounting and General Services (DAGS).

Because KFS is an open source product, there are no large license fees similar to off-the-shelf vended products, and the only costs are the physical hardware costs and personnel to support the software systems. Twenty other schools have also implemented KFS, including Cornell University, Indiana University, Michigan State University, University of Connecticut, University of Maryland, Colorado State University, University of Arizona, University of California at Irvine, University of California at Davis, and the University of Southern California.

Furthermore, State of Hawai'i efforts for system modernization in DAGS make moving to DAGS' systems rather than staying with Kualii impractical at this time. If the exemption is allowed to sunset, UH would have to return an older financial management system that is designed for more traditional state government entities, rather than university systems.

## PART 2

The Construction Academy began in 2004 with a grant from the U.S. Department of Labor. The grant funded a pilot program between the UH Community Colleges and select O'ahu high schools to prepare students with the skills needed to pursue careers in the construction industry. In 2006, the Hawai'i State Legislature appropriated funds to institutionalize and expand the program to other high schools throughout the State. The program has long since established itself as an integral part of the pathway for construction-related education.

Thank you for your time and consideration.