
A BILL FOR AN ACT

RELATING TO PREAUDITS FOR PROPOSED PAYMENTS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that like the University
2 of Hawaii, the department of education should be required to
3 preaudit all proposed payments of \$10,000 or more, but should
4 have preaudit flexibility for proposed payments of less than
5 \$10,000. The legislature also finds that the fiscal autonomy
6 previously granted to the University of Hawaii and the
7 department of education until June 30, 2011, should be extended.

8 The purpose of this Act is to:

- 9 (1) Clarify that the department of education is required
10 to preaudit proposed payments of \$10,000 or more;
- 11 (2) Allow the University of Hawaii and the department of
12 education to preaudit sample populations for proposed
13 payments of less than \$10,000 to determine the
14 propriety of expenditures and compliance with
15 applicable laws, executive orders, and rules, as their
16 respective chief financial officers determine to be
17 appropriate; and



1 (3) Extend the date that allows the University of Hawaii
2 and the department of education to have autonomous
3 authority over their accounting systems and other
4 purchasing responsibilities and duties.

5 SECTION 2. Section 40-1, Hawaii Revised Statutes, is
6 amended by amending subsection (b) to read as follows:

7 " (b) With respect to the executive branch, except the
8 University of Hawaii until [~~June 30, 2011,~~] June 30, 2015, the
9 Hawaii tourism authority, and the department of education until
10 [~~June 30, 2011,~~] June 30, 2015, the comptroller shall have
11 complete supervision of all accounts. The comptroller shall
12 preaudit all proposed payments of \$10,000 or more to determine
13 the propriety of expenditures and compliance with executive
14 orders and rules that may be in effect. When necessary, the
15 comptroller shall withhold approval of any payment. Whenever
16 approval is withheld, the department or agency concerned shall
17 be promptly notified. With respect to the University of Hawaii,
18 the Hawaii tourism authority, and the department of education,
19 the comptroller shall issue warrants for the release of funds
20 for the operating costs of the university, the Hawaii tourism
21 authority, or the department of education, as applicable, in
22 amounts and at times mutually agreed upon by the governor or



1 director of finance and the university, the Hawaii tourism
2 authority, or department of education, as applicable; provided:

3 (1) The amounts released shall not exceed the allotment
4 ceilings for the respective funding sources of the
5 university's or the department of education's
6 appropriations established by the governor for an
7 allotment period pursuant to section 37-34, or in the
8 case of the Hawaii tourism authority, revenues
9 received by the convention center enterprise special
10 fund and the tourism special fund pursuant to section
11 237D-6.5; and

12 (2) The comptroller may issue warrants as an advance from
13 the state treasury to the University of Hawaii, the
14 Hawaii tourism authority, and the department of
15 education to establish a checking account and provide
16 working capital in amounts and at times mutually
17 agreed upon by the governor or director of finance and
18 the University of Hawaii, the Hawaii tourism
19 authority, and the department of education.

20 The University of Hawaii and the department of education shall
21 preaudit all proposed payments of \$10,000 or more and [the]
22 shall preaudit sample populations for proposed payments of less



1 than \$10,000; provided that the sample size comprises at least
2 five per cent of the population, as the chief financial officers
3 of the University of Hawaii and the department of education, as
4 applicable, determine appropriate, to determine the propriety of
5 expenditures and compliance with applicable laws, executive
6 orders, and rules. The Hawaii tourism authority [~~and the~~
7 department of education] shall preaudit all proposed payments to
8 determine the propriety of expenditures and compliance with
9 applicable laws, executive orders, and rules as may be in
10 effect. The University of Hawaii, the Hawaii tourism authority,
11 and the department of education shall make disbursements for
12 operating expenses from the amounts released by the comptroller
13 and maintain records and documents necessary to support those
14 disbursements at times mutually agreed upon by the university
15 president, the executive director of the Hawaii tourism
16 authority, or the superintendent of education, as applicable,
17 and the comptroller; provided that when requested by the
18 university, the Hawaii tourism authority, or department of
19 education, the comptroller shall make all disbursements for the
20 university, the Hawaii tourism authority, or department of
21 education, as applicable, subject to available allotment. Funds
22 released pursuant to this section shall be deposited by the



1 university, the Hawaii tourism authority, or department of
2 education, as applicable, in accordance with the provisions
3 applicable to the director of finance by chapter 38. Except for
4 moneys deposited by the Hawaii tourism authority in the
5 convention center enterprise special fund pursuant to section
6 201B-8, and in the tourism special fund pursuant to section
7 201B-11, any interest earned on the deposit of funds released
8 pursuant to this section shall be deposited in the state
9 treasury at the end of each fiscal year."

10 SECTION 3. Section 40-2, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "§40-2 Accounting systems and internal control; enforcing
13 the use of and inspection of the same. The accounting system
14 installed by the commission on public accountancy under Act 181,
15 Session Laws of Hawaii 1923, as amended by Act 220, Session Laws
16 of Hawaii 1925, for use in the offices of the comptroller,
17 director of finance, departmental and agency services of the
18 State, and the auditors, treasurers, departmental and agency
19 services of the several counties shall be the accounting and
20 reporting systems of the State and counties; provided that the
21 University of Hawaii, until June 30, 2011, may install a
22 different accounting system which shall be in conformity with



1 generally accepted accounting principles as applied to colleges
2 and universities; and provided further that the department of
3 education, until June 30, [~~2011~~] 2020, may install a different
4 accounting system which shall be in conformity to generally
5 accepted accounting principles. The comptroller shall make such
6 changes and modifications in the accounting system as shall from
7 time to time appear to be in the best interest of the State and
8 counties.

9 The departments and agencies of the executive branch are
10 respectively charged with the responsibility to maintain an
11 adequate system of internal control and with the further
12 responsibility to see that the internal control system continues
13 to function effectively as designed. The comptroller shall make
14 such investigations and audits from time to time to enforce the
15 use of the accounting system and internal control systems in the
16 executive branch.

17 The judiciary, the legislature, and each county shall be
18 responsible for the establishment and maintenance of its
19 respective internal control system."

20 SECTION 4. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.



1 SECTION 5. This Act shall take effect on June 29, 2050;
2 provided that the amendments made to section 40-1, Hawaii
3 Revised Statutes, by this Act shall not be repealed when section
4 40-1, Hawaii Revised Statutes, is repealed and reenacted on
5 June 30, 2010, by section 12 of Act 5, Special Session Laws of
6 Hawaii 2009.



Report Title:

Preaudits for Proposed Payments; DOE; UH

Description:

Requires the Department of Education (DOE) to conduct proposed payment preaudits only on payments of \$10,000 or more. Requires the University of Hawaii (UH) and DOE to preaudit a sample population of at least five percent of proposed payments of less than \$10,000. Extends the fiscal autonomy previously granted to UH and DOE until June 30, 2015. Extends the date until which DOE shall have autonomous authority over its accounting system to June 30, 2020. Effective June 29, 2010. (SB2115 HD1)

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

