
A BILL FOR AN ACT

RELATING TO THE UNIVERSITY OF HAWAII ACCOUNTING AND FINANCIAL
MANAGEMENT SYSTEM.

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

1 SECTION 1. The legislature finds that the University of
2 Hawaii has maintained a separate accounting system since 1986,
3 which has been compatible with both Hawaii accounting system
4 requirements and generally accepted accounting principles. The
5 legislature further finds that the University of Hawaii has
6 recently upgraded its accounting system through its
7 participation in the Kualii financial system consortium, a
8 university-based financial management software that better meets
9 the unique needs of university systems throughout the United
10 States. Since the implementation of the Kualii financial system,
11 the University of Hawaii continues to provide bi-monthly payroll
12 feeds to the department of accounting and general services, in
13 addition to routine and annual financial reports that are
14 included in the State of Hawaii annual consolidated financial
15 statements.



1 The purpose of this Act is to extend the authority of the
2 University of Hawaii system to maintain a separate accounting
3 and financial management system that is compatible with the
4 State of Hawaii accounting and financial systems and to require
5 quarterly variance reports for revenues and expenditures.

6 The legislature finds that such authority and requirements
7 are a matter of statewide concern and fall within the purview of
8 the legislature pursuant to article X, section 6, of the Hawaii
9 State Constitution.

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

13 "§304A- Program performance reports; quarterly reports.
14 The board of regents shall submit to the legislature not fewer
15 than sixty days subsequent to the end of each fiscal quarter, a
16 program performance report showing a comparison of actual
17 revenues and expenditures versus budgeted revenues and
18 expenditures. The actual revenues and expenditures shall be
19 reported on the same basis of accounting as that for the
20 university's budget."



1 SECTION 3. Section 40-1, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) With respect to the executive branch, except the
4 University of Hawaii until June 30, [~~2016~~] 2017, the Hawaii
5 tourism authority, and the department of education until June
6 30, 2015, the comptroller shall have complete supervision of all
7 accounts. The comptroller shall preaudit all proposed payments
8 of \$10,000 or more to determine the propriety of expenditures
9 and compliance with executive orders and rules that may be in
10 effect. When necessary, the comptroller shall withhold approval
11 of any payment. Whenever approval is withheld, the department
12 or agency concerned shall be promptly notified. With respect to
13 the University of Hawaii, the Hawaii tourism authority, and the
14 department of education, the comptroller shall issue warrants
15 for the release of funds for the operating costs of the
16 university, the Hawaii tourism authority, or the department of
17 education, as applicable, in amounts and at times mutually
18 agreed upon by the governor or director of finance and the
19 university, the Hawaii tourism authority, or department of
20 education, as applicable; provided that:



- 1 (1) The amounts released shall not exceed the allotment
2 ceilings for the respective funding sources of the
3 university's or the department of education's
4 appropriations established by the governor for an
5 allotment period pursuant to section 37-34, or in the
6 case of the Hawaii tourism authority, revenues
7 received by the convention center enterprise special
8 fund and the tourism special fund pursuant to section
9 237D-6.5; and
- 10 (2) The comptroller may issue warrants as an advance from
11 the state treasury to the University of Hawaii, the
12 Hawaii tourism authority, and the department of
13 education to establish a checking account and provide
14 working capital in amounts and at times mutually
15 agreed upon by the governor or director of finance and
16 the University of Hawaii, the Hawaii tourism
17 authority, and the department of education.
- 18 The University of Hawaii and the department of education shall
19 preaudit all proposed payments of \$10,000 or more and shall
20 preaudit samples of the population of proposed payments of less
21 than \$10,000; provided that the sample size comprises at least



1 five per cent of the population, and is of a size that the chief
2 financial officers of the University of Hawaii and the
3 department of education, as applicable, determine appropriate,
4 to determine the propriety of expenditures and compliance with
5 applicable laws, executive orders, and rules. The Hawaii
6 tourism authority shall preaudit all proposed payments to
7 determine the propriety of expenditures and compliance with
8 applicable laws, executive orders, and rules as may be in
9 effect. The University of Hawaii, the Hawaii tourism authority,
10 and the department of education shall make disbursements for
11 operating expenses from the amounts released by the comptroller
12 and maintain records and documents necessary to support those
13 disbursements at times mutually agreed upon by the university
14 president, the executive director of the Hawaii tourism
15 authority, or the superintendent of education, as applicable,
16 and the comptroller; provided that when requested by the
17 university, the Hawaii tourism authority, or department of
18 education, the comptroller shall make all disbursements for the
19 university, the Hawaii tourism authority, or department of
20 education, as applicable, subject to available allotment. Funds
21 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 4. Section 40-2, Hawaii Revised Statutes, is
11 amended by amending subsection (a) to read as follows:

12 "(a) The accounting system installed by the commission on
13 public accountancy under Act 181, Session Laws of Hawaii 1923,
14 as amended by Act 220, Session Laws of Hawaii 1925, for use in
15 the offices of the comptroller, director of finance,
16 departmental and agency services of the State, and the auditors,
17 treasurers, departmental and agency services of the several
18 counties shall be the accounting and reporting systems of the
19 State and counties; provided that the University of Hawaii,
20 until June 30, [~~2016~~] 2017, may install a different accounting
21 system that shall be in conformity with generally accepted



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

9 SECTION 5. Section 40-4, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "**§40-4 Publication of statements.** The comptroller shall
12 prepare and submit to the governor, immediately following the
13 close of each fiscal year, a statement of income and expenditure
14 by funds, showing the principal sources of revenue, the function
15 or purpose for which expenditures were made, together with a
16 consolidated statement showing similar information for all
17 funds; also a statement showing the balance in each fund at the
18 beginning of the fiscal year, plus the receipts, minus the
19 disbursements, and the balance on hand at the close of the
20 fiscal year after deducting outstanding warrants and vouchers.
21 The comptroller may request all agencies, the judiciary, the



1 University of Hawaii until June 30, [~~2016~~] 2017, the Hawaii
2 tourism authority, [~~the department of education until June 30,~~
3 ~~2011~~] and the legislature to provide such information as may be
4 required for the preparation of statements."

5 SECTION 6. Section 40-6, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "**§40-6 Approval of business and accounting forms.** The
8 comptroller shall determine the forms required to adequately
9 supply accounting and statistical data for the state government.
10 The comptroller shall require heads of departments and
11 establishments of the state government to submit proposed new
12 forms or proposed changes in current business and accounting
13 forms for review and approval before ordering the same printed;
14 except that the University of Hawaii until June 30, [~~2016~~]
15 2017, and the Hawaii tourism authority[~~, and the department of~~
16 ~~education until June 30, 2011~~] shall be subject to this
17 requirement only with respect to uniform business and accounting
18 forms of statewide use in the State's accounting system. All
19 standard state forms shall be classified, numbered, and
20 standardized in design, dimensions, color, and grade of paper



1 and recorded in a catalogue of accounting and statistical forms
2 by the comptroller."

3 SECTION 7. Section 40-58, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "**§40-58 In favor of assignees.** No assignment of moneys by
6 a person to whom the State is directly indebted shall be
7 effective unless the assignment is first approved by the
8 comptroller or, in the case of the University of Hawaii until
9 June 30, [~~2016, and the department of education until June 30,~~
10 ~~2011, by their respective~~] 2017, by the chief financial
11 [~~officers-~~] officer. The comptroller or the chief financial
12 [~~officers~~] officer of the University of Hawaii [~~and the~~
13 ~~department of education~~] may prescribe the form for an
14 assignment[~~-~~] and may approve the assignment within a reasonable
15 time period if, in their respective discretion, the rights or
16 obligations of the State[~~-~~] or the University of Hawaii[~~, or the~~
17 ~~department of education~~] under any contract or other undertaking
18 or under any law, rule, or order by a competent authority will
19 not be prejudiced thereby. Upon approval of the assignment, the
20 comptroller or the [~~respective~~] chief financial [~~officers~~]
21 officer of the University of Hawaii [~~and the department of~~



1 education] shall draw a warrant payable to the assignee. Except
 2 as to contracts encumbered by the comptroller[~~7~~] or the
 3 University of Hawaii, [~~or the department of education,~~] each
 4 expending agency, upon notification of the comptroller's
 5 approval of an assignment, shall prepare a claim for payment in
 6 accordance with the terms of the assignment."

7 SECTION 8. Section 40-81, Hawaii Revised Statutes, is
 8 amended to read as follows:

9 "**§40-81 Report by agencies receiving special moneys.** All
 10 state officers, departments, boards, bureaus, commissions, or
 11 agencies collecting or receiving any moneys not required by law
 12 to be deposited in the state treasury shall report to the
 13 comptroller all receipts and disbursements on account thereof
 14 for each quarterly period of the calendar year not later than
 15 the fifteenth day following the end of each quarterly period on
 16 such forms and under such rules as may be prescribed by the
 17 comptroller; provided that with respect to all moneys held
 18 outside the state treasury by the University of Hawaii until
 19 June 30, [~~2016, or the department of education until June 30,~~
 20 ~~2011,~~] 2017, pursuant to the authority granted to the university
 21 [~~and the department of education]~~ by this chapter, the



1 University of Hawaii [~~and the department of education~~] shall
2 report to the comptroller all transactions for each quarterly
3 period not later than the fifteenth day following the end of
4 each quarterly period on [~~such~~] forms and under [~~such~~] rules as
5 may be prescribed by the comptroller."

6 SECTION 9. (a) The auditor shall examine whether the
7 University of Hawaii's exemption from the comptroller's complete
8 account control and direct financial management pursuant to:

- 9 (1) Section 40-1, Hawaii Revised Statutes;
10 (2) Section 40-2, Hawaii Revised Statutes;
11 (3) Section 40-4, Hawaii Revised Statutes;
12 (4) Section 40-6, Hawaii Revised Statutes;
13 (5) Section 40-58, Hawaii Revised Statutes; and
14 (6) Section 40-81, Hawaii Revised Statutes,
15 should be made permanent.

16 (b) The auditor shall submit a report of the auditor's
17 findings and recommendations, including any proposed
18 legislation, to the legislature no later than twenty days prior
19 to the regular session of 2016.

20 SECTION 10. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.



1 SECTION 11. This Act shall take effect on June 29, 2015;
2 provided that the amendments made under this Act to sections 40-
3 1, 40-4, and 40-6, Hawaii Revised Statutes, shall not be
4 repealed when those sections are reenacted on June 30, 2015, by
5 section 5 of Act 102, Session Laws of Hawaii 2010.



Report Title:

University of Hawaii; Accounting; Fiscal Management

Description:

Extends sunset provisions with respect to accounting and fiscal management requirements relating to the University of Hawaii. Requires the Auditor to study whether the sunset provisions should be permanently repealed. Requires quarterly variance reports for revenues and expenditures. (HB540 HD1)

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

