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

9           "§304A- Program performance reports; quarterly reports.  
10 The board of regents shall submit to the legislature not fewer  
11 than sixty days subsequent to the end of each fiscal quarter, a  
12 program performance report showing a comparison of actual  
13 revenues and expenditures versus budgeted revenues and  
14 expenditures. The actual revenues and expenditures shall be  
15 reported on the same basis of accounting as that for the  
16 university's budget."

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

19           "(b) With respect to the executive branch, except the  
20 University of Hawaii [~~until June 30, 2016~~], the Hawaii tourism  
21 authority, and the department of education until June 30, 2015,



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

16 (1) The amounts released shall not exceed the allotment  
17 ceilings for the respective funding sources of the  
18 university's or the department of education's  
19 appropriations established by the governor for an  
20 allotment period pursuant to section 37-34, or in the  
21 case of the Hawaii tourism authority, revenues



1 received by the convention center enterprise special  
2 fund and the tourism special fund pursuant to section  
3 237D-6.5; and

4 (2) The comptroller may issue warrants as an advance from  
5 the state treasury to the University of Hawaii, the  
6 Hawaii tourism authority, and the department of  
7 education to establish a checking account and provide  
8 working capital in amounts and at times mutually  
9 agreed upon by the governor or director of finance and  
10 the University of Hawaii, the Hawaii tourism  
11 authority, and the department of education.

12 The University of Hawaii and the department of education shall  
13 preaudit all proposed payments of \$10,000 or more and shall  
14 preaudit samples of the population of proposed payments of less  
15 than \$10,000; provided that the sample size comprises at least  
16 five per cent of the population, and is of a size that the chief  
17 financial officers of the University of Hawaii and the  
18 department of education, as applicable, determine appropriate,  
19 to determine the propriety of expenditures and compliance with  
20 applicable laws, executive orders, and rules. The Hawaii  
21 tourism authority shall preaudit all proposed payments to



1 determine the propriety of expenditures and compliance with  
2 applicable laws, executive orders, and rules as may be in  
3 effect. The University of Hawaii, the Hawaii tourism authority,  
4 and the department of education shall make disbursements for  
5 operating expenses from the amounts released by the comptroller  
6 and maintain records and documents necessary to support those  
7 disbursements at times mutually agreed upon by the university  
8 president, the executive director of the Hawaii tourism  
9 authority, or the superintendent of education, as applicable,  
10 and the comptroller; provided that when requested by the  
11 university, the Hawaii tourism authority, or department of  
12 education, the comptroller shall make all disbursements for the  
13 university, the Hawaii tourism authority, or department of  
14 education, as applicable, subject to available allotment. Funds  
15 released pursuant to this section shall be deposited by the  
16 university, the Hawaii tourism authority, or department of  
17 education, as applicable, in accordance with the provisions  
18 applicable to the director of finance by chapter 38. Except for  
19 moneys deposited by the Hawaii tourism authority in the  
20 convention center enterprise special fund pursuant to section  
21 201B-8, and in the tourism special fund pursuant to section



1 201B-11, any interest earned on the deposit of funds released  
2 pursuant to this section shall be deposited in the state  
3 treasury at the end of each fiscal year."

4 SECTION 4. Section 40-2, Hawaii Revised Statutes, is  
5 amended by amending subsection (a) to read as follows:

6 "(a) The accounting system installed by the commission on  
7 public accountancy under Act 181, Session Laws of Hawaii 1923,  
8 as amended by Act 220, Session Laws of Hawaii 1925, for use in  
9 the offices of the comptroller, director of finance,  
10 departmental and agency services of the State, and the auditors,  
11 treasurers, departmental and agency services of the several  
12 counties shall be the accounting and reporting systems of the  
13 State and counties; provided that the University of Hawaii [~~7~~  
14 ~~until June 30, 2016,~~] may install a different accounting system  
15 that shall be in conformity with generally accepted accounting  
16 principles as applied to colleges and universities [~~7~~ and  
17 ~~provided further that the department of education, until June~~  
18 ~~30, 2011, may install a different accounting system that shall~~  
19 ~~be in conformity to generally accepted accounting principles]~~.  
20 The comptroller shall make [~~such~~] changes and modifications in



1 the accounting system [~~as shall from time to time appear to be~~  
2 that are in the best interest of the State and counties."

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

5 "§40-4 **Publication of statements.** The comptroller shall  
6 prepare and submit to the governor, immediately following the  
7 close of each fiscal year, a statement of income and expenditure  
8 by funds, showing the principal sources of revenue, the function  
9 or purpose for which expenditures were made, together with a  
10 consolidated statement showing similar information for all  
11 funds; also a statement showing the balance in each fund at the  
12 beginning of the fiscal year, plus the receipts, minus the  
13 disbursements, and the balance on hand at the close of the  
14 fiscal year after deducting outstanding warrants and vouchers.  
15 The comptroller may request all agencies, the judiciary, the  
16 University of Hawaii [~~until June 30, 2016~~], the Hawaii tourism  
17 authority, [~~the department of education until June 30, 2011,~~]  
18 and the legislature to provide such information as may be  
19 required for the preparation of statements."

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



1           "§40-6 Approval of business and accounting forms. The  
2 comptroller shall determine the forms required to adequately  
3 supply accounting and statistical data for the state government.  
4 The comptroller shall require heads of departments and  
5 establishments of the state government to submit proposed new  
6 forms or proposed changes in current business and accounting  
7 forms for review and approval before ordering the same printed;  
8 except that the University of Hawaii [~~until June 30, 2016,~~] and  
9 the Hawaii tourism authority [~~, and the department of education~~  
10 ~~until June 30, 2011,~~] shall be subject to this requirement only  
11 with respect to uniform business and accounting forms of  
12 statewide use in the State's accounting system. All standard  
13 state forms shall be classified, numbered, and standardized in  
14 design, dimensions, color, and grade of paper and recorded in a  
15 catalogue of accounting and statistical forms by the  
16 comptroller."

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

19           "§40-58 In favor of assignees. No assignment of moneys by  
20 a person to whom the State is directly indebted shall be  
21 effective unless the assignment is first approved by the



1 comptroller or, in the case of the University of Hawaii [~~until~~  
2 ~~June 30, 2016,~~ and the department of education until June 30,  
3 2011], by [~~their respective~~] the chief financial [~~officers.~~]  
4 officer. The comptroller or the chief financial [~~officers~~]  
5 officer of the University of Hawaii [~~and the department of~~  
6 ~~education~~] may prescribe the form for an assignment[7] and may  
7 approve the assignment within a reasonable time period if, in  
8 their respective discretion, the rights or obligations of the  
9 State[7] or the University of Hawaii[7, ~~or the department of~~  
10 ~~education~~] under any contract or other undertaking or under any  
11 law, rule, or order by a competent authority will not be  
12 prejudiced thereby. Upon approval of the assignment, the  
13 comptroller or the respective chief financial [~~officers~~] officer  
14 of the University of Hawaii [~~and the department of education~~]  
15 shall draw a warrant payable to the assignee. Except as to  
16 contracts encumbered by the comptroller[7] or the University of  
17 Hawaii, [~~or the department of education,~~] each expending agency,  
18 upon notification of the comptroller's approval of an  
19 assignment, shall prepare a claim for payment in accordance with  
20 the terms of the assignment."



1 SECTION 8. Section 40-81, Hawaii Revised Statutes, is  
2 amended to read as follows:  
3 "§40-81 Report by agencies receiving special moneys. All  
4 state officers, departments, boards, bureaus, commissions, or  
5 agencies collecting or receiving any moneys not required by law  
6 to be deposited in the state treasury shall report to the  
7 comptroller all receipts and disbursements on account thereof  
8 for each quarterly period of the calendar year not later than  
9 the fifteenth day following the end of each quarterly period on  
10 such forms and under such rules as may be prescribed by the  
11 comptroller; provided that with respect to all moneys held  
12 outside the state treasury by the University of Hawaii [~~until~~  
13 ~~June 30, 2016, or the department of education until June 30,~~  
14 ~~2011,~~] pursuant to the authority granted to the university [~~and~~  
15 ~~the department of education]~~ by this chapter, the University of  
16 Hawaii [~~and the department of education]~~ shall report to the  
17 comptroller all transactions for each quarterly period not later  
18 than the fifteenth day following the end of each quarterly  
19 period on [~~such~~] forms and under [~~such~~] rules as may be  
20 prescribed by the comptroller."



1 SECTION 9. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 10. This Act shall take effect on June 29, 2015;  
4 provided that the amendments made under this Act to sections 40-  
5 1, 40-4, and 40-6, Hawaii Revised Statutes, shall not be  
6 repealed when those sections are reenacted on June 30, 2015, by  
7 section 5 of Act 102, Session Laws of Hawaii 2010.

8

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# H.B. NO. 540

**Report Title:**

UH; Accounting; Fiscal Management

**Description:**

Repeals sunset provisions with respect to accounting and fiscal management requirements relating to the University of Hawaii. Requires quarterly variance reports for revenues and expenditures.

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

