
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 the State's accounting
4 system requirements and generally accepted accounting
5 principles. The legislature further finds that the University
6 of Hawaii, with authorization from the legislature and after
7 significant commitment of human and financial resources, has
8 recently upgraded its accounting system through its
9 participation in the Kualii Financial System Consortium, a
10 university-based financial management software that better meets
11 the unique needs of university systems throughout the United
12 States. Since the implementation of the Kualii Financial System,
13 the University of Hawaii continues to provide bi-monthly payroll
14 feeds to the department of accounting and general services, in
15 addition to routine and annual financial reports that are
16 included in the State of Hawaii's Annual Consolidated Financial



1 Statements. The use of the Kualii Financial System has benefited
2 and served the needs of the university without in any way
3 negatively impacting the State or its financial reporting.

4 The University of Hawaii's authorization to maintain a
5 separate accounting and financial management system terminated
6 on June 30, 2016.

7 The purpose of this Act is to affirm the express authority
8 of the University of Hawaii system to maintain a separate
9 accounting and financial management system that is compatible
10 with the State of Hawaii accounting and financial systems.

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

13 "(b) With respect to the executive branch, except the
14 University of Hawaii [~~until June 30, 2016,~~] and the department
15 of education, the comptroller shall have complete supervision of
16 all accounts. The comptroller shall preaudit all proposed
17 payments of \$10,000 or more to determine the propriety of
18 expenditures and compliance with executive orders and rules that
19 may be in effect. When necessary, the comptroller shall
20 withhold approval of any payment. Whenever approval is
21 withheld, the department or agency concerned shall be promptly



1 notified. With respect to the University of Hawaii and the
2 department of education, the comptroller shall issue warrants
3 for the release of funds for the operating costs of the
4 university or the department of education, as applicable, in
5 amounts and at times mutually agreed upon by the governor or
6 director of finance and the university or department of
7 education, as applicable; provided that:

- 8 (1) The amounts released shall not exceed the allotment
9 ceilings for the respective funding sources of the
10 university's or the department of education's
11 appropriations established by the governor for an
12 allotment period pursuant to section 37-34; and
- 13 (2) The comptroller may issue warrants as an advance from
14 the state treasury to the University of Hawaii and the
15 department of education to establish a checking
16 account and provide working capital in amounts and at
17 times mutually agreed upon by the governor or director
18 of finance and the University of Hawaii and the
19 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 shall



1 preaudit samples of the population of proposed payments of less
2 than \$10,000; provided that the sample size comprises at least
3 five per cent of the population, and is of a size that the chief
4 financial officers of the University of Hawaii and the
5 department of education, as applicable, determine appropriate,
6 to determine the propriety of expenditures and compliance with
7 applicable laws, executive orders, and rules. The University of
8 Hawaii and the department of education shall make disbursements
9 for operating expenses from the amounts released by the
10 comptroller and maintain records and documents necessary to
11 support those disbursements at times mutually agreed upon by the
12 university president or the superintendent of education, as
13 applicable, and the comptroller; provided that when requested by
14 the university or the department of education, the comptroller
15 shall make all disbursements for the university or the
16 department of education, as applicable, subject to available
17 allotment. Funds released pursuant to this section shall be
18 deposited by the university or the department of education, as
19 applicable, in accordance with the provisions applicable to the
20 director of finance by chapter 38. Any interest earned on the



1 deposit of funds released pursuant to this section shall be
2 deposited in the state treasury at the end of each fiscal year."

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

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



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

3 **"§40-4 Publication of statements.** The comptroller shall
4 prepare and submit to the governor, immediately following the
5 close of each fiscal year, a statement of income and expenditure
6 by funds, showing the principal sources of revenue, the function
7 or purpose for which expenditures were made, together with a
8 consolidated statement showing similar information for all
9 funds; also a statement showing the balance in each fund at the
10 beginning of the fiscal year, plus the receipts, minus the
11 disbursements, and the balance on hand at the close of the
12 fiscal year after deducting outstanding warrants and vouchers.
13 The comptroller may request all agencies, the judiciary, the
14 University of Hawaii [~~until June 30, 2016~~], the department of
15 education, and the legislature to provide such information as
16 may be required for the preparation of statements."

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

19 **"§40-6 Approval of business and accounting forms.** The
20 comptroller shall determine the forms required to adequately
21 supply accounting and statistical data for the state government.



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

13 SECTION 6. Section 40-58, Hawaii Revised Statutes, is
14 amended to read as follows:

15 **"§40-58 In favor of assignees.** No assignment of moneys by
16 a person to whom the State is directly indebted shall be
17 effective unless the assignment is first approved by the
18 comptroller or, in the case of the University of Hawaii [~~until~~
19 ~~June 30, 2016,~~] and the department of education, by their
20 respective chief financial officers. The comptroller or the
21 chief financial officers of the University of Hawaii and the



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

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

18 "§40-81 Report by agencies receiving special moneys. All
19 state officers, departments, boards, bureaus, commissions, or
20 agencies collecting or receiving any moneys not required by law
21 to be deposited in the state treasury shall report to the



1 comptroller all receipts and disbursements on account thereof
2 for each quarterly period of the calendar year not later than
3 the fifteenth day following the end of each quarterly period on
4 such forms and under such rules as may be prescribed by the
5 comptroller; provided that with respect to all moneys held
6 outside the state treasury by the University of Hawaii [~~until~~
7 ~~June 30, 2016,~~] or the department of education pursuant to the
8 authority granted to the university and the department of
9 education by this chapter, the University of Hawaii and the
10 department of education shall report to the comptroller all
11 transactions for each quarterly period not later than the
12 fifteenth day following the end of each quarterly period on such
13 forms and under such rules as may be prescribed by the
14 comptroller."

15 SECTION 8. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 9. This Act shall take effect on July 1, 2017.

18



Report Title:

University of Hawaii; Accounting and Financial Management System

Description:

Reinstates the authority of the University of Hawaii System to maintain a separate accounting and financial management system that is compatible with the State of Hawaii accounting and financial system. (SD1)

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

