

STAND. COM. REP. NO.

1430

Honolulu, Hawaii

MAR 25 , 2021

RE: S.B. No. 332  
S.D. 2  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirty-First State Legislature  
Regular Session of 2021  
State of Hawaii

Sir:

Your Committee on Government Reform, to which was referred  
S.B. No. 332, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO PREAUDIT PAYMENTS,"

begs leave to report as follows:

The purpose of this measure is to amend the powers and duties  
of the Comptroller to reduce the preaudit requirements of all  
proposed payments to expenditures by:

- (1) Increasing the minimum dollar amount of payments to be  
preaudited from \$10,000 to \$100,000; and
- (2) Allowing, rather than requiring, the Comptroller to  
preaudit proposed payments of expenditures below  
\$100,000.

Your Committee received comments on this measure from the  
Department of Accounting and General Services.

Your Committee finds that the State's accounting software  
system is forty-five years old. This outdated common business-  
oriented language, more commonly known as COBOL, system requires  
human intervention because it was not designed with automated  
checks and balances embedded in modern computer systems. Your

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Committee notes that, per the Department of Accounting and General Services' testimony before your Committee, the new financial management system project will replace some of these outdated manual processes and help ensure that the integrity of the transaction request will be preserved and strengthened. Your Committee further finds that updating the preaudit process for proposed statements will allow for even more efficiency and help prevent delays in timely processing.

Your Committee additionally finds that the new financial management system should be designed to include the ability to pre-audit contracts to avoid clerical errors, such as duplicate payments to vendor and requests for the status of uncashed items. In addition, if procured correctly, the new financial management system will be able to enumerate data for compliance with Hawaii Revised Statutes procurement standards and run real time queries and reports. Workflow processes can be designed and implemented in the new financial management system for ease of processing, review, and submittal. Your Committee believes that temporarily increasing the dollar amount of payments required to be preaudited should address certain concerns of the Department of Accounting and General Services and will allow sufficient time for the Department to fully implement the new financial management system.

Accordingly, your Committee has amended this measure by:

- (1) Inserting a sunset date of July 1, 2022;
- (2) Changing its effective date to July 1, 2012, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Government Reform that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 332, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 332, S.D. 2, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committee on Government Reform,



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ANGUS L.K. MCKELVEY, Chair



Record of Votes of the Committee on Government Reform

<b>Bill/Resolution No.:</b> SB 332, SD2	<b>Committee Referral:</b> GVR, FIN	<b>Date:</b> 3-24-21		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
GVR Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	✓			
2. WILDBERGER, Tina (VC)	✓			
3. CULLEN, Ty J.K.				✓
4. ELI, Stacelynn K.M.				✓
5. ICHIYAMA, Linda	✓			
6. MIZUNO, John M.				✓
7. WOODSON, Justin H.				✓
8. YAMASHITA, Kyle T.	✓			
9. WARD, Gene	✓			
<b>TOTAL (9)</b>	5	0	0	4
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small>committee acronym(s)</small>				
<b>Vice Chair's or designee's signature:</b> <u>T. Wildberger</u>				
<b>Distribution:</b> Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				