

JAN 25 2006

S.B. NO. 2309

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# A BILL FOR AN ACT

RELATING TO CHAPTER 40, HAWAII REVISED STATUTES.

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

1           SECTION 1. 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 and the Hawaii tourism authority, [~~he~~] the  
5 comptroller shall have complete supervision of all accounts.  
6 [~~He~~] The comptroller shall pre-audit all proposed payments of  
7 \$10,000 or more to determine the propriety of expenditures and  
8 compliance with such executive orders[~~7~~] and rules [~~and~~  
9 ~~regulations as~~] that may be in effect. [~~He shall, when~~] When  
10 necessary, the comptroller shall withhold [~~his~~] approval of any  
11 payment. Whenever [~~he withholds his approval, he shall promptly~~  
12 ~~notify~~] approval is withheld, the department or agency concerned  
13 [~~-~~] shall be promptly notified. With respect to the University  
14 of Hawaii or the Hawaii tourism authority, the comptroller shall  
15 issue warrants for the release of funds for the operating costs  
16 of the university or the Hawaii tourism authority, as applicable,  
17 in amounts and at times mutually agreed upon by the governor or

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1 director of finance and the university or the Hawaii tourism  
2 authority, as applicable, provided[+] that:

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

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

18 The university and the Hawaii tourism authority shall  
19 preaudit all proposed payments to determine the propriety of  
20 expenditures and compliance with applicable laws, executive  
21 orders, and rules as may be in effect. The university and the  
22 Hawaii tourism authority shall make disbursements for operating  
23 expenses from the amounts released by the comptroller and

1 maintain records and documents necessary to support those  
2 disbursements at times mutually agreed upon by the university  
3 president or the executive director of the Hawaii tourism  
4 authority, as applicable, and the comptroller; provided that  
5 when requested by the university or the Hawaii tourism  
6 authority, the comptroller shall make all disbursements for the  
7 university or the Hawaii tourism authority, as applicable,  
8 subject to available allotment. Funds released pursuant to this  
9 section shall be deposited by the university or the Hawaii  
10 tourism authority, as applicable, in accordance with the  
11 provisions applicable to the director of finance by chapter 38.  
12 Except for moneys deposited by the Hawaii tourism authority in  
13 the convention center enterprise special fund pursuant to  
14 section 201B-8, and in the tourism special fund pursuant to  
15 section 201B-11, any interest earned on the deposit of funds  
16 released pursuant to this section shall be deposited in the  
17 state treasury at the end of each fiscal year."

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

20 "**§40-2 Accounting systems and internal control; enforcing**  
21 **the use of and inspection of the same.** The accounting system  
22 installed by the commission on public accountancy under Act 181,  
23 session laws of Hawaii 1923, as amended by Act 220, session laws

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1 of Hawaii 1925, for use in the offices of the comptroller,  
2 director of finance, departmental and agency services of the  
3 State, and the auditors, treasurers, departmental and agency  
4 services of the several counties shall be the accounting and  
5 reporting systems of the State and counties[-]; provided that the  
6 University of Hawaii may install a different accounting system  
7 which shall be in conformity with generally accepted accounting  
8 principles as applied to colleges and universities. The  
9 comptroller shall make such changes and modifications in the  
10 accounting system as shall from time to time appear to be in the  
11 best interest of the State and counties.

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

20 The judiciary, the legislature, and each county shall be  
21 responsible for the establishment and maintenance of its  
22 respective internal control system."

1 SECTION 3. 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, [~~and publish in a newspaper~~  
5 ~~of general circulation in the State,~~] immediately following the  
6 close of each fiscal year, a statement of income and expenditure  
7 by funds, showing the principal sources of revenue, the function  
8 or purpose for which expenditures were made, together with a  
9 consolidated statement showing similar information for all  
10 funds; also a statement showing the balance in each fund at the  
11 beginning of the fiscal year, plus the receipts, minus the  
12 disbursements, and the balance on hand at the close of the  
13 fiscal year after deducting outstanding warrants and vouchers.  
14 The comptroller may request all agencies, the judiciary, the  
15 University of Hawaii, the Hawaii tourism authority, and the  
16 legislature to provide such information as may be required for  
17 the preparation of statements."

18 SECTION 4. Section 40-6, Hawaii Revised Statutes, is  
19 amended to read as follows:

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

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

11 SECTION 5. Section 40-58, Hawaii Revised Statutes, is  
12 amended to read as follows:

13 "**§40-58 In favor of assignees.** No assignment of moneys by  
14 a person to whom the State is directly indebted shall be  
15 effective unless the assignment is first approved by the  
16 comptroller[~~-~~] or, in the case of the University of Hawaii, by  
17 its president or the president's designee. The comptroller or  
18 the president of the University of Hawaii or the president's  
19 designee may prescribe the form for an assignment, and may  
20 approve the assignment within a reasonable time period if, in  
21 [~~the comptroller's~~] their respective discretion, the rights or  
22 obligations of the State or the university under any contract or  
23 other undertaking or under any law, rule, or order by a

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1 competent authority will not be prejudiced thereby. Upon  
2 approval of the assignment, the comptroller or the president of  
3 the university or the president's designee shall draw a warrant  
4 payable to the assignee. Except as to contracts encumbered by  
5 the comptroller[-] or the university, each expending agency,  
6 upon notification of the comptroller's approval of an  
7 assignment, shall prepare a claim for payment in accordance with  
8 the terms of the assignment."

9 SECTION 6. Section 40-81, Hawaii Revised Statutes, is  
10 amended to read as follows:

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

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1 fifteenth day following the end of each quarterly period on such  
2 forms and under such rules as may be prescribed by the  
3 comptroller."

4 SECTION 7. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6 SECTION 8. This Act shall take effect on July 1, 2006;  
7 provided that the amendments made to sections 40-1, 40-4, and 40-  
8 6, Hawaii Revised Statutes, by this Act shall not be repealed  
9 when those sections are reenacted on June 30, 2007, by section  
10 14(2) of Act 58, Session Laws of Hawaii 2004, as amended by  
11 section 50 of Act 22, Session Laws of Hawaii 2005.

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INTRODUCED BY:   
BY REQUEST



JUSTIFICATION SHEET

**SB. NO. 2389**

DEPARTMENT: University of Hawaii

TITLE: A BILL FOR AN ACT RELATING TO CHAPTER 40,  
HAWAII REVISED STATUTES.

PURPOSE: To purpose of this bill is to grant  
continued fiscal flexibility for the  
University of Hawaii.

MEANS: Amend sections 40-1(b), 40-2, 40-4, 40-6,  
40-58, and 40-81, Hawaii Revised Statutes.

JUSTIFICATION: Act 321, SLH 1986, was one of several laws  
that provided the University of Hawaii with  
greater autonomy over its internal  
operations. It allowed the University to  
assume authority and responsibility for all  
matters related to the acquisition of goods  
and services, pre-audit payments, fund  
accounting, and business and accounting  
forms. Act 321 also provided the Board of  
Regents of the University of Hawaii with the  
authorization to approve certain exceptions  
to statutory competitive bidding  
requirements and authorized the University  
to install its own accounting system in  
conformity with generally accepted  
accounting principles as applied to colleges  
and universities. The University of Hawaii  
is seeking the continuation of these  
provisions.

Since 1986, the University of Hawaii has  
used the greater flexibility afforded by Act  
321 to effectively increase efficiency in  
financial administration. Therefore, the  
University believes that it has successfully  
demonstrated its ability to independently  
administer its financial operations with no  
adverse effect on the State and that the  
Hawaii Revised Statutes should be  
permanently amended to reflect this.

Impact on the public: None.

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Impact on the department and other agencies:  
None.

GENERAL FUNDS: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: UOH-900

OTHER AFFECTED  
AGENCIES: Department of Budget and Finance.

EFFECTIVE DATE: July 1, 2006.