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# A BILL FOR AN ACT

RELATING TO PREAUDITS FOR PROPOSED PAYMENTS.

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

**PART I**

1  
2 SECTION 1. The legislature finds that like the University  
3 of Hawaii, the department of education should be required to  
4 preaudit all proposed payments of \$10,000 or more, but should  
5 have preaudit flexibility for proposed payments of less than  
6 \$10,000. The legislature also finds that the fiscal autonomy  
7 previously granted to the University of Hawaii and the  
8 department of education until June 30, 2011, should be extended.

9 The purpose of this Act is to:

- 10 (1) Clarify that the department of education is required  
11 to preaudit proposed payments of \$10,000 or more;
- 12 (2) Require the University of Hawaii and the department of  
13 education to preaudit samples of proposed payments of  
14 less than \$10,000 to determine the propriety of  
15 expenditures and compliance with applicable laws,  
16 executive orders, and rules, as their respective chief  
17 financial officers determine to be appropriate; and



1 (3) Extend the fiscal autonomy granted to the University  
2 of Hawaii and the department of education until June  
3 30, 2015.

4 PART II

5 SECTION 2. This part amends section 40-1, Hawaii Revised  
6 Statutes, in the form in which it will read after it is repealed  
7 and reenacted under Act 58, Session Laws of Hawaii 2004, as  
8 amended, on June 30, 2010.

9 SECTION 3. Section 40-1, Hawaii Revised Statutes, is  
10 amended to read as follows:

11 **"§40-1 Comptroller to supervise accounts, etc.** (a) The  
12 comptroller shall be the general accountant of the State[~~r~~] and  
13 [~~he~~] shall cause to be recorded every receipt and disbursement  
14 of money made to, by, or through the treasury. [~~He~~] The  
15 comptroller shall have the power to withhold any disbursement  
16 for which no appropriation has been made or which would cause a  
17 specific appropriation to be exceeded.

18 (b) With respect to the executive branch, [~~he~~] except the  
19 University of Hawaii until June 30, 2015, and the department of  
20 education until June 30, 2015, the comptroller shall have  
21 complete supervision of all accounts. [~~He~~] The comptroller  
22 shall preaudit all proposed payments of \$10,000 or more to



1 determine the propriety of expenditures and compliance with  
2 [~~such~~] executive orders[~~7~~] and rules [and regulations as] that  
3 may be in effect. [~~He shall when~~] When necessary, the  
4 comptroller shall withhold [his] approval of any payment.  
5 Whenever [~~he withholds his approval, he shall promptly notify]~~  
6 approval is withheld, the department or agency concerned[-]  
7 shall be promptly notified. With respect to the University of  
8 Hawaii and the department of education, the comptroller shall  
9 issue warrants for the release of funds for the operating costs  
10 of the university or the department of education, as applicable,  
11 in amounts and at times mutually agreed upon by the governor or  
12 director of finance and the university or department of  
13 education, as applicable; provided that:

14       (1) The amounts released shall not exceed the allotment  
15       ceilings for the funding sources of the university's  
16       or the department of education's appropriations  
17       established by the governor for an allotment period  
18       pursuant to section 37-34; and

19       (2) The comptroller may issue warrants as an advance from  
20       the state treasury to the University of Hawaii and the  
21       department of education, to establish a checking  
22       account and provide working capital in amounts and at



1 times mutually agreed upon by the governor or director  
2 of finance and the University of Hawaii and the  
3 department of education.

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



1 shall be deposited by the university or department of education,  
2 as applicable, in accordance with the provisions applicable to  
3 the director of finance under chapter 38. Any interest earned  
4 on the deposit of funds released pursuant to this section shall  
5 be deposited in the state treasury at the end of each fiscal  
6 year.

7 (c) With respect to the judiciary and the legislature,  
8 [~~he~~] the comptroller shall make available to the judiciary and  
9 the legislature the total amount appropriated to each, except  
10 that the judiciary and the legislature may request [~~his~~] the  
11 comptroller's services in maintaining custody of the amount  
12 appropriated to each and in making payments therefrom. When  
13 such services are requested, [~~he~~] the comptroller shall make all  
14 disbursements requested by the judiciary or the legislature, but  
15 [~~he~~] shall not make any disbursement for which no appropriation  
16 has been made or which would cause a specific appropriation to  
17 be exceeded.

18 (d) Any financial transaction recorded [~~by the~~  
19 ~~comptroller~~] may be inspected by the public."

### 20 PART III

21 SECTION 4. This part amends section 40-1, Hawaii Revised  
22 Statutes, which is set for repeal and reenactment under Act 58,



1 Session Laws of Hawaii 2004, as amended, in the event that the  
2 2010 legislature either repeals the reenactment provisions of  
3 Act 58, Session Laws of Hawaii 2004, as amended, that apply to  
4 this section, or extends the date on which this section will be  
5 repealed and reenacted.

6 SECTION 5. Section 40-1, Hawaii Revised Statutes, is  
7 amended by amending subsection (b) to read as follows:

8 "(b) With respect to the executive branch, except the  
9 University of Hawaii until June 30, [~~2011~~] 2015, the Hawaii  
10 tourism authority, and the department of education until  
11 June 30, [~~2011~~] 2015, the comptroller shall have complete  
12 supervision of all accounts. The comptroller shall preaudit all  
13 proposed payments of \$10,000 or more to determine the propriety  
14 of expenditures and compliance with executive orders and rules  
15 that may be in effect. When necessary, the comptroller shall  
16 withhold approval of any payment. Whenever approval is  
17 withheld, the department or agency concerned shall be promptly  
18 notified. With respect to the University of Hawaii, the Hawaii  
19 tourism authority, and the department of education, the  
20 comptroller shall issue warrants for the release of funds for  
21 the operating costs of the university, the Hawaii tourism  
22 authority, or the department of education, as applicable, in



1 amounts and at times mutually agreed upon by the governor or  
2 director of finance and the university, the Hawaii tourism  
3 authority, or department of education, as applicable;  
4 provided[+] that:

5 (1) The amounts released shall not exceed the allotment  
6 ceilings for the respective funding sources of the  
7 university's or the department of education's  
8 appropriations established by the governor for an  
9 allotment period pursuant to section 37-34, or in the  
10 case of the Hawaii tourism authority, revenues  
11 received by the convention center enterprise special  
12 fund and the tourism special fund pursuant to section  
13 237D-6.5; and

14 (2) The comptroller may issue warrants as an advance from  
15 the state treasury to the University of Hawaii, the  
16 Hawaii tourism authority, and the department of  
17 education to establish a checking account and provide  
18 working capital in amounts and at times mutually  
19 agreed upon by the governor or director of finance and  
20 the University of Hawaii, the Hawaii tourism  
21 authority, and the department of education.



1 The University of Hawaii and the department of education shall  
2 preaudit all proposed payments of \$10,000 or more and [~~the~~]  
3 shall preaudit samples of the population of proposed payments of  
4 less than \$10,000; provided that the sample size comprises at  
5 least five per cent of the population, and is of a size that the  
6 chief financial officers of the University of Hawaii and the  
7 department of education, as applicable, determine appropriate,  
8 to determine the propriety of expenditures and compliance with  
9 applicable laws, executive orders, and rules. The Hawaii  
10 tourism authority [~~and the department of education~~] shall  
11 preaudit all proposed payments to determine the propriety of  
12 expenditures and compliance with applicable laws, executive  
13 orders, and rules as may be in effect. The University of  
14 Hawaii, the Hawaii tourism authority, and the department of  
15 education shall make disbursements for operating expenses from  
16 the amounts released by the comptroller and maintain records and  
17 documents necessary to support those disbursements at times  
18 mutually agreed upon by the university president, the executive  
19 director of the Hawaii tourism authority, or the superintendent  
20 of education, as applicable, and the comptroller; provided that  
21 when requested by the university, the Hawaii tourism authority,  
22 or department of education, the comptroller shall make all





1 disbursements for the university, the Hawaii tourism authority,  
2 or department of education, as applicable, subject to available  
3 allotment. Funds released pursuant to this section shall be  
4 deposited by the university, the Hawaii tourism authority, or  
5 department of education, as applicable, in accordance with the  
6 provisions applicable to the director of finance by chapter 38.  
7 Except for moneys deposited by the Hawaii tourism authority in  
8 the convention center enterprise special fund pursuant to  
9 section 201B-8, and in the tourism special fund pursuant to  
10 section 201B-11, any interest earned on the deposit of funds  
11 released pursuant to this section shall be deposited in the  
12 state treasury at the end of each fiscal year."

13 **PART IV**

14 SECTION 6. Any act passed by the legislature during this  
15 regular session of 2010, whether enacted before or after the  
16 effective date of this Act, shall be amended to conform to the  
17 provisions of this Act relating to:

- 18 (1) The repeal date of the department of education's  
19 exemption from the comptroller's supervision of the  
20 department of education's accounts;
- 21 (2) The requirement that the department of education shall  
22 preaudit all proposed payments of \$10,000 or more; and



1 (3) The requirement that the University of Hawaii and  
2 department of education shall preaudit samples of  
3 proposed payments of less than \$10,000.

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

6 SECTION 8. This Act, upon its approval, shall take effect  
7 retroactive to April 30, 2010; provided that:

8 (1) Part II shall only take effect upon the repeal and  
9 reenactment of section 40-1, Hawaii Revised Statutes,  
10 on June 30, 2010, pursuant to Act 58, Session Laws of  
11 Hawaii 2004, as amended; and

12 (2) Part III shall only take effect upon the repeal of  
13 paragraph (2)(B) of section 14 of Act 58, Session Laws  
14 of Hawaii 2004, as amended, pursuant to an Act of the  
15 2010 legislature; or in the absence of that repeal,  
16 upon the extension of the June 30, 2010, repeal date  
17 in paragraph (2) of section 14 of Act 58, Session Laws  
18 of Hawaii 2004, as amended, pursuant to an Act of the  
19 2010 legislature.

20



**Report Title:**

Preaudits for Proposed Payments; DOE; UH

**Description:**

Requires the Department of Education (DOE) to preaudit proposed payments of \$10,000 or more. Requires the University of Hawaii (UH) and DOE to preaudit samples of proposed payments of less than \$10,000. Extends the fiscal autonomy previously granted to UH and DOE until June 30, 2015. Effective April 30, 2010.  
(CD1)

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

