

JAN 20 2010

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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:**

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

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



1           (3) Extend the date until which the University of Hawaii  
2                   and the department of education shall have autonomous  
3                   authority over their accounting systems and other  
4                   purchasing responsibilities and duties.

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

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



1 director of finance and the university, the Hawaii tourism  
2 authority, or department of education, as applicable; provided:

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

12 (2) The comptroller may issue warrants as an advance from  
13 the state treasury to the University of Hawaii, the  
14 Hawaii tourism authority, and the department of  
15 education to establish a checking account and provide  
16 working capital in amounts and at times mutually  
17 agreed upon by the governor or director of finance and  
18 the University of Hawaii, the Hawaii tourism  
19 authority, and the 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 [the]  
22 shall preaudit sample populations for proposed payments of less



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



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

9 SECTION 3. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11 SECTION 4. This Act shall take effect on June 29, 2010;  
12 provided that the amendments made to section 40-1, Hawaii  
13 Revised Statutes, by this Act shall not be repealed when section  
14 40-1, Hawaii Revised Statutes, is repealed and reenacted on  
15 June 30, 2010 by section 12 of Act 5, Special Session Laws of  
16 Hawaii 2009.

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INTRODUCED BY:

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**Report Title:**

Preaudits for Proposed Payments; Fiscal Autonomy; Department of Education; University of Hawaii

**Description:**

Clarifies that the department of education is required to preaudit proposed payments of \$10,000 or more. Allows the University of Hawaii and the department of education to preaudit sample populations for proposed payments of less than \$10,000 to determine the propriety of expenditures and compliance with applicable laws, executive orders, and rules, as their respective chief financial officers determine to be appropriate. Extends the date until which the University of Hawaii and the department of education shall have autonomous authority over their accounting systems and other purchasing responsibilities and duties.

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

