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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 samples of proposed payments of  
13           less than \$10,000 to determine the propriety of  
14           expenditures and compliance with applicable laws,  
15           executive orders, and rules, as their respective chief  
16           financial officers determine to be appropriate; and
- 17           (3) Extend the date that allows the University of Hawaii  
18           and the department of education to have autonomous



1 authority over their accounting systems and other  
2 purchasing responsibilities and duties.

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

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



- 1           (1) The amounts released shall not exceed the allotment  
2           ceilings for the respective funding sources of the  
3           university's or the department of education's  
4           appropriations established by the governor for an  
5           allotment period pursuant to section 37-34, or in the  
6           case of the Hawaii tourism authority, revenues  
7           received by the convention center enterprise special  
8           fund and the tourism special fund pursuant to section  
9           237D-6.5; and
- 10          (2) The comptroller may issue warrants as an advance from  
11          the state treasury to the University of Hawaii, the  
12          Hawaii tourism authority, and the department of  
13          education to establish a checking account and provide  
14          working capital in amounts and at times mutually  
15          agreed upon by the governor or director of finance and  
16          the University of Hawaii, the Hawaii tourism  
17          authority, and the department of education.
- 18          The University of Hawaii and the department of education shall  
19          preaudit all proposed payments of \$10,000 or more and [the]  
20          shall preaudit samples of the population of proposed payments of  
21          less than \$10,000; provided that the sample size comprises at  
22          least five per cent of the population, and is of a size that the



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



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

8 SECTION 3. Section 40-2, Hawaii Revised Statutes, is  
9 amended to read as follows:

10 "§40-2 Accounting systems and internal control; enforcing  
11 the use of and inspection of the same. The accounting system  
12 installed by the commission on public accountancy under Act 181,  
13 Session Laws of Hawaii 1923, as amended by Act 220, Session Laws  
14 of Hawaii 1925, for use in the offices of the comptroller,  
15 director of finance, departmental and agency services of the  
16 State, and the auditors, treasurers, departmental and agency  
17 services of the several counties shall be the accounting and  
18 reporting systems of the State and counties; provided that the  
19 University of Hawaii, until June 30, 2011, may install a  
20 different accounting system which shall be in conformity with  
21 generally accepted accounting principles as applied to colleges  
22 and universities; and provided further that the department of



1 education, until June 30, [~~2011,~~] 2020, may install a different  
2 accounting system which shall be in conformity to generally  
3 accepted accounting principles. The comptroller shall make such  
4 changes and modifications in the accounting system as shall from  
5 time to time appear to be in the best interest of the State and  
6 counties.

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

15 The judiciary, the legislature, and each county shall be  
16 responsible for the establishment and maintenance of its  
17 respective internal control system."

18 SECTION 4. Statutory material to be repealed is bracketed  
19 and stricken. New statutory material is underscored.

20 SECTION 5. This Act shall take effect on July 1, 2010;  
21 provided that the amendments made to section 40-1, Hawaii  
22 Revised Statutes, by this Act shall not be repealed when section



1 40-1, Hawaii Revised Statutes, is repealed and reenacted on  
2 June 30, 2010, by section 12 of Act 5, Special Session Laws of  
3 Hawaii 2009.



**Report Title:**

Preaudits for Proposed Payments; DOE; UH

**Description:**

Requires the Department of Education (DOE) to conduct proposed payment preaudits only on payments of \$10,000 or more. Requires the University of Hawaii (UH) and DOE to preaudit a sample of at least five per cent of the population of proposed payments of less than \$10,000. Extends the fiscal autonomy previously granted to UH and DOE until June 30, 2015. Extends the date until which DOE shall have autonomous authority over its accounting system to June 30, 2020. Effective July 1, 2010. (SB2115 HD2)

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

