

Date: 03/25/2010

Committee: House Finance

Department: Education

Person Testifying: Kathryn Matayoshi, Interim Superintendent of Education

Title of Bill: SB 2115, SD1, HD1 RELATING TO PREAUDITS FOR PROPOSED PAYMENTS.

Purpose of Bill: 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 population of at least five percent 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 June 29, 2010. (SB2115 HD1)

Department's Position: The Department of Education strongly supports SB 2115, SD1 HD1. Current statute allows the University of Hawaii the authority to pre-audit at proposed payments of \$10,000 or more. This proposed measure merely expands that authority to the Department of Education. With the state's resources strained to meet basic governmental costs, it is highly ineffective for the Department of Education's pre-audit clerical staff to fully examine and pre-audit all transactions regardless of dollar amount. This \$10,000 threshold has been established previously in law for the University of Hawaii, and should be applicable to the Department of Education as well. This measure also does not ignore the value of pre-auditing other smaller transactions, but it is prudent to do this on a sample basis, as the measure has been currently drafted, with the authorities of the chief financial officers of the University of Hawaii and Department of Education to determine the propriety of expenditures and compliance with applicable laws, orders and rules. In a detailed analysis of its operations, the

Department of Education has determined that a large percentage of its transactions comprise of items less than \$10,000. Accordingly, if this measure is implemented, resources can be more efficiently restructured to meet other demands, such as automating the current manually prepared salaried payroll.

SB 2115, SD1, HD1 specifies a percentage of the preaudit sample. We appreciate the House Education Committee's acceptance of our recommendation that the preaudit sample be indicated at five (5) percent, as a minimum.

We also appreciate the House Education Committee's acceptance of our recommendation to include the pertinent change to HRS Section 40-2 regarding the extension of the date until which the Department of Education shall have autonomous authority of its accounting systems, to June 30, 2020. Please note that there is a defective date of June 29, 2050 that must be changed to make this proposed bill useful as intended to the Department, the Department of Accounting and General Services, and the University of Hawaii. The Department recommends July 1, 2010.