

Date: 01/26/2010

Committee: Senate Education and Housing
Senate Higher Education

Department: Education

Person Testifying: Kathryn Matayoshi, Interim Superintendent of Education

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

Purpose of Bill: 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.

Department's Position: The Department of Education strongly supports this measure. Current statute allows the University of Hawaii the authority to pre-audit all 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 over 65% 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.