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# A BILL FOR AN ACT

RELATING TO THE UNIVERSITY OF HAWAII ACCOUNTING AND FINANCIAL  
MANAGEMENT SYSTEM.

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

1           SECTION 1. The legislature finds that the University of  
2 Hawaii has maintained a separate accounting system since 1986,  
3 which has been compatible with both Hawaii accounting system  
4 requirements and generally accepted accounting principles. The  
5 legislature further finds that the University of Hawaii has  
6 recently upgraded its accounting system through its  
7 participation in the Kualii Financial System consortium, a  
8 university-based financial management software that better meets  
9 the unique needs of university systems throughout the United  
10 States. Since the implementation of Kualii Financial System, the  
11 University of Hawaii continues to provide bi-monthly payroll  
12 feeds to the state department of accounting and general  
13 services, in addition to routine and annual financial reports  
14 that are included in the State of Hawaii's Annual Consolidated  
15 Financial Statements.



1           The purpose of this Act is to extend the authority of the  
2 University of Hawaii System to maintain a separate accounting  
3 and financial management system that is compatible with the  
4 State of Hawaii accounting and financial systems.

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, [~~2016~~,+] 2017, and the  
9 department of education, the comptroller shall have complete  
10 supervision of all accounts. The comptroller shall preaudit all  
11 proposed payments of \$10,000 or more to determine the propriety  
12 of expenditures and compliance with executive orders and rules  
13 that may be in effect. When necessary, the comptroller shall  
14 withhold approval of any payment. Whenever approval is  
15 withheld, the department or agency concerned shall be promptly  
16 notified. With respect to the University of Hawaii and the  
17 department of education, the comptroller shall issue warrants  
18 for the release of funds for the operating costs of the  
19 university or the department of education, as applicable, in  
20 amounts and at times mutually agreed upon by the governor or



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

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; and

8 (2) The comptroller may issue warrants as an advance from  
9 the state treasury to the University of Hawaii and the  
10 department of education to establish a checking  
11 account and provide working capital in amounts and at  
12 times mutually agreed upon by the governor or director  
13 of finance and the University of Hawaii and the  
14 department of education.

15 The University of Hawaii and the department of education shall  
16 preaudit all proposed payments of \$10,000 or more and shall  
17 preaudit samples of the population of proposed payments of less  
18 than \$10,000; provided that the sample size comprises at least  
19 five per cent of the population, and is of a size that the chief  
20 financial officers of the University of Hawaii and the  
21 department of education, as applicable, determine appropriate,



1 to determine the propriety of expenditures and compliance with  
 2 applicable laws, executive orders, and rules. The University of  
 3 Hawaii and the department of education shall make disbursements  
 4 for operating expenses from the amounts released by the  
 5 comptroller and maintain records and documents necessary to  
 6 support those disbursements at times mutually agreed upon by the  
 7 university president or the superintendent of education, as  
 8 applicable, and the comptroller; provided that when requested by  
 9 the university or department of education, the comptroller shall  
 10 make all disbursements for the university or department of  
 11 education, as applicable, subject to available allotment. Funds  
 12 released pursuant to this section shall be deposited by the  
 13 university or department of education, as applicable, in  
 14 accordance with the provisions applicable to the director of  
 15 finance by chapter 38. Any interest earned on the deposit of  
 16 funds released pursuant to this section shall be deposited in  
 17 the state treasury at the end of each fiscal year."

18 SECTION 3. Section 40-2, Hawaii Revised Statutes, is  
 19 amended by amending subsection (a) to read as follows:

20 "(a) The accounting system installed by the commission on  
 21 public accountancy under Act 181, Session Laws of Hawaii 1923,



1 as amended by Act 220, Session Laws of Hawaii 1925, for use in  
 2 the offices of the comptroller, director of finance,  
 3 departmental and agency services of the State, and the auditors,  
 4 treasurers, departmental and agency services of the several  
 5 counties shall be the accounting and reporting systems of the  
 6 State and counties; provided that the University of Hawaii[7]  
 7 until June 30, [~~2016~~] 2017, may install a different accounting  
 8 system that shall be in conformity with generally accepted  
 9 accounting principles as applied to colleges and universities;  
 10 and provided further that the department of education may  
 11 install a different accounting system that shall be in  
 12 conformity to generally accepted accounting principles. The  
 13 comptroller shall make such changes and modifications in the  
 14 accounting system as shall from time to time appear to be in the  
 15 best interest of the State and counties."

16 SECTION 4. Section 40-4, Hawaii Revised Statutes, is  
 17 amended to read as follows:

18 "§40-4 Publication of statements. The comptroller shall  
 19 prepare and submit to the governor, immediately following the  
 20 close of each fiscal year, a statement of income and expenditure  
 21 by funds, showing the principal sources of revenue, the function



1 or purpose for which expenditures were made, together with a  
 2 consolidated statement showing similar information for all  
 3 funds; also a statement showing the balance in each fund at the  
 4 beginning of the fiscal year, plus the receipts, minus the  
 5 disbursements, and the balance on hand at the close of the  
 6 fiscal year after deducting outstanding warrants and vouchers.  
 7 The comptroller may request all agencies, the judiciary, the  
 8 University of Hawaii until June 30, [~~2016,~~] 2017, the department  
 9 of education, and the legislature to provide such information as  
 10 may be required for the preparation of statements."

11 SECTION 5. Section 40-6, Hawaii Revised Statutes, is  
 12 amended to read as follows:

13 "§40-6 Approval of business and accounting forms. The  
 14 comptroller shall determine the forms required to adequately  
 15 supply accounting and statistical data for the state government.  
 16 The comptroller shall require heads of departments and  
 17 establishments of the state government to submit proposed new  
 18 forms or proposed changes in current business and accounting  
 19 forms for review and approval before ordering the same printed;  
 20 except that the University of Hawaii until June 30, [~~2016,~~]  
 21 2017, and the department of education shall be subject to this



1 requirement only with respect to uniform business and accounting  
2 forms of statewide use in the State's accounting system. All  
3 standard state forms shall be classified, numbered, and  
4 standardized in design, dimensions, color, and grade of paper  
5 and recorded in a catalogue of accounting and statistical forms  
6 by the comptroller."

7 SECTION 6. Section 40-58, Hawaii Revised Statutes, is  
8 amended to read as follows:

9 "§40-58 In favor of assignees. No assignment of moneys by  
10 a person to whom the State is directly indebted shall be  
11 effective unless the assignment is first approved by the  
12 comptroller or, in the case of the University of Hawaii until  
13 June 30, [~~2016~~] 2017, and the department of education, by their  
14 respective chief financial officers. The comptroller or the  
15 chief financial officers of the University of Hawaii and the  
16 department of education may prescribe the form for an  
17 assignment, and may approve the assignment within a reasonable  
18 time period if, in their respective discretion, the rights or  
19 obligations of the State, the University of Hawaii, or the  
20 department of education under any contract or other undertaking  
21 or under any law, rule, or order by a competent authority will



1 not be prejudiced thereby. Upon approval of the assignment, the  
 2 comptroller or the respective chief financial officers of the  
 3 University of Hawaii and the department of education shall draw  
 4 a warrant payable to the assignee. Except as to contracts  
 5 encumbered by the comptroller, the University of Hawaii, or the  
 6 department of education, each expending agency, upon  
 7 notification of the comptroller's approval of an assignment,  
 8 shall prepare a claim for payment in accordance with the terms  
 9 of the assignment."

10 SECTION 7. Section 40-81, Hawaii Revised Statutes, is  
 11 amended to read as follows:

12 "§40-81 Report by agencies receiving special moneys. All  
 13 state officers, departments, boards, bureaus, commissions, or  
 14 agencies collecting or receiving any moneys not required by law  
 15 to be deposited in the state treasury shall report to the  
 16 comptroller all receipts and disbursements on account thereof  
 17 for each quarterly period of the calendar year not later than  
 18 the fifteenth day following the end of each quarterly period on  
 19 such forms and under such rules as may be prescribed by the  
 20 comptroller; provided that with respect to all moneys held  
 21 outside the state treasury by the University of Hawaii until





1 June 30, [~~2016,~~] 2017, or the department of education pursuant  
2 to the authority granted to the university and the department of  
3 education by this chapter, the University of Hawaii and the  
4 department of education shall report to the comptroller all  
5 transactions for each quarterly period not later than the  
6 fifteenth day following the end of each quarterly period on such  
7 forms and under such rules as may be prescribed by the  
8 comptroller."

9 SECTION 8. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11 SECTION 9. This Act, upon its approval, shall take effect  
12 on July 1, 2525.



**Report Title:**

University of Hawaii; Accounting and Financial Management System

**Description:**

Extends to June 30, 2017, the University of Hawaii's exemption from accounting and financial management system requirements that are applicable to state agencies. (HB2410 HD1)

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

