

JAN 28 2015

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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.

16           The purpose of this Act is to extend the authority of the  
17 University of Hawaii System to maintain a separate accounting

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1 and financial management system that is compatible with the  
2 State of Hawaii accounting and financial systems.

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, [~~2016,~~] 2019, the Hawaii  
7 tourism authority, and the department of education until June  
8 30, 2015, the comptroller shall have complete supervision of all  
9 accounts. The comptroller shall preaudit all proposed payments  
10 of \$10,000 or more to determine the propriety of expenditures  
11 and compliance with executive orders and rules that may be in  
12 effect. When necessary, the comptroller shall withhold approval  
13 of any payment. Whenever approval is withheld, the department  
14 or agency concerned shall be promptly notified. With respect to  
15 the University of Hawaii, the Hawaii tourism authority, and the  
16 department of education, the comptroller shall issue warrants  
17 for the release of funds for the operating costs of the  
18 university, the Hawaii tourism authority, or the department of  
19 education, as applicable, in amounts and at times mutually  
20 agreed upon by the governor or director of finance and the  
21 university, the Hawaii tourism authority, or department of  
22 education, as applicable; provided that:

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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 shall  
20          preaudit samples of the population of proposed payments of less  
21          than \$10,000; provided that the sample size comprises at least  
22          five per cent of the population, and is of a size that the chief  
23          financial officers of the University of Hawaii and the

1 department of education, as applicable, determine appropriate,  
2 to determine the propriety of expenditures and compliance with  
3 applicable laws, executive orders, and rules. The Hawaii  
4 tourism authority shall preaudit all proposed payments to  
5 determine the propriety of expenditures and compliance with  
6 applicable laws, executive orders, and rules as may be in  
7 effect. The University of Hawaii, the Hawaii tourism authority,  
8 and the department of education shall make disbursements for  
9 operating expenses from the amounts released by the comptroller  
10 and maintain records and documents necessary to support those  
11 disbursements at times mutually agreed upon by the university  
12 president, the executive director of the Hawaii tourism  
13 authority, or the superintendent of education, as applicable,  
14 and the comptroller; provided that when requested by the  
15 university, the Hawaii tourism authority, or department of  
16 education, the comptroller shall make all disbursements for the  
17 university, the Hawaii tourism authority, or department of  
18 education, as applicable, subject to available allotment. Funds  
19 released pursuant to this section shall be deposited by the  
20 university, the Hawaii tourism authority, or department of  
21 education, as applicable, in accordance with the provisions  
22 applicable to the director of finance by chapter 38. Except for  
23 moneys deposited by the Hawaii tourism authority in the

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1 convention center enterprise special fund pursuant to section  
2 201B-8, and in the tourism special fund pursuant to section  
3 201B-11, any interest earned on the deposit of funds released  
4 pursuant to this section shall be deposited in the state  
5 treasury at the end of each fiscal year."

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

8 "(a) The accounting system installed by the commission on  
9 public accountancy under Act 181, Session Laws of Hawaii 1923,  
10 as amended by Act 220, Session Laws of Hawaii 1925, for use in  
11 the offices of the comptroller, director of finance,  
12 departmental and agency services of the State, and the auditors,  
13 treasurers, departmental and agency services of the several  
14 counties shall be the accounting and reporting systems of the  
15 State and counties; provided that the University of Hawaii,  
16 until June 30, [~~2016,~~] 2019, may install a different accounting  
17 system that shall be in conformity with generally accepted  
18 accounting principles as applied to colleges and universities;  
19 and provided further that the department of education, until  
20 June 30, 2011, may install a different accounting system that  
21 shall be in conformity to generally accepted accounting  
22 principles. The comptroller shall make such changes and  
23 modifications in the accounting system as shall from time to

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1 time appear to be in the best interest of the State and  
2 counties. "

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

5 "**§40-4 Publication of statements.** The comptroller shall  
6 prepare and submit to the governor, immediately following the  
7 close of each fiscal year, a statement of income and expenditure  
8 by funds, showing the principal sources of revenue, the function  
9 or purpose for which expenditures were made, together with a  
10 consolidated statement showing similar information for all  
11 funds; also a statement showing the balance in each fund at the  
12 beginning of the fiscal year, plus the receipts, minus the  
13 disbursements, and the balance on hand at the close of the  
14 fiscal year after deducting outstanding warrants and vouchers.  
15 The comptroller may request all agencies, the judiciary, the  
16 University of Hawaii until June 30, [~~2016,~~] 2019, the Hawaii  
17 tourism authority, the department of education until June 30,  
18 2011, and the legislature to provide such information as may be  
19 required for the preparation of statements."

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

22 "**§40-6 Approval of business and accounting forms.** The  
23 comptroller shall determine the forms required to adequately

1 supply accounting and statistical data for the state government.  
2 The comptroller shall require heads of departments and  
3 establishments of the state government to submit proposed new  
4 forms or proposed changes in current business and accounting  
5 forms for review and approval before ordering the same printed;  
6 except that the University of Hawaii until June 30, ~~[2016,]~~ 2019,  
7 the Hawaii tourism authority, and the department of education  
8 until June 30, 2011, shall be subject to this requirement only  
9 with respect to uniform business and accounting forms of  
10 statewide use in the State's accounting system. All standard  
11 state forms shall be classified, numbered, and standardized in  
12 design, dimensions, color, and grade of paper and recorded in a  
13 catalogue of accounting and statistical forms by the  
14 comptroller."

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

17 "**§40-58 In favor of assignees.** No assignment of moneys by  
18 a person to whom the State is directly indebted shall be  
19 effective unless the assignment is first approved by the  
20 comptroller or, in the case of the University of Hawaii until  
21 June 30, ~~[2016,]~~ 2019, and the department of education until  
22 June 30, 2011, by their respective chief financial officers.  
23 The comptroller or the chief financial officers of the

1 University of Hawaii and the department of education may  
2 prescribe the form for an assignment, and may approve the  
3 assignment within a reasonable time period if, in their  
4 respective discretion, the rights or obligations of the State,  
5 the University of Hawaii, or the department of education under  
6 any contract or other undertaking or under any law, rule, or  
7 order by a competent authority will not be prejudiced thereby.  
8 Upon approval of the assignment, the comptroller or the  
9 respective chief financial officers of the University of Hawaii  
10 and the department of education shall draw a warrant payable to  
11 the assignee. Except as to contracts encumbered by the  
12 comptroller, the University of Hawaii, or the department of  
13 education, each expending agency, upon notification of the  
14 comptroller's approval of an assignment, shall prepare a claim  
15 for payment in accordance with the terms of the assignment."

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

18 "**§40-81 Report by agencies receiving special moneys.** All  
19 state officers, departments, boards, bureaus, commissions, or  
20 agencies collecting or receiving any moneys not required by law  
21 to be deposited in the state treasury shall report to the  
22 comptroller all receipts and disbursements on account thereof  
23 for each quarterly period of the calendar year not later than

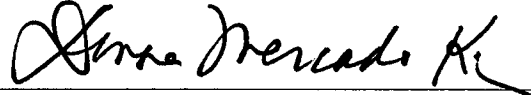


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1 the fifteenth day following the end of each quarterly period on  
 2 such forms and under such rules as may be prescribed by the  
 3 comptroller; provided that with respect to all moneys held  
 4 outside the state treasury by the University of Hawaii until  
 5 June 30, [~~2016,~~] 2019, or the department of education until June  
 6 30, 2011, pursuant to the authority granted to the university  
 7 and the department of education by this chapter, the University  
 8 of Hawaii and the department of education shall report to the  
 9 comptroller all transactions for each quarterly period not later  
 10 than the fifteenth day following the end of each quarterly  
 11 period on such forms and under such rules as may be prescribed  
 12 by the comptroller."

13 SECTION 8. Statutory material to be repealed is bracketed  
 14 and stricken. New statutory material is underscored.

15 SECTION 9. This Act, upon its approval, shall take effect  
 16 on July 1, 2015.

17  
 18 INTRODUCED BY: 

19 BY REQUEST

20

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**Report Title:**

University of Hawaii; Accounting and Financial Management System

**Description:**

Amends the sunset provisions, with respect to the University of Hawaii, under sections 40-1, 40-2, 40-4, 40-6, 40-58, and 40-81, Hawaii Revised Statutes.

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

JUSTIFICATION SHEET

DEPARTMENT: University of Hawaii

TITLE: A BILL FOR AN ACT RELATING TO THE UNIVERSITY OF HAWAII ACCOUNTING AND FINANCIAL MANAGEMENT SYSTEM.

PURPOSE: To authorize the University of Hawaii (University) to continue to maintain a separate accounting and financial management system that is compatible with the State of Hawaii accounting and financial management system, as specified in various sections of chapter 40, Hawaii Revised Statutes.

MEANS: Amend sections 40-1(b), 40-2(a), 40-4, 40-6, 40-58, and 40-81, Hawaii Revised Statutes.

JUSTIFICATION: Act 321, Session Laws of Hawaii 1986 (Act 321), was one of several laws that provided authority to University leadership for the internal management and operations of the University System. Amongst various provisions, Act 321 authorized the University to implement its own accounting system in conformity with generally accepted accounting principles as applied to colleges and universities.

Since 1986, the University has twice updated its financial management system, the most recent update being the implementation of the Kualii Financial System beginning with Fiscal Year 2012-13. Since 2005, the University has been a co-founder and sustaining partner of the Kualii Financial System (KFS) Consortium. The Kualii Financial System is a comprehensive financial software that is developed by the consortium of universities throughout the United States using an open source and partner enhanced process. Thus, it serves the unique needs of the University, while allowing modifications for compatibility with external partners. Since the

implementation of KFS, the University's financial system data has become more relevant and useful to campus administration and provides more robust financial reports to the Board of Regents. The University has also continued to provide bi-monthly payroll feeds to the State Department of Accounting and General Services, in addition to routine and annual financial reports that are included in the State of Hawaii's Annual Consolidated Financial Statements.

Thus, the University is respectfully requesting the extension of the sunset provisions set forth in chapter 40, Hawaii Revised Statutes, to June 30, 2019, which would authorize the University to continue to maintain a separate accounting and financial management system that is compatible with the State of Hawaii accounting and financial management system.

Impact on the public: None.

Impact on the department and other agencies: If the University's authority to maintain a separate accounting and financial system is repealed, the University would incur unknown adverse financial impacts in having to migrate to an older financial management system that is designed more for traditional state government agencies, rather than university systems.

GENERAL FUND:	None.
OTHER FUNDS:	None.
PPBS PROGRAM DESIGNATION:	UOH100, UOH110, UOH210, UOH220, UOH700, UOH800, UOH881 and UOH900.
OTHER AFFECTED AGENCIES:	Department of Budget and Finance, Department of Accounting and General Services.
EFFECTIVE DATE:	July 1, 2015.