
A BILL FOR AN ACT

RELATING TO THE UNIVERSITY OF HAWAII.

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

1 PART I

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



1 The purpose of this part 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 PART II

10 SECTION 8. Section 304A-1144, Hawaii Revised Statutes, is
11 repealed.

12 [~~"[S304A-1144] Annual report. The office of the vice~~
13 ~~president for community colleges shall prepare an annual report~~
14 ~~to the legislature on the status of the program. This annual~~
15 ~~report shall include data on the development of the construction~~
16 ~~academy curriculum and content, teaching standards throughout~~
17 ~~the system, and overall achievement. The annual report shall be~~
18 ~~submitted no later than twenty days prior to the convening of~~
19 ~~each regular legislative session."]~~

20 PART III



1 SECTION 9. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 10. This Act shall take effect upon its approval;
4 provided that part I shall take effect on June 29, 2016.



Report Title:

University of Hawaii; Accounting and Financial Management System; Community Colleges; Construction Academy Annual Report; Repealed

Description:

Extends to 6/30/2017, UH's exemption from accounting and financial management system requirements that are applicable to state agencies. Repeals requirement that UH prepare an annual report regarding the construction academy. (Proposed HD1)

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





UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Higher Education
March 22, 2016 at 2:00 p.m.

by
Kalbert K. Young
Vice President for Budget and Finance/Chief Financial Officer
University of Hawai'i System

SB 2971 Proposed HD1 – RELATING TO THE UNIVERSITY OF HAWAII

Chair Choy, Vice Chair Ichiyama, and Members of the Committee:

Thank you for this opportunity to testify on this measure. The University of Hawai'i (UH) supports the intent of part 1 and supports part 2 of SB 2971 Proposed HD1, Relating to the University of Hawaii. Part 1 of this bill extends the sunset provisions related to UH's authority to maintain a separate accounting and financial management system for one year. Part 2 of this measure repeals the requirement that the University of Hawai'i prepare an annual report on the development of the Construction Academy program.

PART 1

UH respectfully requests that this repeal date be eliminated completely from part 1 of this measure. Act 321, SLH 1986, provided authority for both UH and the Department of Education (DOE) to implement their own accounting systems in conformity with generally accepted accounting principles as they apply to schools, colleges, and universities. Last year, the Legislature passed Act 44, which eliminated similar sunset provisions for the DOE. UH seeks to do the same.

UH's most recent update of its financial system is the Kualii Financial System (KFS), which is a comprehensive financial software package that was developed and is supported by a consortium of universities throughout the country that use an open source and partner enhanced process. Thus, it serves the unique needs of UH's reporting, regulatory, and accreditation requirements, while also allowing for compatibility with external partners, such as the State Department of Accounting and General Services (DAGS).

Because KFS is an open source product, there are no large license fees similar to off-the-shelf vended products, and the only costs are the physical hardware costs and personnel to support the software systems. Twenty other schools have also implemented KFS, including Cornell University, Indiana University, Michigan State University, University of Connecticut, University of Maryland, Colorado State University, University of Arizona, University of California at Irvine, University of California at Davis, and the University of Southern California.

Furthermore, State of Hawai'i efforts for system modernization in DAGS make moving to DAGS' systems rather than staying with Kualii impractical at this time. If the exemption is allowed to sunset, UH would have to return an older financial management system that is designed for more traditional state government entities, rather than university systems.

PART 2

The Construction Academy began in 2004 with a grant from the U.S. Department of Labor. The grant funded a pilot program between the UH Community Colleges and select O'ahu high schools to prepare students with the skills needed to pursue careers in the construction industry. In 2006, the Hawai'i State Legislature appropriated funds to institutionalize and expand the program to other high schools throughout the State. The program has long since established itself as an integral part of the pathway for construction-related education.

Thank you for your time and consideration.

DAVID Y. IGE
GOVERNOR



DOUGLAS MURDOCK
Comptroller

AUDREY HIDANO
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

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WRITTEN TESTIMONY
OF
DOUGLAS MURDOCK, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE
ON
HIGHER EDUCATION
ON
MARCH 22, 2016

S.B. 2971, PROPOSED H.D.1

RELATING TO THE UNIVERSITY OF HAWAII ACCOUNTING AND FINANCIAL
MANAGEMENT SYSTEM

Chair Choy and members of the Committee, thank you for the opportunity to submit written testimony on S.B. 2971, proposed H.D. 1.

The Department of Accounting and General Services (DAGS) supports repealing the sunset provisions from Act 321, SLH 1986 with respect to the University of Hawaii, giving them flexibility by exempting them from Sections 40-1, 40-2, 40-4, 40-6, 40-58 and 40-81, Hawaii Revised Statutes

DAGS recommends the repeal date be eliminated completely from part 1 of this measure. Act 321, SLH 1986, provided authority for both UH and the Department of Education (DOE) to implement their own accounting systems in conformity with generally accepted accounting principles as they apply to schools, colleges, and universities. Last year, the Legislature passed

Act 44, which eliminated similar sunset provisions for the DOE. DAGS supports the same provision for UH. Thank you for the opportunity to submit written testimony on this matter.