

JAN 20 2017

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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 the State's accounting  
4 system requirements and generally accepted accounting  
5 principles. The legislature further finds that the university  
6 of Hawaii, with authorization from the legislature and after  
7 significant commitment of human and financial resources, has  
8 recently upgraded its accounting system through its  
9 participation in the Kualii Financial System Consortium, a  
10 university-based financial management software that better meets  
11 the unique needs of university systems throughout the United  
12 States. Since the implementation of the Kualii Financial System,  
13 the university of Hawaii continues to provide bi-monthly payroll  
14 feeds to the department of accounting and general services, in  
15 addition to routine and annual financial reports that are  
16 included in the State of Hawaii's Annual Consolidated Financial



1 Statements. The use of the Kualii Financial System has benefited  
2 and served the needs of the university without in any way  
3 negatively impacting the State or its financial reporting.

4 June 30, 2016, was the sunset date for the authorization of  
5 the university of Hawaii to maintain a separate accounting and  
6 financial management system.

7 The purpose of this Act is to affirm the express authority  
8 of the university of Hawaii system to maintain a separate  
9 accounting and financial management system that is compatible  
10 with the State of Hawaii accounting and financial systems.

11 SECTION 2. Section 40-1, Hawaii Revised Statutes, is  
12 amended by amending subsection (b) to read as follows:

13 "(b) With respect to the executive branch, except the  
14 [~~University~~] university of Hawaii [~~until June 30, 2016,~~] and the  
15 department of education, the comptroller shall have complete  
16 supervision of all accounts. The comptroller shall preaudit all  
17 proposed payments of \$10,000 or more to determine the propriety  
18 of expenditures and compliance with executive orders and rules  
19 that may be in effect. When necessary, the comptroller shall  
20 withhold approval of any payment. Whenever approval is  
21 withheld, the department or agency concerned shall be promptly



1 notified. With respect to the [University] university of Hawaii  
2 and the department of education, the comptroller shall issue  
3 warrants for the release of funds for the operating costs of the  
4 university or the department of education, as applicable, in  
5 amounts and at times mutually agreed upon by the governor or  
6 director of finance and the university or department of  
7 education, as applicable; provided that:

- 8 (1) The amounts released shall not exceed the allotment  
9 ceilings for the respective funding sources of the  
10 university's or the department of education's  
11 appropriations established by the governor for an  
12 allotment period pursuant to section 37-34; and
- 13 (2) The comptroller may issue warrants as an advance from  
14 the state treasury to the [University] university of  
15 Hawaii and the department of education to establish a  
16 checking account and provide working capital in  
17 amounts and at times mutually agreed upon by the  
18 governor or director of finance and the [University]  
19 university of Hawaii and the department of education.

20 The [University] university of Hawaii and the department of  
21 education shall preaudit all proposed payments of \$10,000 or



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1 more and shall preaudit samples of the population of proposed  
2 payments of less than \$10,000; provided that the sample size  
3 comprises at least five per cent of the population, and is of a  
4 size that the chief financial officers of the [University]  
5 university of Hawaii and the department of education, as  
6 applicable, determine appropriate, to determine the propriety of  
7 expenditures and compliance with applicable laws, executive  
8 orders, and rules. The [University] university of Hawaii and  
9 the department of education shall make disbursements for  
10 operating expenses from the amounts released by the comptroller  
11 and maintain records and documents necessary to support those  
12 disbursements at times mutually agreed upon by the university  
13 president or the superintendent of education, as applicable, and  
14 the comptroller; provided that when requested by the university  
15 or the department of education, the comptroller shall make all  
16 disbursements for the university or the department of education,  
17 as applicable, subject to available allotment. Funds released  
18 pursuant to this section shall be deposited by the university or  
19 the department of education, as applicable, in accordance with  
20 the provisions applicable to the director of finance by chapter  
21 38. Any interest earned on the deposit of funds released



1 pursuant to this section shall be deposited in the state  
2 treasury at the end of each fiscal year."

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

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



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

3 "§40-4 Publication of statements. The comptroller shall  
4 prepare and submit to the governor, immediately following the  
5 close of each fiscal year, a statement of income and expenditure  
6 by funds, showing the principal sources of revenue, the function  
7 or purpose for which expenditures were made, together with a  
8 consolidated statement showing similar information for all  
9 funds; also a statement showing the balance in each fund at the  
10 beginning of the fiscal year, plus the receipts, minus the  
11 disbursements, and the balance on hand at the close of the  
12 fiscal year after deducting outstanding warrants and vouchers.  
13 The comptroller may request all agencies, the judiciary, the  
14 ~~[University]~~ university of Hawaii ~~[until June 30, 2016]~~, the  
15 department of education, and the legislature to provide such  
16 information as may be required for the preparation of  
17 statements."

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

20 "§40-6 Approval of business and accounting forms. The  
21 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~~] university of Hawaii [~~until June~~  
7 ~~30, 2016,~~] and the department of education shall be subject to  
8 this requirement only with respect to uniform business and  
9 accounting forms of statewide use in the State's accounting  
10 system. All standard state forms shall be classified, numbered,  
11 and standardized in design, dimensions, color, and grade of  
12 paper and recorded in a catalogue of accounting and statistical  
13 forms by the comptroller."

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

16 "§40-58. In favor of assignees. No assignment of moneys by  
17 a person to whom the State is directly indebted shall be  
18 effective unless the assignment is first approved by the  
19 comptroller or, in the case of the [~~University~~] university of  
20 Hawaii [~~until June 30, 2016,~~] and the department of education,  
21 by their respective chief financial officers. The comptroller



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

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

20 "§40-81 Report by agencies receiving special moneys. All  
21 state officers, departments, boards, bureaus, commissions, or





1 agencies collecting or receiving any moneys not required by law  
2 to be deposited in the state treasury shall report to the  
3 comptroller all receipts and disbursements on account thereof  
4 for each quarterly period of the calendar year not later than  
5 the fifteenth day following the end of each quarterly period on  
6 such forms and under such rules as may be prescribed by the  
7 comptroller; provided that with respect to all moneys held  
8 outside the state treasury by the [~~University~~] university of  
9 Hawaii [~~until June 30, 2016,~~] or the department of education  
10 pursuant to the authority granted to the university and the  
11 department of education by this chapter, the [~~University~~]  
12 university of Hawaii and the department of education shall  
13 report to the comptroller all transactions for each quarterly  
14 period not later than the fifteenth day following the end of  
15 each quarterly period on such forms and under such rules as may  
16 be prescribed by the comptroller."

17 SECTION 8. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.

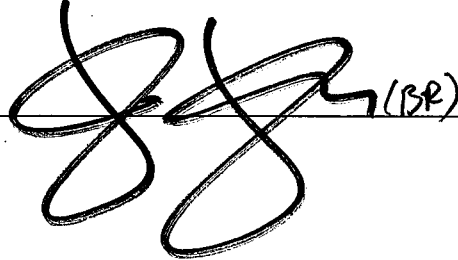


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1 SECTION 9. This Act shall take effect upon its approval.

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INTRODUCED BY:

 (SR)



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**Report Title:**

University of Hawaii; Accounting and Financial Management System

**Description:**

Reinstates the authority of the University of Hawaii System to maintain a separate accounting and financial management system that is compatible with the State of Hawaii accounting and financial system.

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

