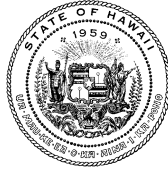


DAVID Y. IGE
GOVERNOR



CURT T. OTAGURO
COMPTROLLER
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DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
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WRITTEN TESTIMONY
OF
CURT T. OTAGURO, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
COMMITTEE ON GOVERNMENT REFORM

FRIDAY, MARCH 19, 2021, 11:00 A.M.
CONFERENCE ROOM 309 VIA VIDEOCONFERENCE, STATE CAPITOL

S.B. 332, S.D. 2

RELATING TO PRE-AUDIT PAYMENTS.

Chair McKelvey, Vice Chair Wildberger, and members of the Committee, thank you for the opportunity to testify on S.B. 332, S.D. 2.

The Department of Accounting and General Services (DAGS) supports the intent of S.B. 332, S.D. 2 and would like to offer the following comments:

Per Comptroller Memorandum 2000-17 issued on July 12, 2000 the Comptroller delegated to the departments the pre-audit responsibility for payments effective August 1, 2000. By increasing the amount from \$10,000 to \$100,000, further delegation would place accountability and responsibility for the propriety and legality to the departmental level in addition to the subject matter expertise in procurement, Hawaii Revised Statutes, Hawaii Administrative Rules, Executive Orders and more.

The current accounting software system is over 45 years old and outdated. It requires human intervention because it was not designed with automated checks and balances embedded in the programming methodology. As a result, the responsibility for accuracy and compliance was fulfilled by the DAGS Accounting Pre-Audit staff. The new Financial Management System

(FMS) project will replace some of these outdated manual processes and help ensure that the integrity of the transaction request will be preserved and strengthened.

Current delays in timely processing are caused by departments not submitting all of the required documentation or accurate information. This increased delegation of authority will place additional responsibility for compliance and accuracy at the departmental level.

Until the new FMS system is implemented, the DAGS recommends periodic “post-audits” are completed at the departmental level to ensure that compliance and accounting integrity are maintained at the highest standards. Non-compliance and lack of discipline by departments with this delegated authority must still adhere to State Procurement Policies, Hawaii Revised Statutes, Hawaii Administrative Rules, and Executive Orders. Departments that do not follow current policies will further exacerbate the intent of this bill to expedite accounting and transaction processing. It should be noted that departments that do submit thorough and accurate transaction information to the DAGS are processed expeditiously by the following business day.

Thank you for the opportunity to testify on this matter.

SB-332-SD-2

Submitted on: 3/18/2021 4:37:57 PM

Testimony for GVR on 3/19/2021 11:00:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Lenora Fisher | DAGS | Comments | No |

Comments:

I am available for comments.