

HB 540 HD1

Testimony –

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

Report Title: University of Hawaii; Accounting; Fiscal Management

Description: Extends sunset provisions with respect to accounting and fiscal management requirements relating to the University of Hawaii. Requires the Auditor to study whether the sunset provisions should be permanently repealed. Requires quarterly variance reports for revenues and expenditures. (HB540 HD1)

Companion:

Package: None

Current Referral: HEA, WAM

Introducer(s): CHOY, AQUINO, ICHIYAMA, KONG, TUPOLA, LoPresti, Say



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Higher Education and the Arts
March 17, 2015 at 1:15 pm Room 224

by
Kalbert Young
Vice President – Budget & Finance & Chief Financial Officer
University of Hawai'i

HB 540 HD1 – RELATING TO THE UNIVERSITY OF HAWAII ACCOUNTING AND FINANCIAL MANAGEMENT SYSTEM

Chair Taniguchi, Vice Chair Inouye, and members of the Higher Education and the Arts committee:

Thank you for this opportunity to testify. The University of Hawai'i (UH) SUPPORTS HB 540 HD1, Relating to the University of Hawaii Accounting and Financial Management System. This measure would extend sunset provisions with respect to accounting and fiscal management requirements relating to UH. It also requires the Auditor to study whether the sunset provisions should be permanently repealed. Finally, it requires quarterly variance reports for revenues and expenditures.

Act 321, SLH 1986 provided authority for UH to implement its own accounting system in conformity with generally accepted accounting principles as applied to colleges and universities. Since that time, UH has twice updated its financial management system, with the most recent update being the Kualii Financial System (KFS).

KFS 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.

If the exemption is allowed to sunset, UH would have to return to an older financial management system that is designed for more traditional state government entities, rather than university systems.

Statewide efforts to update DAGS and state financial systems through the Enterprise Resource Planning (ERP) project could eventually provide for complimentary systems on both sides. KFS is currently positioned to enhance those efforts. Extending the sunset would give the state and UH additional time to work. Additionally, allowing the Auditor to determine whether or not this exemption should be permanent will provide a third-party opinion on this matter.

With the objective of transparency and accountability, the University has already begun work with the BOR to create quarterly financial reports that look at the revenues and expenditures for the various funds and campuses for FY15. As these reports are submitted to the BOR, they are a part of the public record. We would be happy to work with the Legislature as to the format and content of these reports in the hopes that it would meet the requirements put forth in this measure.

We do note that the enabling section in this measure differs than that of its companion, SB1146 SD1, and leave such technical changes to the Legislature.

Thank you for your time and consideration.



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 03/17/2015

Time: 01:15 PM

Location: CR224

Committee: Senate Higher Education and
the Arts

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: HB 0540, HD1 RELATING TO THE UNIVERSITY OF HAWAII
ACCOUNTING AND FINANCIAL MANAGEMENT SYSTEM.

Purpose of Bill: Extends sunset provisions with respect to accounting and fiscal management requirements relating to the University of Hawaii. Requires the Auditor to study whether the sunset provisions should be permanently repealed. Requires quarterly variance reports for revenues and expenditures. (HB540 HD1)

Department's Position:

The Department of Education offers the following comments on HB540, HD1:

While the substantive content of this measure relates to the University of Hawaii's authority over its accounts, the current draft includes technical changes made as housekeeping to various sections of Chapter 40, Hawaii Revised Statutes, which directly affect the Department. These housekeeping amendments repeal language authorizing the Department to maintain authority over matters related to the purchase of goods and services, pre-audit payments, and accounting.

On March 6, 2015, the House Committee on Finance passed HB1412, HD1, with amendments. HB1412 also amends various sections of Chapter 40, Hawaii Revised Statutes, and to a similar effect, for the Department. Should HB540 move forward with the repeal of the Department's authorizing language, there may be a conflict with HB1412.

As such, the Department respectfully requests that this measure be amended to remove the repeal of the Department's authorizing language in the various sections of Chapter 40, Hawaii Revised Statutes, amended in this bill.

Thank you very much for the opportunity to testify on this measure.