
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

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

21 (1) The amounts released shall not exceed the allotment
22 ceilings for the respective funding sources of the
23 university's or the department of education's

1 appropriations established by the governor for an
2 allotment period pursuant to section 37-34; and

3 (2) The comptroller may issue warrants as an advance from
4 the state treasury to the University of Hawaii and the
5 department of education to establish a checking
6 account and provide working capital in amounts and at
7 times mutually agreed upon by the governor or director
8 of finance and the University of Hawaii and the
9 department of education.

10 The University of Hawaii and the department of education shall
11 preaudit all proposed payments of \$10,000 or more and shall
12 preaudit samples of the population of proposed payments of less
13 than \$10,000; provided that the sample size comprises at least
14 five per cent of the population, and is of a size that the chief
15 financial officers of the University of Hawaii and the
16 department of education, as applicable, determine appropriate,
17 to determine the propriety of expenditures and compliance with
18 applicable laws, executive orders, and rules. The University of
19 Hawaii and the department of education shall make disbursements
20 for operating expenses from the amounts released by the
21 comptroller and maintain records and documents necessary to
22 support those disbursements at times mutually agreed upon by the
23 university president or the superintendent of education, as

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1 applicable, and the comptroller; provided that when requested by
2 the university or department of education, the comptroller shall
3 make all disbursements for the university or department of
4 education, as applicable, subject to available allotment. Funds
5 released pursuant to this section shall be deposited by the
6 university or department of education, as applicable, in
7 accordance with the provisions applicable to the director of
8 finance by chapter 38. Any interest earned on the deposit of
9 funds released pursuant to this section shall be deposited in
10 the state treasury at the end of each fiscal year."

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

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

1 further that the department of education may install a different
2 accounting system that shall be in conformity to generally
3 accepted accounting principles. The comptroller shall make such
4 changes and modifications in the accounting system as shall from
5 time to time appear to be in the best interest of the State and
6 counties. "

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

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

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

3 "**§40-6 Approval of business and accounting forms.** The
4 comptroller shall determine the forms required to adequately
5 supply accounting and statistical data for the state government.
6 The comptroller shall require heads of departments and
7 establishments of the state government to submit proposed new
8 forms or proposed changes in current business and accounting
9 forms for review and approval before ordering the same printed;
10 except that the University of Hawaii [~~until June 30, 2016,~~] and
11 the department of education shall be subject to this requirement
12 only with respect to uniform business and accounting forms of
13 statewide use in the State's accounting system. All standard
14 state forms shall be classified, numbered, and standardized in
15 design, dimensions, color, and grade of paper and recorded in a
16 catalogue of accounting and statistical forms by the
17 comptroller."

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

20 "**§40-58 In favor of assignees.** No assignment of moneys by
21 a person to whom the State is directly indebted shall be
22 effective unless the assignment is first approved by the
23 comptroller or, in the case of the University of Hawaii [~~until~~

1 ~~June 30, 2016,~~] and the department of education, by their
2 respective chief financial officers. The comptroller or the
3 chief financial officers of the University of Hawaii and the
4 department of education may prescribe the form for an
5 assignment, and may approve the assignment within a reasonable
6 time period if, in their respective discretion, the rights or
7 obligations of the State, the University of Hawaii, or the
8 department of education under any contract or other undertaking
9 or under any law, rule, or order by a competent authority will
10 not be prejudiced thereby. Upon approval of the assignment, the
11 comptroller or the respective chief financial officers of the
12 University of Hawaii and the department of education shall draw
13 a warrant payable to the assignee. Except as to contracts
14 encumbered by the comptroller, the University of Hawaii, or the
15 department of education, each expending agency, upon
16 notification of the comptroller's approval of an assignment,
17 shall prepare a claim for payment in accordance with the terms
18 of the assignment."

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

21 "§40-81 Report by agencies receiving special moneys. All
22 state officers, departments, boards, bureaus, commissions, or
23 agencies collecting or receiving any moneys not required by law

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

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

18 SECTION 9. This Act, upon its approval, shall take effect
19 on June 29, 2016.

20
21 INTRODUCED BY: 

22 BY REQUEST

23 JAN 25 2016

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Report Title:

University of Hawaii; Accounting and Financial Management System

Description:

Repeals the sunset provisions, with respect to the University of Hawaii, from 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 of which was the implementation of the Kualii Financial System (KFS) beginning with Fiscal Year 2012-13. Since 2005, the University has been a co-founder and sustaining partner of the KFS Consortium. KFS is a comprehensive financial software system that has been developed by the KFS Consortium, which includes a number of universities throughout the United States using an open source and partner enhanced process. Thus, KFS serves the unique needs of the University, while also having the flexibility to implement modifications

allowing interaction with external partners. Since the implementation of KFS, the University's financial system data has become more relevant and useful to University System and campus administrations 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 (DAGS), in addition to routine and annual financial reports that are included in the State of Hawaii's Annual Consolidated Financial Statements.

Thus, based in part on the University's recent implementation of KFS, the University is respectfully requesting the repeal of the sunset provisions set forth in various sections of chapter 40, Hawaii Revised Statutes. Such a comprehensive repeal would enable the University to continue to maintain a separate accounting and financial management system that efficiently serves the University's unique needs and is compatible with the State of Hawaii accounting and financial management system.

Impact on the public: Allowing the University to continue operating its own financial management system, such as KFS, will help the public and the University to continue to realize the short and long term benefits of KFS, including the efficiencies and accuracy in the handling of and accounting for University funds and the avoidance of additional expenditures to convert from KFS and migrate and adapt to using an older financial accounting system that will itself need updates to enable interaction and interface with the University.

Impact on the department and other agencies: Under KFS, the University significantly improved its efficiencies and expanded its accounting capabilities. This in turn significantly reduced the DAGS workload in receiving, handling, and processing

University financial information. If the University's authority to continue to operate KFS as a separate accounting and financial system is repealed on June 30, 2016, the University anticipates that it would incur substantial costs and suffer potentially severe financial losses and other adverse financial impacts if the University is forced to shut down KFS and migrate to an older financial management system that is designed for traditional state government agencies and not to handle the unique needs of the University. Such an older system would itself need to be able to be updated and modernized to interface with the University.

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: June 29, 2016.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Higher Education
February 9, 2016 at 2:00 p.m., Room 309

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

HB2410 – RELATING TO THE UNIVERSITY OF HAWAII ACCOUNTING AND FINANCIAL MANAGEMENT SYSTEM

Chair Choy, Vice Chair Ichiyama, and Members of the House Committee on Higher Education:

Thank you for this opportunity to testify. The University of Hawai'i (UH) supports HB2410, Relating to the University of Hawaii Accounting and Financial Management System. This bill repeals sunset provisions related to UH's authority to maintain a separate accounting and financial management system.

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. This bill seeks to do the same for UH.

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 the DAGS make moving to DAGS' systems rather than Kualii at this time impractical. 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.

Thank you for your time and consideration.

ichiyama2-Brandon

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2016 1:15 PM
To: HEDtestimony
Cc: ronnette.l.correa@hawaii.gov
Subject: *Submitted testimony for HB2410 on Feb 9, 2016 14:00PM*

HB2410

Submitted on: 2/8/2016

Testimony for HED on Feb 9, 2016 14:00PM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Ronnette Correa	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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