

ACT 321

S.B. NO. 2127-86

A Bill for an Act Relating to Education.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The purpose of this Act is to:

- (1) To allow the University of Hawaii and the department of education to assume authority and responsibility for all matters relating to the acquisition of goods and services, pre-audit of payments, payroll, disbursing, fund accounting, and business and accounting forms.
- (2) Provide the board of regents of the University of Hawaii and the board of education with the authorization to approve certain exceptions to statutory competitive bidding requirements.

SECTION 2. Chapter 40, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

**“§40- Lapse of University of Hawaii appropriations.** Upon the lapse of an appropriation to the University of Hawaii, moneys which remain unencumbered shall be returned to the state treasury within ninety days.”

SECTION 3. Chapter 40, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

**“§40- Lapse of department of education appropriations.** Upon the lapse of an appropriation to the department of education, moneys which remain unencumbered shall be returned to the state treasury within ninety days.”

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

**“§40-1 Comptroller to supervise accounts, etc.** (a) The comptroller shall be the general accountant of the State[,] and [he] shall cause to be recorded every receipt and disbursement of money made to, by, or through the treasury. [He] The comptroller shall have the power to withhold any disbursement for which no appropriation has been made or which would cause a specific appropriation to be exceeded.

(b) With respect to the executive branch, [he] except the University of Hawaii and the department of education, the comptroller shall have complete supervision of all accounts. [He] The comptroller shall pre-audit all proposed payments to determine the propriety of expenditures and compliance with such executive orders[,] and rules [and regulations] as may be in effect. [He shall, when] When necessary, the comptroller shall withhold [his] approval of any payment. Whenever [he withholds his approval, he shall promptly notify] approval is withheld, the department or agency concerned[,] shall be promptly notified. With respect to the University of Hawaii and the department of education, the comptroller shall issue warrants for the release of funds for the operating costs of the university or the department of education, as applicable, in amounts and at times mutually agreed upon by the governor or director of finance and the university or department of education, as applicable; provided that the amounts released shall not exceed the allotment ceilings for the respective funding sources of the university's or the department of education's appropriations established by the governor for an allotment period pursuant to section 37-34. The University of Hawaii and the department of education shall pre-audit all proposed payments to determine the propriety of expenditures and compliance with applicable laws, executive orders, and rules as may be in effect. The University of Hawaii and the department of education shall make disbursements for payroll and other operating expenses from the amounts released by the comptroller and maintain records and documents necessary to support those disbursements at times mutually agreed upon by the university president or the superintendent of education, as applicable, and the comptroller; provided that when requested by the university or the department of education, the comptroller shall make all disbursements for the university or the department of education, as applicable, subject to available allotment. Funds released pursuant to this section shall be deposited by the university or the department of education, as applicable, in accordance with the provisions applicable to the director of finance by chapter 38. Any interest earned on the deposit of funds released pursuant to this section shall be deposited in the state treasury at the end of each fiscal year.

(c) With respect to the judiciary and the legislature, [he] the comptroller shall make available to the judiciary and the legislature the total amount appropriated to each, except that the judiciary and the legislature may request [his] the comptroller's services in maintaining custody of the amount appropriated to each and in making payments therefrom. When such services are requested, [he] the comptroller shall make all disbursements requested by the judiciary or the legislature, but [he] shall not make any disbursements for which

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no appropriation has been made or which would cause a specific appropriation to be exceeded.

(d) Any financial transaction recorded [by the comptroller] may be inspected by the public.”

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

**“§40-2 Accounting systems and internal control; enforcing the use of and inspection of the same.** The accounting system installed by the commission on public accountancy under Act 181, session laws of Hawaii 1923, as amended by Act 220, session laws of Hawaii 1925, for use in the offices of the comptroller, director of finance, departmental and agency services of the State, and the auditors, treasurers, departmental and agency services of the several counties shall be the accounting and reporting systems of the State and counties[.]; provided that the University of Hawaii may install a different accounting system which shall be in conformity with generally accepted accounting principles as applied to colleges and universities; and provided further that the department of education may install a different accounting system which shall be in conformity to generally accepted accounting principles. The comptroller shall make such changes and modifications in the accounting system as shall from time to time appear to be in the best interest of the State and counties.

The departments and agencies of the executive branch are respectively charged with the responsibility to maintain an adequate system of internal control and with the further responsibility to see that the internal control system continues to function effectively as designed. The comptroller shall make such investigations and audits from time to time to enforce the use of the accounting system and internal control systems in the executive branch.

The judiciary, the legislature, and each county shall be responsible for the establishment and maintenance of its respective internal control system.”

SECTION 6. Section 40-4, Hawaii Revised Statutes, is amended to read as follows:

**“§40-4 Publication of statements.** The comptroller shall prepare and submit to the governor, and publish in a newspaper of general circulation in the State, immediately following the close of each fiscal year, a statement of income and expenditure by funds, showing the principal sources of revenue, the function or purpose for which expenditures were made, together with a consolidated statement showing similar information for all funds; also a statement showing the balance in each fund at the beginning of the fiscal year, plus the receipts, minus the disbursements, and the balance on hand at the close of the fiscal year after deducting outstanding warrants and vouchers. The comptroller may request all agencies, the judiciary, the University of Hawaii, the department of education, and the legislature to provide such information as may be required for the preparation of<sup>1</sup> statements.”

SECTION 7. Section 40-6, Hawaii Revised Statutes, is amended to read as follows:

**“§40-6 Approval of business and accounting forms.** The comptroller shall determine the forms required to adequately supply accounting and statistical data for the state government. The comptroller shall require heads of departments and establishments of the state government to submit proposed new forms or proposed changes in current business and accounting forms for review and approval before ordering the same printed[.]; except that the University of

Hawaii and the department of education shall be subject to this requirement only with respect to uniform business and accounting forms of statewide use in the State's accounting system. All standard state forms shall be classified, numbered, and standardized in design, dimensions, color, and grade of paper and recorded in a catalogue of accounting and statistical forms by the comptroller."

SECTION 8. Section 40-81, Hawaii Revised Statutes, is amended to read as follows:

**"§40-81 Report by agencies receiving special moneys.** All state officers, departments, boards, bureaus, commissions, or agencies collecting or receiving any moneys not required by law to be deposited in the state treasury shall report to the comptroller all receipts and disbursements on account thereof for each quarterly period of the calendar year not later than the fifteenth day following the end of each quarterly period on such forms and under such rules [and regulations] as may be prescribed by the comptroller[.]; provided that with respect to all moneys held outside the state treasury by the University of Hawaii or the department of education pursuant to the authority granted to the university and the department of education by this chapter, the University of Hawaii and the department of education shall report to the comptroller all transactions for each quarterly period not later than the fifteenth day following the end of each quarterly period on such forms and under such rules as may be prescribed by the comptroller."

SECTION 9. Section 103-23, Hawaii Revised Statutes, is amended to read as follows:

**"§103-23 Additional exceptions. (a)** Expenditures in excess of such sum without so contracting may be made, with the approval of the legislative body, in the case of a county, or of the governor, in the case of the State, or of the board of regents, in the case of the University of Hawaii, or of the board of education in the case of the department of education, or of its board or other governing authority[,] in the case of any independent board or agency, when the expenditures are for repairs of roads, water works, and buildings, or, with such approval, expenditures not in excess of \$15,000 for alterations of buildings, or when the work to be done is of such a nature that its extent and character cannot be known or specified beforehand with reasonable certainty, or when no tender is received in response to an advertisement, or, with such approval, expenditures not in excess of \$15,000 for new roads, water works, and buildings, either on behalf of the expending division of government or for the federal or state government or any department thereof may be made, without contract, advertisement, or sealed tenders; and, in the case of such new roads, water works, and buildings, expenditures in excess of \$15,000 may be made, with the same approval[.]; provided that the expending division of government shall first advertise for sealed tenders and shall keep a full and true account of the cost of the work, if done by itself, without awarding a contract therefor, and shall, upon the completion of the work, publish a full and true statement of its cost and of the amounts of rejected tenders, if any; and provided further that any governmental agency actually performing the work shall in no case receive more than the actual cost thereof.

(b) Nothing provided in section 103-22 shall prevent the department of health, if, after publication of a call for tenders, it receives no bids from any responsible bidder or only one bid therefrom, from purchasing at regular market

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prices, meats, on the hoof or otherwise, and foodstuffs, as may from time to time be required for the Kalaupapa settlement.

(c) Special contracts or subcontracts by any governmental agency for materials or supplies or purchases of materials or supplies made in furtherance of the contract referred to in this section[,] shall be subject to the requirement of public advertisement for sealed tenders in the manner provided by law.”

SECTION 10. The legislative auditor shall conduct a review of the University of Hawaii and the department of education in order to assess and evaluate any impact of the provisions of this Act on the quality and effectiveness of the instruction, organized research, public service, academic support, student services, and institutional support program areas, as applicable, at the university and the department of education. Particular emphasis shall be given to the impact of the provisions of this Act upon student education. This review shall be conducted in three phases with initial reports to the legislature during the first week of its 1987 regular session. Each report shall include an inventory and assessment of the conditions of the university and the department of education prior to implementation of this Act; interim reports to the legislature during the first week of its 1988 regular session evaluating progress made and identifying problems encountered to date within any or all of the educational program areas; and final reports to the legislature during the first week of its 1989 regular session with overall evaluations and final recommendations, including recommended drafts of legislation, on continuation of the provisions of this Act.”

SECTION 11. Statutory material to be repealed is bracketed. New statutory material is underscored.<sup>2</sup>

SECTION 12. This Act shall take effect on July 1, 1986, and be repealed as of June 30, 1989.

(Approved June 6, 1986.)

### Notes

1. Prior to amendment “the” appeared here.
2. Edited pursuant to HRS §23G-16.5.