

ACT 124

S.B. NO. 2385

A Bill for an Act Relating to the University Of Hawaii.

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

PART I

SECTION 1. This part amends sections of the Hawaii Revised Statutes that are not set for repeal and reenactment by Act 58, Session Laws of Hawaii 2004, as amended.

SECTION 2. 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.** (a) 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, until June 30, ~~2011,~~ 2016, may install a different accounting system ~~which~~ that shall be in conformity with generally accepted accounting principles as applied to colleges and universities; and provided further that the department of education, until June 30, 2011, may install a different accounting system ~~which~~ that 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.

(b) 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.

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

SECTION 3. Section 40-58, Hawaii Revised Statutes, is amended to read as follows:

**“§40-58 In favor of assignees.** No assignment of moneys by a person to whom the State is directly indebted shall be effective unless the assignment is first approved by the comptroller or, in the case of the University of Hawaii until June 30, 2016, and the department of education~~[-]~~ until June 30, 2011, by their respective chief financial officers. The comptroller or the chief financial officers

of the University of Hawaii and the department of education may prescribe the form for an assignment, and may approve the assignment within a reasonable time period if, in their respective discretion, the rights or obligations of the State, the University of Hawaii, or the department of education under any contract or other undertaking or under any law, rule, or order by a competent authority will not be prejudiced thereby. Upon approval of the assignment, the comptroller or the respective chief financial officers of the University of Hawaii and the department of education shall draw a warrant payable to the assignee. Except as to contracts encumbered by the comptroller, the University of Hawaii, or the department of education, each expending agency, upon notification of the comptroller's approval of an assignment, shall prepare a claim for payment in accordance with the terms of the assignment."

SECTION 4. 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 as may be prescribed by the comptroller; provided that ~~[until June 30, 2011,]~~ with respect to all moneys held outside the state treasury by the University of Hawaii until June 30, 2016, or the department of education until June 30, 2011, 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."

## PART II

SECTION 5. This part amends sections of the Hawaii Revised Statutes in the form in which they will read after they are repealed and reenacted under Act 58, Session Laws of Hawaii 2004, as amended, on June 30, 2010.

SECTION 6. Section 40-1, Hawaii Revised Statutes, is amended<sup>1</sup> to read as follows:

**"§40-1 Comptroller to supervise accounts, etc.** (a) The comptroller shall be the general accountant of the State<sup>[5]</sup> 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 until June 30, 2016, the comptroller shall have complete supervision of all accounts. ~~[He]~~ The comptroller shall preaudit<sup>2</sup> all proposed payments to determine the propriety of expenditures and compliance with ~~[such]~~ executive orders<sup>[5]</sup> and rules ~~[and regulations as]~~ that may be in effect. ~~[He shall<sup>3</sup> 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<sup>[-]</sup> shall be promptly notified.

With respect to the University of Hawaii, the comptroller shall issue warrants for the release of funds for the operating costs of the university in amounts and at times mutually agreed upon by the governor or director of finance and the university; provided that:

- (1) The amounts released shall not exceed the allotment ceilings for the funding sources of the university's appropriations established by the governor for an allotment period pursuant to section 37-34; and
- (2) The comptroller may issue warrants as an advance from the state treasury to the University of Hawaii, to establish a checking account and provide working capital in amounts and at times mutually agreed upon by the governor or director of finance and the University of Hawaii.

The University of Hawaii shall preaudit all proposed payments of \$10,000 or more to determine the propriety of expenditures and compliance with applicable laws, executive orders, and rules as may be in effect. The University of Hawaii shall make disbursements for 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 and the comptroller; provided that when requested by the university, the comptroller shall make all disbursements for the university subject to available allotment. Funds released pursuant to this section shall be deposited by the university 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 disbursement<sup>4</sup> for which 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 7. Section 40-4, Hawaii Revised Statutes, is amended<sup>1</sup> 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,] 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 until June 30, 2016, and the legislature to provide such information as may be required for the preparation of statements."

SECTION 8. Section 40-6, Hawaii Revised Statutes, is amended<sup>1</sup> 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 until June 30, 2016, 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.”

### PART III

**SECTION 9.** This part amends sections of the Hawaii Revised Statutes set for repeal and reenactment under Act 58, Session Laws of Hawaii 2004, as amended, in the event that the 2010 legislature either repeals the reenactment provisions of Act 58, Session Laws of Hawaii 2004, as amended, that apply to these sections, or extends the date on which these sections will be repealed and reenacted.

**SECTION 10.** Section 40-1, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

“(b) With respect to the executive branch, except the University of Hawaii until June 30, [2011,] 2016, the Hawaii tourism authority, and the department of education until June 30, 2011, the comptroller shall have complete supervision of all accounts. The comptroller shall preaudit all proposed payments of \$10,000 or more to determine the propriety of expenditures and compliance with executive orders and rules that may be in effect. When necessary, the comptroller shall withhold approval of any payment. Whenever approval is withheld, the department or agency concerned shall be promptly notified. With respect to the University of Hawaii, the Hawaii tourism authority, and the department of education, the comptroller shall issue warrants for the release of funds for the operating costs of the university, the Hawaii tourism authority, 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, the Hawaii tourism authority, or department of education, as applicable; provided[-] that:

- (1) 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, or in the case of the Hawaii tourism authority, revenues received by the convention center enterprise special fund and the tourism special fund pursuant to section 237D-6.5; and
- (2) The comptroller may issue warrants as an advance from the state treasury to the University of Hawaii, the Hawaii tourism authority, and the department of education to establish a checking account and provide working capital in amounts and at times mutually agreed upon by the governor or director of finance and the University of Hawaii, the Hawaii tourism authority, and the department of education.

The University of Hawaii shall preaudit all proposed payments of \$10,000 or more and the Hawaii tourism authority and the department of education shall preaudit 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, the Hawaii tourism authority, and the department of education shall make disbursements for 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, the executive director of the Hawaii tourism authority, or the superintendent of education, as applicable, and the comptroller; provided that when requested by the university, the Hawaii tourism authority, or department of education, the comptroller shall make all disbursements for the university, the Hawaii tourism authority, or department of education, as applicable, subject to available allotment. Funds released pursuant to this section shall be deposited by the university, the Hawaii tourism authority, or department of education, as applicable, in accordance with the provisions applicable to the director of finance by chapter 38. Except for moneys deposited by the Hawaii tourism authority in the convention center enterprise special fund pursuant to section 201B-8, and in the tourism special fund pursuant to section 201B-11, 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.”

SECTION 11. 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, 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 until June 30, [2011,] 2016, the Hawaii tourism authority, the department of education until June 30, 2011, and the legislature to provide such information as may be required for the preparation of statements.”

SECTION 12. 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 until June 30, [2011,] 2016, the Hawaii tourism authority, and the department of education until June 30, 2011, 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.”

## PART IV

SECTION 13. Any act passed by the 2010 legislature, whether enacted before or after the effective date of this Act, shall be amended to conform to the provisions of this Act that change the repeal date of the University of Hawaii's authority under sections 40-1, 40-2, 40-4, 40-6, 40-58, and 40-81, Hawaii Revised Statutes, to June 30, 2016.

SECTION 14. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 15. This Act, upon its approval, shall take effect retroactive to April 30, 2010; provided that:

- (1) Part II shall only take effect upon the repeal and reenactment of sections 40-1, 40-4, and 40-6, Hawaii Revised Statutes, on June 30, 2010, pursuant to Act 58, Session Laws of Hawaii 2004, as amended; and
- (2) Part III shall only take effect upon the repeal of paragraph (2)(B) of section 14 of Act 58, Session Laws of Hawaii 2004, as amended, pursuant to an Act of the 2010 legislature; or in the absence of that repeal, upon the extension of the June 30, 2010, repeal date in paragraph (2) of section 14 of Act 58, Session Laws of Hawaii 2004, as amended, pursuant to an Act of the 2010 legislature.

(Approved May 19, 2010.)

## Notes

1. Amended section is based on how section read on June 30, 1986, prior to amendment by Act 321, Session Laws of Hawaii 1986.
2. Prior to amendment "pre-audit" appeared here.
3. Prior to amendment a comma appeared here.
4. Prior to amendment "disbursements" appeared here.