

ACT 91

H.B. NO. 849

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:

SECTION 1. The legislature finds that the University of Hawaii has maintained a separate accounting system since 1986, which has been compatible with both the State's accounting system requirements and generally accepted accounting principles. The legislature further finds that the University of Hawaii, with authorization from the legislature and after significant commitment of human and financial resources, has recently upgraded its accounting system through its participation in the Kualii Financial System Consortium, a university-based financial management software that better meets the unique needs of university systems throughout the United States. Since the implementation of the Kualii

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Financial System, the University of Hawaii continues to provide bi-monthly payroll feeds to the department of accounting and general services, in addition to routine and annual financial reports that are included in the State of Hawaii's Annual Consolidated Financial Statements. The use of the Kualii Financial System has benefited and served the needs of the university without in any way negatively impacting the State or its financial reporting.

The University of Hawaii's authorization to maintain a separate accounting and financial management system terminated on June 30, 2016.

The purpose of this Act is to affirm the express authority of the University of Hawaii system to maintain a separate accounting and financial management system that is compatible with the State of Hawaii accounting and financial systems.

SECTION 2. 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, 2016,~~] and the department of education, 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 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:

- (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; and
- (2) The comptroller may issue warrants as an advance from the state treasury to the University of Hawaii 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 and the department of education.

The University of Hawaii and the department of education shall preaudit all proposed payments of \$10,000 or more and shall preaudit samples of the population of proposed payments of less than \$10,000; provided that the sample size comprises at least five per cent of the population, and is of a size that the chief financial officers of the University of Hawaii and the department of education, as applicable, determine appropriate, to determine the propriety of expenditures and compliance with applicable laws, executive orders, and rules. The University of Hawaii 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 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.”

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

“(a) The accounting system installed by the commission on public accountability 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, 2016,~~] may install a different accounting system that 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 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.”

SECTION 4. 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, 2016,~~] the department of education, and the legislature to provide such information as may be required for the preparation of statements.”

SECTION 5. 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, 2016,~~] 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 6. Section 40-58, Hawaii Revised Statutes, is amended to read as follows:

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“§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, 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 7. 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 with respect to all moneys held outside the state treasury by the University of Hawaii [~~until June 30, 2016,~~] 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 8. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 9. This Act shall take effect on July 1, 2017.
(Approved July 5, 2017.)