

ACT 203

S.B. NO. 332

A Bill for an Act Relating to Preaudit Payments.

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

SECTION 1. The legislature finds that the government would be able to provide services more effectively, efficiently, and expeditiously by updating the preaudit process for proposed payments to meet the demands of the public. Currently, the comptroller is required to preaudit all proposed payments of \$10,000 or more to determine the propriety of the expenditures and its compliance with the operative and relevant executive orders and rules.

Accordingly, the purpose of this Act is to temporarily amend the powers and duties of the comptroller to reduce the preaudit requirements of all proposed payments to expenditures by:

- (1) Amending the minimum dollar amount of payments to be preaudited; and
- (2) Allowing, rather than requiring, the comptroller to preaudit proposed payments of expenditures below the threshold amount.

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 and the department of education, the comptroller shall have complete supervision of all accounts. The comptroller may preaudit all proposed payments less than \$100,000 to determine the propriety of expenditures and compliance with executive orders and rules that may be in effect. The comptroller shall preaudit all proposed payments of [~~\$10,000~~] \$100,000 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

ACT 203

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 Statutory material to be repealed is bracketed and stricken.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

SECTION 4. This Act shall take effect on July 1, 2021, and shall be repealed on July 1, 2024; provided that section 40-1(b), Hawaii Revised Statutes, shall be reenacted in the form in which it read on the day before the effective date of this Act.

(Approved July 6, 2021.)