



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
March 3, 2015 at 1:30pm Room 308

by
Kalbert Young
Vice President – Budget & Finance & Chief Financial Officer
University of Hawai'i

H.B. 540 H.D. 1 – RELATING TO THE UNIVERSITY OF HAWAII ACCOUNTING AND FINANCIAL MANAGEMENT SYSTEM

Chair Luke, Vice Chair Nishimoto, and members of the Finance committee:

Thank you for this opportunity to testify. The University of Hawai'i (UH) **SUPPORTS** H.B. 540 H.D. 1, Relating to the University of Hawaii Accounting and Financial Management System. This measure would extend sunset provisions with respect to accounting and fiscal management requirements relating to UH. It also requires the Auditor to study whether the sunset provisions should be permanently repealed. Finally, it requires quarterly variance reports for revenues and expenditures.

Act 321, SLH 1986 provided authority for UH to implement its own accounting system in conformity with generally accepted accounting principles as applied to colleges and universities. Since that time, UH has twice updated its financial management system, with the most recent update being the Kualii Financial System (KFS).

KFS 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.

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.

Statewide efforts to update DAGS and state financial systems through the Enterprise Resource Planning (ERP) project could eventually provide for complimentary systems on both sides. KFS is currently positioned to enhance those efforts. Extending the sunset would give the state and UH additional time to work. Additionally, allowing the Auditor to determine whether or not this exemption should be permanent will provide a third-party opinion on this matter.

With the objective of transparency and accountability, the University has already begun work with the BOR to create quarterly financial reports that look at the revenues and expenditures for the various funds and campuses for FY15. As these reports are submitted to the BOR, they are a part of the public record. We would be happy to work with the Legislature as to the format and content of these reports in the hopes that it would meet the requirements put forth in this measure.

Finally, it is our understanding that the enabling clause is highly technical and respectfully request the Committee consider the following three sections, so as to address statutory technicalities surrounding the appropriate Act and Session Law references:

SECTION A. Act 58, Session Laws of Hawaii 2004, as amended by section 50 of Act 22, Session Laws of Hawaii 2005, as amended by section 1 of Act 306, Session Laws of Hawaii 2006, as amended by section 12 of Act 5, Special Session Laws of Hawaii 2009, as amended by section 5 of Act 102, Session Laws of Hawaii 2010, is amended by amending Section 14 to read as follows:

"SECTION 14. This act shall take effect upon its approval; provided that:

- (1) The amendments made to sections 40-1, 40-4, and 40-6, Hawaii Revised Statutes, by part I of this Act shall not be repealed when those sections are reenacted on June 30, 2006, by section 1 of Act 137, Session Laws of Hawaii 2005;
- (2) Sections 3, 4, 5, 6, and 7 of part I shall be repealed on June 30, 2015, and:
 - (A) Sections 201B-2 and 201B-11, Hawaii Revised Statutes, shall be reenacted in the form in which they read on May 5, 2004; except that the amendments made by Act 5, Special Session Laws of Hawaii 2009, to section 201B-2, Hawaii Revised

- Statutes, and subsection (c) of section 201B-11, Hawaii Revised Statutes, shall not be repealed; and
- (B) Sections 40-1, 40-4, and 40-6, Hawaii Revised Statutes, shall be reenacted in the form in which they read on ~~[June 30, 1986]~~ May 5, 2004; and
- (3) Section 9 shall take effect on July 1, 2004."

SECTION B. Act 124, Session Laws of Hawaii 2010, is amended by amending section 15 to read as follows:

"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 ~~[-]~~; provided further that the amendments to sections 40-1, 40-4, and 40-6, Hawaii Revised Statutes, by part III shall not be repealed when those sections are repealed and reenacted pursuant to section 5 of Act 102, Session Laws of Hawaii 2010."

SECTION C. Act 161, Session Laws of Hawaii 2010, is amended by amending section 8 to read as follows:

"SECTION 8. 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 section 40-1, 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 [-]; provided further that the amendments to section 40-1, Hawaii Revised Statutes, by part III shall not be repealed when those sections are repealed and reenacted pursuant to section 5 of Act 102, Session Laws of Hawaii 2010."

The effective date (Section 11) should remain the same.

Thank you for your time and consideration.