UNIVERSITY OF HAWAIʻI SYSTEM
Legislative Testimony

Testimony Presented Before the
House Committee on Finance
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by
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SB1146 SD1 HD1 – 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 Hawaiʻi (UH) SUPPORTS SB1146 SD1 HD1, 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 would also require the Board of Regents (BOR) to submit quarterly reports for revenues and expenditures to the Legislature.

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 Kuali 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.

Thank you for your time and consideration.