

STATE OF HAWAII

Accounting Manual

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SECTION 480: DEPARTMENTAL ACCOUNTING AND REPORTING

1. General.

- (a) Departmental accounting and reporting, as described in this and the immediately following sections:
  - (1) Pertain to the accounting and reporting performed by the individual departments and agencies of the State.
  - (2) Comprise one portion (the other portion being the central accounting and reporting performed on the State level by DAGS Accounting Division for the Comptroller) of the total accounting system of the State.
- (b) The departmental requirements are made necessary by:
  - (1) Statutes, executive orders, rules, and regulations.
  - (2) Comptroller, in order to fulfill his responsibilities in establishing, analyzing, and enforcing accounting and internal control systems.
  - (3) Generally accepted accounting principles and practices.
  - (4) Departments and agencies for managerial and internal control purposes.

2. Background.

- (a) As referred to in Section 40-2, Hawaii Revised Statutes (HRS), the present accounting system was initially established in 1923 and was first documented in the Manual of Accounting, Reporting, and Business Procedure for the Territorial Government of Hawaii, published by Henry P. Seidemann in 1928. This system recognized a central level of accounting, and a department level of accounting, both as part of the same total system.
- (b) The system established in 1923 has been changed or modified from time to time, under the general authority given to the Comptroller under Section 40-2, HRS, to make such changes.
- (c) Hawaii's statehood resulted in significant changes, because the numerous departments, boards, and commissions were consolidated under the State Constitution into twenty or less departments. This consolidation, coupled with rapid economic growth and the transfer of certain county functions to the State, has increased both the volume and the complexity of the accounting system.

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3. Legal Authority.

- (a) Chapter 40 of the HRS provides the Comptroller's main legal base for both central and departmental accounting and reporting.
- (b) There are other provisions within the HRS relating to the Comptroller that bear on the total accounting system.
- (c) Some of the major provisions in the HRS are as follows:
  - (1) General Accountant. As the general accountant of the State, the Comptroller has complete supervision of all accounts (Section 40-1).
  - (2) Accounting and Reporting Systems. The accounting system installed in 1923 and modified by the Comptroller from time to time is the accounting and reporting system of the State (Section 40-2).
  - (3) Internal Control Systems. The departments and agencies are charged with the responsibility to maintain an adequate system of internal control and to see that it continues to function as effectively as designed (Section 40-2).
  - (4) Reporting. The Comptroller may request the departments and agencies to provide such information as may be required for the preparation of the financial statements (Section 40-4).
  - (5) Forms. The Comptroller determines the forms required to adequately supply accounting and statistical data for the State (Section 40-6).
- (d) Unique provisions relating to Judiciary and Legislature.
  - (1) Exclusion from Comptroller's Supervision. With respect to the Judiciary and Legislature, the Comptroller can make available to them the total amount appropriated to each, and they, in turn, may request the Comptroller's services in maintaining custody of the amount appropriated and in making payments therefrom (Section 40-1).
  - (2) Internal Control Systems. The Judiciary and Legislature are responsible for establishing and maintaining their own internal control systems (Section 40-2).

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4. Current Practice.

(a) Central Accounting and Reporting.

(1) The Comptroller's central accounting and reporting activities are performed by DAGS Accounting Division, and they are directed primarily toward:

- Control over the amounts of funds available to departments for expenditure.
- Recording of transactions in accounts established primarily for such funds control.
- Reporting, such as the Annual Financial Report of the State of Hawaii and more frequent reports on funds control accounts.

(b) Departmental Accounting and Reporting. Departmental accounting and reporting requirements are described broadly in the immediately following sections. The Comptroller's detailed requirements of the departments and agencies in order to perform his central accounting and reporting function are described in the accompanying volumes of this accounting manual.