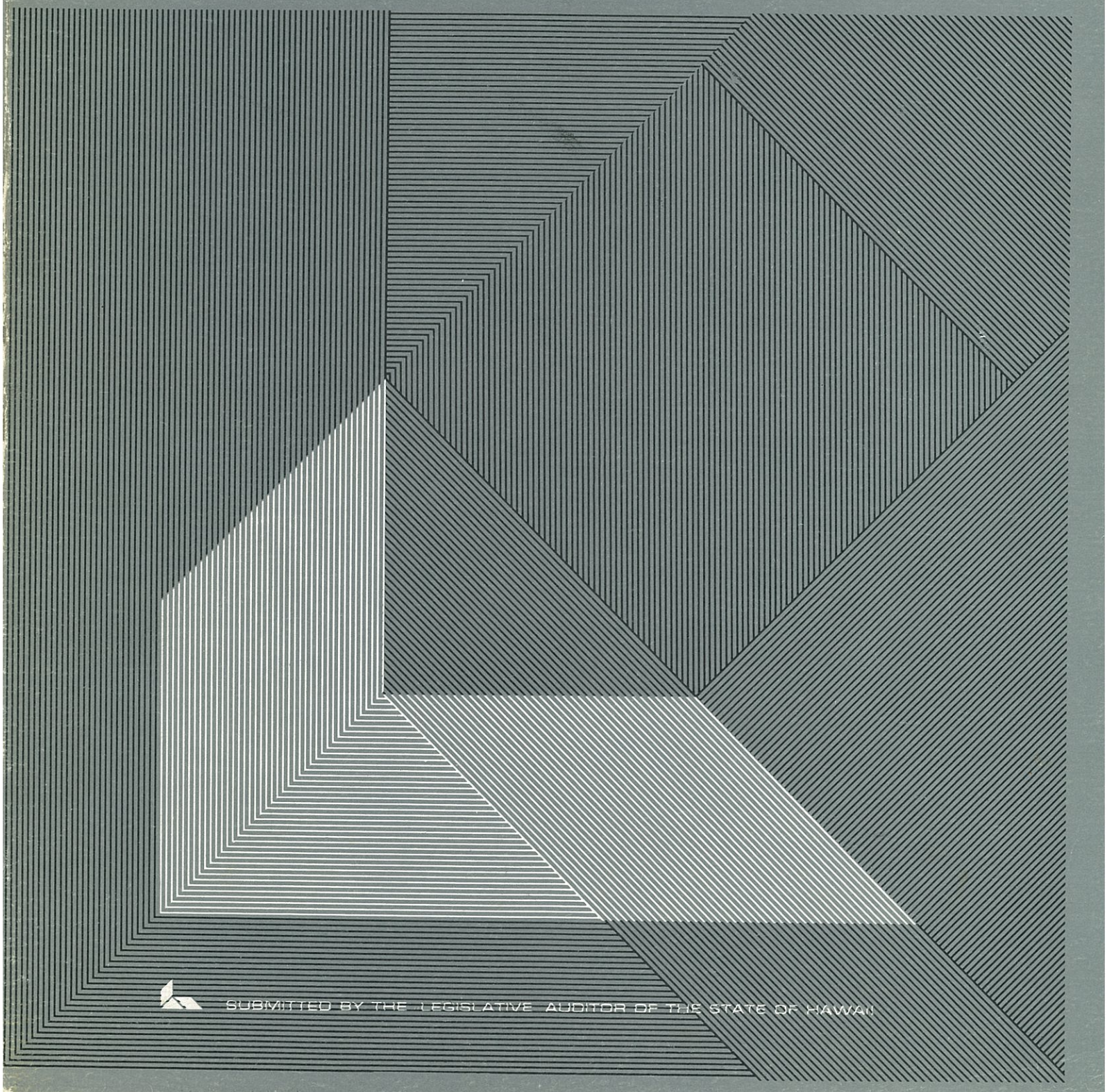
AUDIT REPORT NO. 69-1
JANUARY 1969

FINANCIAL AUDIT OF THE GENERAL FUND STATE OF HAWAII

FOR THE FISCAL YEAR ENDED
JUNE 30, 1968

A REPORT TO THE GOVERNOR AND THE
LEGISLATURE OF THE STATE OF HAWAII



SUBMITTED BY THE LEGISLATIVE AUDITOR OF THE STATE OF HAWAII

THE OFFICE OF THE LEGISLATIVE AUDITOR

The office of the legislative auditor is a public agency attached to the Hawaii State legislature. It is established by Article VI, Section 8, of the Constitution of the State of Hawaii. The expenses of the office are financed through appropriations made by the legislature.

The primary function of this office is to strengthen the legislature's capabilities in making rational decisions with respect to authorizing public programs, setting program levels, and establishing fiscal policies and in conducting an effective review and appraisal of the performance of public agencies.

The office of the legislative auditor endeavors to fulfill this responsibility by carrying on the following activities.

1. Conducting examinations and tests of state agencies' planning, programming, and budgeting processes to determine the quality of these processes and thus the pertinence of the actions requested of the legislature by these agencies.
2. Conducting examinations and tests of state agencies' implementation processes to determine whether the laws, policies, and programs of the State are being carried out in an effective, efficient and economical manner.
3. Conducting systematic and periodic examinations of all financial statements prepared by and for all state and county agencies to attest to their substantial accuracy and reliability.
4. Conducting tests of all internal control systems of state and local agencies to ensure that such systems are properly designed to safeguard the agencies' assets against loss from waste, fraud, error, etc.; to ensure the legality, accuracy and reliability of the agencies' financial transaction records and statements; to promote efficient operations; and to encourage adherence to prescribed management policies.
5. Conducting special studies and investigations as may be directed by the legislature.

Hawaii's laws provide the legislative auditor with broad powers to examine and inspect all books, records, statements, documents and all financial affairs of every state and local agency. However, the office exercises no control functions and is restricted to reviewing, evaluating, and reporting its findings and recommendations to the legislature and the governor. The independent, objective, and impartial manner in which the legislative auditor is required to conduct his examinations provides the basis for placing reliance on his findings and recommendations.

LEGISLATIVE AUDITOR

LEGISLATIVE AUDITOR
IOLANI PALACE
HONOLULU, HAWAII 96813

FOREWORD

This financial audit report is the result of the examination of the financial statements and records of the general fund of the State of Hawaii for the fiscal year ended June 30, 1968. The audit was conducted by the firm of Peat, Marwick, Mitchell & Co., certified public accountants.

The audit was conducted in accordance with the generally accepted auditing standards adopted by the membership of the American Institute of Certified Public Accountants. In addition, the audit was governed by the *Instructions to Independent Certified Public Accountants on Audit Engagements of Agencies of the State of Hawaii,* issued by our office.

It is our practice to request each of the agencies affected by our examination to submit in writing its comments on our findings and recommendations and to indicate what action it has taken or intends to take therefor. Agency responses resulting from this audit are shown in Section VII of this report as *A Memorandum on the Comments Made by Affected Agencies.*

We wish to express our sincere appreciation for the excellent cooperation and assistance rendered by the management and staff of the various departments contacted during the audit.

Clinton T. Tanimura
Legislative Auditor

STATE OF HAWAII
GENERAL FUND

June 30, 1968

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STATE OF HAWAII
GENERAL FUND

SECTION I

ORGANIZATION OF REPORT

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
FINANCIAL PLAZA OF THE PACIFIC
P. O. BOX 3556
HONOLULU, HAWAII 96811

Legislative Auditor, State of Hawaii
Honolulu, Hawaii

Dear Sir:

We have completed an examination of the financial statements of the General Fund of the State of Hawaii as of June 30, 1968 and submit herein our report containing our opinion on the financial statements, together with certain comments and recommendations relating to internal check and control and accounting procedures. In accordance with the terms of our contract, the scope of our examination did not include the examination of:

1. Those portions of the General Fund records, transactions and system administered by the State Department of Budget and Finance and Department of Personnel Services;

2. Those portions of the General Fund records, transactions and system administered by the State Department of Health, relating to the public hospitals and public health functions covered by Act 97, Session Laws of Hawaii 1965; Act 14, Session Laws of Hawaii 1966; and Act 203, Session Laws of Hawaii 1967;

3. The General Fund records, transactions and system of Federal funds received and expended in direct support of the Hawaii National Guard, and administered by the State Department of Defense; and

4. Those portions of the General Fund records, transactions and system relating to the collection of revenue and other receipts, including Federal grants, by the State Departments of Health, Land and Natural Resources, and Regulatory Agencies.

The scope of our examination was broadened to conform to these objectives and contract provisions.

Organization of Report

This report has been organized into six sections as follows:

1. Section I describes briefly the objectives of our examination and the organization and contents of the report.

2. Section II entitled "Accountants' Report - Financial Statements and Schedules" contains the financial statements of the General Fund of the State of Hawaii as of June 30, 1968 and for the year then ended, our opinion as to the fairness of the representations of these statements, and explanatory comments on certain items included in the statements.

3. Section III entitled "Uniform Accounting System" includes our evaluation of the effectiveness of the present methods of accumulating accounting data and the adequacy of financial reports, our views on the desirability of establishing a fully mechanized uniform accounting system, and a discussion on the progress to date on such a project.

4. Section IV entitled "Statewide Information System" discusses the progress of this project in attaining its original objectives insofar as these objectives related to the statewide uniform accounting system. It also contains certain recommendations which, in our opinion, will contribute to the successful completion of the project.

5. Section V entitled "Internal Control and Accounting Procedures" relates to specific weaknesses in internal control and accounting procedures observed during the course of our examination and our recommendations as to corrective action. This section contains the comments on petty cash funds and the warrant voucher system specifically requested in the contract.

6. Section VI summarizes our conclusions and recommendations.

The courteous cooperation accorded our representatives by members of your staff and the personnel of the various departments, with whom we had contact, is appreciated.

Very truly yours,

Peat, Marwick, Mitchell & Co.

STATE OF HAWAII
GENERAL FUND

SECTION II

ACCOUNTANTS' REPORT

FINANCIAL STATEMENTS AND SCHEDULES

STATE OF HAWAII
GENERAL FUND

Section II

Accountants' Report

Financial Statements and Schedules

June 30, 1968

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STATE OF HAWAII
GENERAL FUND

Section II

Accountants' Report

Financial Statements and Schedules

INTRODUCTION

The General Fund accounts for all resources of the State of Hawaii not specifically set aside for special purposes. Any activity not financed through another fund is financed through the General Fund. Although certain capital improvement projects are financed through the General Fund and certain other expenditures are controlled by terms of grants from the Federal government, the majority of the expenditures are controlled by the operating budget as approved by the Legislature.

This section of the report contains the financial statements of the General Fund of the State of Hawaii as of June 30, 1968 and for the year then ended, our opinion as to the fairness of the representation of these statements, and explanatory comments on certain items included in the statements. We describe briefly in the following paragraphs the nature and significance of the contents of this section:

Accountants' Report

As stated previously, the primary purpose of our examination was to enable us to form an opinion as to the financial position of the General Fund of the State of Hawaii at June 30, 1968 and the results of its operations for the year then ended. The accountants' opinion represents the conclusion of the independent auditor regarding the fairness of the representations set forth in the financial statements, and the accountants' report is used to communicate such conclusion to interested parties.

Notes to Financial Statements

Notes to financial statements are used to disclose material facts relating to the financial statements required to present fairly financial position and results of operations.

Balance Sheet

The balance sheet reflects the financial position of the General Fund as of June 30, 1968. In commercial enterprises this financial statement is used primarily to analyze the solvency of the business; however, the primary purpose of the balance sheet of a general fund of a governmental entity is to determine resources available for appropriation by the legislative body.

Assets of the Fund are cash and amounts due for advances to other funds or agencies, for services rendered, and for taxes assessed. The excess of the assets over liabilities, reserves and continuing appropriations represents the net assets available for appropriation or the fund balance (often referred to as unappropriated surplus).

Under the cash basis method of reporting revenue used by the State of Hawaii, only certain temporary advances to other funds or agencies are included in the net assets available for appropriation, the remainder of the amounts receivable reflected on the balance sheet are offset by reserves and therefore do not increase the fund balance until such time as they are converted into cash. These latter receivables are referred to as being fully reserved.

Statement of Changes in Fund Balance

The statement of changes in fund balance summarizes the results of operations for the year, thereby indicating the increase or decrease in resources available for appropriation by the Legislature. During the year ended June 30, 1968, such available resources increased $5,463,696 from $19,965,716 at June 30, 1967 to $25,429,412 at June 30, 1968. As indicated on the statement, the fund balance was increased by revenue and appropriated receipts collected, decreased by expenditures, and was further reduced by an increase in funds committed for expenditures or reserved for specific purposes at the end of the year as compared to the beginning of the year. This increase in fund balance could be further analyzed as follows:

Revenue		$ 261,414,145
Less appropriations:		
General session of 1965	$ 6,000	
Budget session of 1966	6,051	
General session of 1967 (effective after July 1, 1967)	241,783,269	
Budget session of 1968 (effective prior to June 30, 1968)	8,524,501	
Authorized by State Constitution	115,500	
Special and continuing	12,229,530	262,664,851
		(1,250,706)
Terminated appropriations (lapses)		6,714,402
Increase in fund balance		$ 5,463,696

Statement of Revenue and Appropriated Receipts

This statement summarizes revenue and appropriated receipts by type of revenue. Also included, as supplementary data, are summaries and detailed schedules by the departments in which the revenue was collected.

Statement of Appropriations and Expenditures

This statement summarizes the funds authorized for expenditure carried forward from the preceding year, funds made available for expenditure by the

Legislature during the year, grants and other revenue designated for specific purposes received during the year, expenditures of available funds, terminations of unexpended appropriations (lapses), and the resulting funds authorized for expenditure at the end of the year. Also included are schedules setting forth the same information in greater detail.

STATE OF HAWAII
GENERAL FUND

Glossary of Certain Terms Used in Financial Statements

The following is a glossary of certain accounting terms associated with the financial statements:

Allotment - Part of an appropriation which may be encumbered or expended during an allotment period. Appropriations are subject to quarterly allotments pursuant to the provisions of Chapter 35, Revised Laws of Hawaii 1955.

Appropriated receipts - Receipts which are received and designated to be used for specific purposes or projects which are accounted for within the General Fund rather than a special fund. Substantially all appropriated receipts reflected in the General Fund of the State of Hawaii represent Federal grants-in-aid.

Appropriations - Authorizations granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to the time when it may be expended. See, however, continuing appropriations below.

Continuing appropriations - Appropriations which, once established, are automatically renewed without further legislative action until altered, revoked or until the purpose for which the funds were appropriated is completed.

Unallotted appropriation - An appropriation balance available for allotment. Amounts appropriated are usually allotted quarterly by the Department of Budget and Finance based on requirements developed by department heads.

Encumbrances and claims - Obligations in the form of purchase orders, contracts or other commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or when the actual liability is set up as warrants payable.

Expenditures - Cost of goods delivered or services rendered, whether paid or unpaid, including expenses, provision for debt retirement not reported as a liability of the fund from which retired, and capital outlays. Expenditures are distinguished from encumbrances in that expenditures relate to goods delivered or services rendered whereas encumbrances represent commitments or obligations for goods to be delivered or services to be rendered and for which no actual liability has been incurred.

Lapses - As applied to appropriations, the term denotes the automatic termination of an appropriation. Except for continuing or indeterminate appropriations, an appropriation is made for a certain period of time.

At the end of this period, any unexpended or unencumbered balance thereof is returned to fund balance, unless otherwise provided by law.

Transfers and other credits - Authorized transfers or changes within appropriation allotments.

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
FINANCIAL PLAZA OF THE PACIFIC
P. O. BOX 3556
HONOLULU, HAWAII 96811

ACCOUNTANTS' REPORT

We have examined the balance sheet of the General Fund of the State of Hawaii as of June 30, 1968 and the related statements of changes in fund balance, revenues and appropriated receipts, and appropriations and expenditures for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as indicated in the following paragraph.

In accordance with the terms of our engagement, the scope of our audit did not include the examination of:

A. Those portions of the General Fund records, transactions and system administered by the State Department of Budget and Finance and Department of Personnel Services;

B. Those portions of the General Fund records, transactions and system administered by the State Department of Health, relating to the public hospitals and public health functions covered by Act 97, Session Laws of Hawaii 1965; Act 14, Session Laws of Hawaii 1966; and Act 203, Session Laws of Hawaii 1967;

C. The General Fund records, transactions and system of Federal funds received and expended in direct support of the Hawaii National Guard, and administered by the State Department of Defense; and

D. Those portions of the General Fund records, transactions and system relating to the collection of revenue and other receipts, including Federal grants, by the State Departments of Health, Land and Natural Resources, and Regulatory Agencies.

The transactions of the Department of Budget and Finance were audited by other certified public accountants whose report has been furnished to us. The transactions of the other portions or areas of the General Fund set forth above, representing approximately nine percent of revenues and five percent of expenditures, were unaudited. Accordingly, we do not express an opinion on these revenues and expenditures which enter into the determination of the fund balance and which amount to $31,427,011 and $17,688,933, respectively.

In our opinion, with the exception stated in the preceding paragraph and based on our examination and the aforementioned report of other certified public accountants, the accompanying balance sheet and related statements of changes in fund balance, revenues and appropriated receipts, and appropriations and expenditures present fairly the financial position of the General Fund of the State of Hawaii as of June 30, 1968 and the results of its operations for the year then ended, in conformity, in all material respects, with generally accepted accounting principles applied on a basis consistent with the preceding year. The supplementary data included in Schedules 1 - 4 have been subjected to the same auditing procedures and, in our opinion, with the previously stated exception, are stated fairly in all material respects when considered in conjunction with the basic financial statements taken as a whole.

Peat, Marwick, Mitchell & Co.

October 11, 1968

STATE OF HAWAII
GENERAL FUND

Notes to Financial Statements

June 30, 1968

(1) Accounting Principles and Procedures

The accounting system of the State of Hawaii was installed under the provisions of Act 181, Session Laws of Hawaii 1923, as amended by Act 220, Session Laws of Hawaii 1925. Under the authority granted to the Comptroller by Section 34-17, Revised Laws of Hawaii 1955, modifications in the system have been made from time to time to meet the many changes which have taken place with regard to the territorial and state governments in the intervening years. Summarized below are the principles and procedures currently in effect.

(a) Basis of Accounting for Revenues

Revenues are recorded when collected in cash. An exception to this general rule is the recording of principal installment repayments received from the counties and other governmental agencies on certain general obligation bonds issued for their purposes prior to Statehood. Such principal installment repayments are required by statute to be made one year in advance; they are therefore not recorded in the year of collection as revenues.

(b) Basis of Accounting for Expenditures and Encumbrances

Expenditures are recorded at the time vouchers for payment are filed with the Comptroller. At the end of a fiscal year, existing liabilities for which payment is due are vouchered and recorded as expenditures as of the end of the year. Other liabilities for which payment is not due, and obligations in the form of open purchase orders, are recorded as encumbrances at the end of a fiscal year and are not recorded as expenditures until the liability for payment is incurred.

(c) Accounting for Debt Service Charges

Debt service charges (principal and interest) paid by the General Fund are recorded in the accounts as expenditures; reimbursement of such charges by the counties and state agencies are recorded as revenue.

(d) Fixed Assets and Depreciation

General fixed assets purchased or constructed are recorded initially as expenditures and are subsequently carried at cost in the General Fixed Assets Group of Accounts. Depreciation on general fixed assets is not recorded in the general accounting records.

STATE OF HAWAII
GENERAL FUND

Notes to Financial Statements, Continued

The above accounting practices conform substantially to those recommended by the National Committee on Governmental Accounting except as to recording revenue when received in cash. The Committee recommends that revenue be recorded when earned, with an adequate provision for amounts which may prove to be uncollectible. Considering the nature of the revenue earned but not received in cash and therefore not recorded, and the probable required provision for uncollectible amounts, this deviation from the practice recommended by the National Committee on Governmental Accounting is not considered to have a material affect on the financial position and results of operations of the General Fund.

(2) Unrecorded Liabilities and Commitments

(a) Unrecorded Liability

Within certain limitations the employees of the State of Hawaii are entitled to receive cash payments for accumulated vacation pay upon termination of their employment. The State Legislature does not follow a policy of appropriating funds for such terminal vacation pay; therefore, current earned vacation pay, to the extent of vacations not taken by employees, is not charged against current operations, and the liability for such accumulated vacation pay is not reflected in the accompanying financial statements.

(b) Commitments

Sick leave can accumulate at the rate of one and three-quarters working days for each month of service without limit, but can be taken only in the event of illness. Accumulated sick leave credits are not convertible to pay upon termination of employment.

We were unable to obtain sufficient information for the determination of the approximate liability at June 30, 1968, with respect to the above.

Exhibit A

STATE OF HAWAII
GENERAL FUND

Balance Sheet

June 30, 1968

Liabilities, Reserves and Fund Balance

Liabilities:		
Warrants payable		$ 13,603,253
Bond principal payments collected in advance		3,629,843
Temporary loans:		
From State Treasury	$ 5,000	
From Hawaii Office of Economic Opportunity	96,000	101,000
Total liabilities		17,334,096
Reserves:		
Unliquidated encumbrances	13,317,658	
Unrealized receivables	10,887,025	
Bond fund loans	118,626,459	
Advances to employees for travel expenses	42,350	
Total reserves		142,873,492
Continuing appropriations:		
Unallotted appropriations	14,572,131	
Unencumbered allotments	3,450,386	
Total continuing appropriations		18,022,517
Fund balance		25,429,412
		$ 203,659,517

See accompanying notes to financial statements.

STATE OF HAWAII
GENERAL FUND

Explanatory Comments on Certain Balance Sheet Accounts

In the following paragraphs, the composition and significance of certain of the more material balance sheet accounts are discussed.

Cash - $49,940,662

The Department of Budget and Finance is responsible for the custody and management of General Fund cash. At June 30, 1968, the Department held $49,679,081 and accounted for it as follows:

Cash collected by various departments in transit to State Treasury	$ 1,735,459
Cash in State Treasury, deposited in commercial bank accounts	22,525,622
Investments in bank certificates of deposit	25,418,000
	$ 49,679,081

The University of Hawaii also held certain Federal funds as permitted by statute. Such funds, totaling $219,721, are not required to be deposited in the State Treasury and are administered by the University in accordance with conditions established by Federal agencies.

Due from Trust Funds - $16,440,261

This amount, which consists primarily of taxes collected and recorded as revenue in the year ended June 30, 1968, was in transit to General Fund bank accounts as of the balance sheet date.

Due from Bond Funds - $7,000,000

Under the provisions of Section 132.13, Revised Laws of Hawaii 1955, the General Fund has made temporary advances totaling $7,000,000 to bond funds. Such advances are repayable from proceeds of bond sales.

General Fund Revenue Temporarily Retained by University of Hawaii - $614,382

As indicated in later sections of this report, the University of Hawaii has not been able to deposit General Fund revenue in the State Treasury within the time limitations prescribed by law. At June 30, 1968, $614,382 of General Fund revenue had been received by the University and not transmitted to the State Treasury.

Taxes Receivable - $9,799,904

Taxes receivable consisted of the following as of June 30, 1968:

	District Office				
	Oahu	Hawaii	Kauai	Maui	Total
Net income:					
Corporation	$ 2,304	14,813	464	114	17,695
Individual	1,069,487	69,003	12,935	23,957	1,175,382
Total net income	1,071,791	83,816	13,399	24,071	1,193,077
Public service companies	5,840,984	345,905	145,593	187,265	6,519,747
General excise and compensation	1,748,680	6,250	5,418	43,750	1,804,098
Inheritance and Hawaii estate	84,145	-	-	-	84,145
Franchise	192,603	311	2,483	3,440	198,837
	$ 8,938,203	436,282	166,893	258,526	9,799,904

Of the above amount, $3,879,932 represents taxes paid under protest, payments for which are deposited in a trust fund pending final determination of tax liability; $4,580,285 relates primarily to amounts due subsequent to June 30, 1968 on public service and franchise tax returns filed prior to that date; and the remainder, $1,339,687, represents amounts due on individual and corporate net income, franchise and public service tax returns filed with only partial or no payment of the liability shown as due and payable on the return, or from assessments by the Department of Taxation.

Under the cash basis of accounting for revenue, these amounts are not recorded as revenue until the taxes have been paid in cash. Accordingly, the fund balance is not increased when the receivables are recorded in the accounts; rather, the receivable are offset by a reserve for taxes receivable on the balance sheet.

The State has consistently followed the practice of not reflecting on the balance sheet amounts due on tax returns filed with only partial or no payments or additional assessments on general excise use and certain other miscellaneous taxes. If these taxes were accorded the same accounting treatment as net income, public service and franchise taxes, taxes receivable would have been increased by approximately $4,000,000. However, as previously explained, there would be no affect on the General Fund balance, as all taxes are recorded as revenue only when payment is received.

Notes Receivable - $451,875

The following tabulation summarizes notes receivable as of June 30, 1968:

State disaster commercial loans	$ 317,775
State depressed area loans	134,100
	$ 451,875

The State Disaster Commercial Loans Act provided funds to assist businesses and businessmen suffering losses resulting from the tsunami of May 1960. The loans are repayable in monthly installments, including interest at four percent per annum.

The State Depressed Areas Redevelopment Act made funds available, jointly with the Federal government, for the construction of facilities which would provide for employment as defined by the program. At present, there are three loans under the program made to businessmen in the County of Hawaii. Under the provisions of the loan agreements, principal repayments to the State of Hawaii are not required until such time as the loans under the Federal program have been repaid in their entirety.

The Director of the Department of Planning and Economic Development acts as administrator of the loans consummated under the provision of both acts.

Appropriated Advancements - $610,239

The General Fund, in accordance with appropriations authorized by the Legislature, has expended funds for the following reimbursable programs:

Improvements to public lands:	
Kapiolani Park	$ 10,807
Sewer improvements - Saratoga Road	27,108
Sewer improvements - Aina Haina	4,123
Other	16
	42,054
Public housing for 1960 tsunami victims in Hilo	472,185
Hawaii Office of Economic Opportunity - advance for Project Head Start	96,000
	$ 610,239

Of the $42,054 advancement for improvements to public lands, $10,807 was to have been repaid by the Hawaii Polo and Racing Association and the remainder by the United States Government. These amounts have been outstanding for a number of years, and their ultimate collectibility is not presently determinable.

The advancement for public housing is to be repaid from revenues derived from the project after deducting reasonable administrative and operating expenses. During the year ended June 30, 1968, $806 was received from the Hawaii Housing Authority in partial repayment of the advance.

Act 54, Session Laws of Hawaii 1967 authorized advances to the Hawaii Office of Economic Opportunity to implement authorized projects. The State of Hawaii is to be reimbursed by the Federal government for the $96,000 advanced under the provisions of this act.

Bond Fund Loans - $118,626,459

Debt service costs of general obligation bonds are charged to the general revenues of the State except as otherwise indicated by legislation. If debt service costs of certain general obligation bonds are directed by legislation to be paid from other than general revenues, the amount to be paid from other sources is recorded in the General Fund to provide a permanent record of the source of payment. These amounts are reflected on the accompanying balance sheet under the caption "bond fund loans" and consisted of the following at June 30, 1968:

Source of payment	Principal	Interest	Total
City and County of Honolulu	$ 12,204,449	235,528	12,439,977
County of Maui	914,158	17,101	931,259
County of Hawaii	4,040,746	73,617	4,114,363
County of Kauai	748,241	15,929	764,170
	17,907,594	342,175(1)	18,249,769
Department of Transportation:			
Highways Division	57,312,051	-	57,312,051
Harbors Division	8,150,000	-	8,150,000
Airports Division	7,568,370	-	7,568,370
Veterans Loans	13,695,143	-	13,695,143
Land Development Revolving Fund	3,521,216	-	3,521,216
Hawaii Water Authority	6,180,795	-	6,180,795
University of Hawaii	1,422,653	-	1,422,653
New York World's Fair	2,328,000	198,462(2)	2,526,462
	$ 118,085,822	540,637	118,626,459

(1) Represents interest to become payable during the period June 30, 1968 to December 31, 1968.

(2) Represents interest paid by the General Fund, but not reimbursed by the New York World's Fair Special Fund.

The New York World's Fair 1964-1965 Special Fund has not been able to reimburse the General Fund for debt service charges pursuant to the provisions of Section 6, Act 4 of the Session Laws of Hawaii 1962. Accordingly, the debt services charges are being absorbed by the General Fund. Of the principal balance shown above, $1,396,800 has been paid by the General Fund, and the remainder, $931,200, will be payable in future years.

Advances to Employees for Travel Expenses - $42,350

As the account caption indicates, this amount represents travel advances to State employees which had not cleared at June 30, 1968 by the submission of substantiation of money expended. Advances are recorded as expenditures at the date the funds are advanced and only that portion which is not required to defray the expenses of the travel will be returned to the State Treasury.

Warrants Payable - $13,603,253

Warrants payable consist of outstanding and unpaid orders drawn by the Comptroller upon the State Treasury directing the latter to pay a specified sum

to the person named or to bearer which have been issued in payment of liabilities incurred by the State. They are payable on demand and accordingly circulate in the same manner as a bank check. As warrants are prepared for substantially all ascertained liabilities at the end of the accounting period, there are no material amounts for which payment is due not recorded on the accompanying balance sheet.

Bond Principal Payments Collected on Advance

As indicated previously, certain general obligation bonds are paid from sources other than General Fund revenue. The following amounts had been transmitted to the General Fund as of June 30, 1968 to be applied to the principal of bonds maturing during the succeeding fiscal year:

City and County of Honolulu	$ 2,106,435
County of Maui	299,398
County of Hawaii	465,985
County of Kauai	161,127
Department of Transportation:	
Highways Division	283,103
Airports Division	313,795
	$ 3,629,843

Reserve for Unliquidated Encumbrances - $13,317,658

Unliquidated encumbrances represent purchase orders and contracts outstanding at June 30, 1968 against which deliveries of goods and services were not made as of that date. The account is reduced upon expenditure of funds after the goods or services are delivered.

Reserve for Unrealized Receivables - $10,887,025
Reserve for Bond Fund Loans - $118,626,459
Reserve for Advances to Employees for Travel Expenses - $42,350

These reserves are the offsets to the related asset accounts. As explained previously, they are established to prevent the fund balance to be increased by the amount of the related assets prior to the conversion of the assets into cash.

Continuing Appropriations - $18,022,517

In general, funds authorized to be expended for operating expenses not expended or committed to be expended at the end of the fiscal year automatically terminate. However, certain authorizations to expend funds for operating expenses as designated by the Legislature, authorizations for capital improvement projects and unexpended Federal grants and similar amounts remain available for expenditure for their designated purpose in succeeding fiscal years. Such amounts aggregated $18,022,517 at June 30, 1968 and are shown under caption "continuing appropriations" on the accompanying balance sheet.

Fund Balance - $25,429,412

The fund balance represents the net assets of the General Fund presently available for appropriation by the Legislature.

Exhibit B

STATE OF HAWAII
GENERAL FUND

Statement of Changes in Fund Balance

Year ended June 30, 1968

Fund balance, June 30, 1967		$ 19,965,716
Add:		
Excess of revenue and appropriated receipts over expenditures:		
Revenue (Exhibit C)	$ 261,414,145	
Appropriated receipts (Exhibit C)	78,421,630	
	339,835,775	
Expenditures (Exhibit D)	331,154,923	8,680,852
Continuing appropriations, June 30, 1967:		
Unallotted appropriations	10,740,408	
Unencumbered allotments	2,667,211	
	13,407,619	
Unliquidated encumbrances, June 30, 1967	14,715,400	28,123,019
		56,769,587
Deduct:		
Continuing appropriations, June 30, 1968:		
Unallotted appropriations	14,572,131	
Unencumbered allotments	3,450,386	
	18,022,517	
Unliquidated encumbrances, June 30, 1968	13,317,658	
		31,340,175
Fund balance, June 30, 1968		$ 25,429,412

See accompanying notes to financial statements.

STATE OF HAWAII
GENERAL FUND

Statement of Revenues and Appropriated Receipts

Year ended June 30, 1968

	Revenue	Appropriated receipts	Total
Taxes and licenses:			
General excise tax	$ 114,359,639	-	114,359,639
General excise licenses	158,836	-	158,836
Net income tax - corporation	11,196,352	-	11,196,352
Net income tax - individual	70,308,627	-	70,308,627
Inheritance and estate tax	1,606,042	-	1,606,042
Liquor permits and tax	6,291,427	-	6,291,427
Public service companies tax	10,544,914	-	10,544,914
Public service companies fees	324,084	-	324,084
Tobacco licenses and tax	4,972,852	-	4,972,852
Tax on premiums of insurance companies	5,147,387	-	5,147,387
Franchise tax (banks and other financial institutions)	1,495,073	-	1,495,073
Other taxes	304,711	-	304,711
	226,709,944	-	226,709,944
Other licenses and permits	425,266	84,734	510,000
Fines, forfeits and penalties	1,697,706	-	1,697,706
Revenue from use of money and property:			
Interest earned received	5,847,754	224,186	6,071,940
Rents and royalties	189,017	-	189,017
Federal grants-in-aid	8,190	77,306,642	77,314,832
Grants from counties and other local units	-	170,082	170,082
Revenue from private sources	58,346	17,312	75,658
Charges for current services:			
General government	2,551,845	-	2,551,845
Public safety	953,882	-	953,882
Development and conservation of natural resources	149,640	6,206	155,846
Health	438,350	18,804	457,154
Hospitals	2,189,498	-	2,189,498
Education	6,722,179	33,996	6,756,175
Libraries	68,733	-	68,733
Recreation	88,032	453	88,485
Miscellaneous	2,581,289	243,449	2,824,738
Utilities	309,140	35,793	344,933
Other revenues:			
Sale of equipment and other property	1,884	4,479	6,363
Prior period refunds and reimbursements	472,073	24,101	496,174
Investments	33,219	-	33,219
Sale of stores	2,402	57,327	59,729
Transfers and repayments from other funds	2,170,215	189,066	2,359,281
Other	183,995	-	183,995
Borrowings	-	5,000	5,000
Repayment of principal of general obligation bonds by other civil divisions and State agencies	7,561,546	-	7,561,546
	$ 261,414,145	78,421,630	339,835,775

See accompanying notes to financial statements.

STATE OF HAWAII
GENERAL FUND

Statement of Appropriations and Expenditures

Year ended June 30, 1968

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances
Education:											
Department of Education:											
Operating appropriations	$ -	-	2,860,284	83,050,095	4,361	9,489,758	86,176,435	2,879,111	3,884,798	-	2,464,154
Insurance fund allotments	60,415	-	54,367	-	-	(11,067)	41,081	-	188	38,545	23,901
Special and continuing appropriations	27,118	-	5,408	-	34,066	-	32,033	-	34,559	-	-
Act 97 functions	-	-	8,713	-	-	-	3,807	4,368	-	-	538
Federal funds	5,122,395	-	919,488	-	12,368,419	(11,018,683)	6,335,845	-	560,649	-	495,125
Total Department of Education	5,209,928	-	3,848,260	83,050,095	12,406,846	(1,539,992)	92,589,201	2,883,479	4,480,194	38,545	2,983,718
University of Hawaii:											
Operating appropriations	9,240	-	1,271,990	31,984,402	233,729	563,471	32,992,804	24,984	4,205	-	1,040,839
Special and continuing appropriations	20,000	-	18,865	85,000	-	20,000	59,991	-	70,929	-	12,945
Federal funds	973,439	-	-	-	26,522,685	142,537	27,241,693	-	396,968	-	-
Total University of Hawaii	1,002,679	-	1,290,855	32,069,402	26,756,414	726,008	60,294,488	24,984	472,102	-	1,053,784
Total Education	6,212,607	-	5,139,115	115,119,497	39,163,260	(813,984)	152,883,689	2,908,463	4,952,296	38,545	4,037,502
Development and Conservation of Natural Resources:											
Department of Agriculture:											
Operating appropriations	-	-	31,199	2,511,770	13,523	(3,047)	2,481,234	43,197	-	-	29,015
Special and continuing appropriations	-	-	-	-	5,000	-	2,597	-	2,326	-	77
Federal funds	36,954	-	1,254	-	109,148	-	131,705	-	8,089	-	7,561
Total Department of Agriculture	36,954	-	32,453	2,511,770	127,671	(3,047)	2,615,536	43,197	10,415	-	36,653
Department of Land and Natural Resources:											
Operating appropriations	-	-	263,189	3,162,154	90,054	336,873	3,309,224	365,054	-	-	177,992
Special and continuing appropriations	286,489	-	58,838	-	5,000	(1,007)	160,109	3,000	122,653	-	63,558
Federal funds	154,218	-	-	-	2,148,034	(344,355)	1,817,457	-	140,440	-	-
Total Department of Land and Natural Resources	440,707	-	322,027	3,162,154	2,243,088	(8,489)	5,286,790	368,054	263,093	-	241,550
Department of Planning and Economic Development:											
Operating appropriations	-	-	111,596	2,614,843	37,496	69,186	2,546,952	143,206	-	-	142,963
Special and continuing appropriations	158,690	-	27,215	425,005	2,335	(6,000)	47,760	147,367	401,515	-	10,603
Federal funds	214,686	-	39,789	-	365,322	12,000	522,549	-	84,456	-	24,792
Total Department of Planning and Economic Development	373,376	-	178,600	3,039,848	405,153	75,186	3,117,261	290,573	485,971	-	178,358
Department of Transportation:											
Operating appropriations	17,751	-	15,567	399,892	-	5,691	315,659	18,895	-	-	104,344
Special and continuing appropriations	118,857	-	-	-	-	-	1,404	-	117,454	-	-
Federal funds	4,036	-	-	-	73,004	-	57,844	-	19,196	-	-
Total Department of Transportation	140,644	-	15,567	399,892	73,004	5,691	374,907	18,895	136,650	-	104,344
Total Development and Conservation of Natural Resources	991,681	-	548,647	9,113,664	2,848,916	69,341	11,394,494	720,719	896,129	-	560,905

(Continued)

Exhibit D, Cont.

STATE OF HAWAII
GENERAL FUND

Statement of Appropriations and Expenditures, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances
Health, Protective and Social Services:											
Department of Defense:											
Operating appropriations	$ -	-	96,367	1,029,568	230,239	2,286	1,236,628	40,665	-	-	81,167
Special and continuing appropriations	-	-	-	200,000	-	-	73,230	-	126,770	-	-
Federal funds	16,870	-	25,178	-	12,426,925	-	12,455,995	-	12,222	-	756
Total Department of Defense	16,870	-	121,545	1,229,568	12,657,164	2,286	13,765,853	40,665	138,992	-	81,923
Department of Health:											
Operating appropriations	-	-	353,466	13,056,046	1,188,390	67,422	14,052,216	211,600	-	-	401,509
Special and continuing appropriations	209,347	-	24,515	20,000	29,430	-	52,137	93,988	97,770	-	39,397
Act 97 functions	-	-	64,881	-	-	-	63,627	-	-	-	1,254
Federal funds	371,183	-	37,230	-	3,208,643	65,914	3,403,156	-	261,313	-	18,500
Total Department of Health	580,530	-	480,092	13,076,046	4,426,463	133,336	17,571,136	305,588	359,083	-	460,660
Act 97 - Health Functions:											
Operating appropriations	-	-	-	6,135,186	183	-	5,978,285	157,084	-	-	-
Judicial Branch:											
Operating appropriations	-	-	253,263	5,618,134	29,150	(246,000)	5,096,746	490,973	-	-	66,827
Special and continuing appropriations	143,956	-	56,781	70,000	-	246,000	94,445	-	256,799	-	165,494
Total Judicial Branch	143,956	-	310,044	5,688,134	29,150	-	5,191,191	490,973	256,799	-	232,321
Department of Labor and Industrial Relations:											
Operating appropriations	-	-	3,723	918,025	-	159,067	1,024,701	52,192	-	-	3,922
Special and continuing appropriations	314,288	-	-	18,000	-	-	5,546	-	326,742	-	-
Federal funds	14,984	-	15,573	-	2,514,590	1,378	2,516,883	-	29,642	-	-
Total Department of Labor and Industrial Relations	329,272	-	19,296	936,025	2,514,590	160,445	3,547,130	52,192	356,384	-	3,922
Department of Social Services:											
Operating appropriations	-	-	762,769	17,789,339	4,273	16,163,004	33,859,552	132,638	-	3,471	723,724
Special and continuing appropriations	9,454	-	-	150,000	-	-	11,061	-	148,393	-	-
Act 97 functions	-	-	43,960	253,000	-	(27,225)	227,175	31,366	-	-	11,194
Federal funds	714,582	-	132	-	14,347,211	(14,003,656)	210,967	-	844,198	-	3,104
Total Department of Social Services	724,036	-	806,861	18,192,339	14,351,484	2,132,123	34,308,755	164,004	992,591	3,471	738,022
Total Health, Protective and Social Services	1,794,664	-	1,737,838	45,257,298	33,979,034	2,428,190	80,362,350	1,210,506	2,103,849	3,471	1,516,848
Finance, Commerce and Staff Departments:											
Department of Accounting and General Services:											
Operating appropriations	4,837	-	238,134	3,741,455	88,682	108,338	3,514,898	375,747	-	95,033	195,768
Special and continuing appropriations	116,469	-	19,042	491,184	409,828	-	858,602	1,805	102,937	-	73,179
Act 97 functions	-	-	96,909	6,169,291	1,978	(15,118)	4,470,937	482,148	-	-	1,299,975
Federal funds	86,544	-	1,664	-	1,148,743	984,559	891,559	-	411,214	242,566	676,171
Total Department of Accounting and General Services	207,850	-	355,749	10,401,930	1,649,231	1,077,779	9,735,996	859,700	514,151	337,599	2,245,093
Department of the Attorney General:											
Operating appropriations	-	-	5,823	762,127	9,790	-	735,201	31,212	-	-	11,327
Special and continuing appropriations	50,361	-	-	-	-	-	943	-	49,418	-	-
Total Department of the Attorney General	50,361	-	5,823	762,127	9,790	-	736,144	31,212	49,418	-	11,327

(Continued)

STATE OF HAWAII
GENERAL FUND

Statement of Appropriations and Expenditures, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances
Finance, Commerce and Staff Departments, continued:											
Department of Budget and Finance:											
Operating appropriations	$ -	-	200,875	45,901,615	2,543	(2,401,497)	43,049,150	507,856	-	-	146,530
Special and continuing appropriations	3,217	-	339,944	17,201,055	7,183	52,642	13,882,606	186,424	3,519,011	-	16,000
Federal funds	25,093	-	-	-	297,815	(114,338)	181,498	-	27,072	-	-
Total Department of Budget and Finance	28,310	-	540,819	63,102,670	307,541	(2,463,193)	57,113,254	694,280	3,546,083	-	162,530
Executive:											
Operating appropriations	-	-	16,210	1,128,978	80,000	(196,275)	861,866	132,901	-	-	34,145
Special and continuing appropriations	168,570	-	13,827	1,370,000	-	(20,000)	179,049	10,462	1,342,886	-	-
Federal funds	12,753	-	-	-	167,550	(4,733)	140,620	-	7,283	-	27,668
Total Executive	181,323	-	30,037	2,498,978	247,550	(221,008)	1,181,535	143,363	1,350,169	-	61,813
Office of the Lieutenant Governor:											
Operating appropriations	-	-	-	185,289	-	21,664	179,603	619	-	-	26,731
Special and continuing appropriations	-	-	-	295,000	-	-	151,029	-	131,593	-	12,378
Total Office of the Lieutenant Governor	-	-	-	480,289	-	21,664	330,632	619	131,593	-	39,109
Department of Personnel Services:											
Operating appropriations	-	-	927	514,392	1,067	(2,604)	497,205	8,368	-	-	8,209
Special and continuing appropriations	5,130	-	-	-	-	-	-	-	5,130	-	-
Total Department of Personnel Services	5,130	-	927	514,392	1,067	(2,604)	497,205	8,368	5,130	-	8,209
Department of Regulatory Agencies:											
Operating appropriations	-	-	24,584	1,121,867	-	35,000	1,151,183	4,642	-	-	25,625
Special and continuing appropriations	20,000	-	-	10,000	-	-	20,525	-	73	-	9,403
Total Department of Regulatory Agencies	20,000	-	24,584	1,131,867	-	35,000	1,171,708	4,642	73	-	35,028
Department of Taxation:											
Operating appropriations	-	-	14,670	3,305,999	3,589	(152,554)	3,059,338	102,472	-	-	9,893
Special and continuing appropriations	218,311	-	3,302	38,951	-	-	231,507	-	8,600	-	20,458
Total Department of Taxation	218,311	-	17,972	3,344,950	3,589	(152,554)	3,290,845	102,472	8,600	-	30,351
Total Finance, Commerce and Staff Departments	711,285	-	975,911	82,237,203	2,218,768	(1,704,916)	74,057,319	1,844,656	5,605,217	337,599	2,593,460
Department of Hawaiian Home Lands:											
Special and continuing appropriations	150,000	-	-	100,000	-	-	250,000	-	-	-	-
Other Boards and Commissions:											
Special and continuing appropriations	123,350	-	-	25,000	-	-	47,964	-	46,324	-	54,062
Federal funds	3	-	-	-	31,887	(28,200)	3,687	-	3	-	-
Total Other Boards and Commissions	123,353	-	-	25,000	31,887	(28,200)	51,651	-	46,327	-	54,062
Subsidies to Counties and Private Agencies:											
Operating appropriations	-	-	-	1,760,138	-	42,000	1,801,619	519	-	-	-
Special and continuing appropriations	9,506	-	-	7,500	-	-	-	-	17,006	-	-
Federal funds	-	-	-	-	167,000	-	-	-	167,000	-	-
Total Subsidies to Counties and Private Agencies	9,506	-	-	1,767,638	167,000	42,000	1,801,619	519	184,006	-	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Statement of Appropriations and Expenditures, Continued

	Balance, June 30, 1967					Transfer			Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances	Appropriations	Appropriated receipts	and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances
Legislature:											
Special and continuing appropriations	$ 701,728	-	49,680	1,545,500	762	1,568	1,416,463	29,539	769,233	-	84,003
Summary:											
Operating appropriations	92,243	-	6,579,002	220,556,128	2,016,886	24,050,716	237,983,295	5,566,851	3,889,191	137,049	5,718,585
Special and continuing appropriations	2,854,841	-	617,417	22,052,195	493,604	293,203	17,579,001	472,585	7,698,121	-	561,557
Act 97 functions	-	-	214,463	12,557,477	2,161	(42,343)	10,743,831	674,966	-	-	1,312,961
Federal funds	7,747,740	-	1,040,308	-	75,896,976	(24,307,577)	55,911,458	-	2,969,745	242,566	1,253,677
Total (Schedule 3)	10,694,824	-	8,451,190	255,165,800	78,409,627	(6,001)	322,217,585	6,714,402	14,557,057	379,615	8,846,780
Capital improvement projects (Schedule 4)	45,584	2,667,211	6,264,210	7,499,051	12,003	6,001	8,937,338	-	15,074	3,070,771	4,470,878
	$ 10,740,408	2,667,211	14,715,400	262,664,851	78,421,630	-	331,154,923	6,714,402	14,572,131	3,450,386	13,317,658

See accompanying notes to financial statements.

Schedule 1

STATE OF HAWAII
GENERAL FUND

Summary of Revenues by Department

Year ended June 30, 1968

	Budget	Actual	Actual under (over) budget
Department of Accounting and General Services	$ 185,089	245,388	(60,299)
Department of Agriculture	387,180	520,151	(132,971)
Department of Attorney General	30,400	51,334	(20,934)
Department of Budget and Finance	13,631,195	16,095,616	(2,464,421)
Department of Defense	720	7,264	(6,544)
Department of Education	201,560	231,421	(29,861)
Office of the Governor	-	17,690	(17,690)
Department of Health	1,791,826	2,457,028	(665,202)
Judicial Branch	1,834,870	2,132,272	(297,402)
Department of Labor and Industrial Relations	9,178	6,910	2,268
Department of Land and Natural Resources	2,575,150	3,017,857	(442,707)
Office of the Lieutenant Governor	13,450	21,504	(8,054)
Department of Planning and Economic Development	46,520	54,115	(7,595)
Department of Regulatory Agencies	6,068,330	6,613,859	(545,529)
Department of Social Services	19,475	140,749	(121,274)
Department of Taxation	203,601,700	222,728,631	(19,126,931)
Department of Transportation	316,000	311,961	4,039
University of Hawaii	5,539,720	6,760,395	(1,220,675)
	$ 236,252,363	261,414,145	(25,161,782)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Revenues by Department

June 30, 1968

	Budget	Actual	Actual (over) under budget
Department of Accounting and General Services:			
Division of Accounting:			
Escheat of outlawed warrants	$ 25,000	44,744	(19,744)
Sale of services, data processing	8,374	9,886	(1,512)
Witness or juror fees, State employees	300	8	292
Interest on current deposits	-	19	(19)
Refunds and reimbursements - prior periods	75,000	109,390	(34,390)
Division of Public Archives:			
Certification and service fees	1,200	1,153	47
Sale of books and periodicals	200	343	(143)
Division of Public Works:			
Rentals, public buildings and rooms	51,000	58,613	(7,613)
Telephone coin box commissions	750	704	46
Sale of electric current	240	173	67
Forfeiture for failure to return plans and specifications	-	(50)	50
Division of Purchasing:			
Sale of stores purchased for resale	-	2,402	(2,402)
Division of Survey:			
Fees, checking and correcting file plans	2,400	2,243	157
Fees, checking and correcting land court applications	5,500	3,164	2,336
Sale of maps and prints	13,500	12,500	1,000
Fees, certification of public documents	125	96	29
Fees, field surveys, land court applications	1,500	-	1,500
Total Department of Accounting and General Services	185,089	245,388	(60,299)
Department of Agriculture:			
Division of Animal Industry:			
Fees, inspection of swill	2,700	1,640	1,060
Licenses, slaughter houses	950	650	300
Registration of livestock brands	50	86	(36)
Fees, quarantine of cats and dogs	222,500	291,666	(69,166)
Division of Marketing:			
Licenses, produce dealers	3,700	2,685	1,015
Licenses, importing seed for sowing	400	320	80
Licenses, commercial exporters of flowers and foliage	470	390	80
Licenses, selling weed control substances	5,950	1,036	4,914
Licenses, milk producers	-	63,787	(63,787)
Fees, registration of economic poisons	22,000	28,886	(6,886)
Licenses, hormone herbisides	750	-	750
Fees, inspecting weed control substances	-	4,864	(4,864)
Fees, inspection and classification of agriculture commodities	21,000	9,273	11,727
Fees, inspection and certification of shell eggs	400	293	107
Fees, inspection of miscellaneous commodities	2,500	2,371	129
Fees, testing seeds for purity and germination	110	-	110
Fees, burrowing nematode inspections	2,500	1,198	1,302

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Revenues by Department, Continued

	Budget	Actual	Actual (over) under budget
Department of Agriculture, Continued:			
Division of Marketing, Continued:			
Fees, inspection and registration of commercial feeds	$ 38,000	41,692	(3,692)
Fees, inspection of processed foods	36,500	44,164	(7,664)
Fees, testing and certification of weighing devices	26,700	24,223	2,477
All divisions:			
Refunds and reimbursements - prior periods	-	917	(917)
Witness or juror fees	-	10	(10)
Total Department of Agriculture	387,180	520,151	(132,971)
Department of Attorney General:			
Attorney General's Office:			
Refunds and reimbursement - prior periods	-	2,600	(2,600)
Bureau of Civil Identification:			
Fees, duplicate identification certificates	25,500	26,854	(1,354)
Regulation of Notaries Public:			
Fees, notaries, commissions	4,900	7,134	(2,234)
Litigations:			
State share of Civil Case No. 2360	-	14,746	(14,746)
Total Department of the Attorney General	30,400	51,334	(20,934)
Department of Budget and Finance:			
Financial Management:			
Assessment for central service expense	1,150,000	1,416,048	(266,048)
Assessment for administration expense	232,432	466,389	(233,957)
Escheat of unclaimed dividends	1,000	1,474	(474)
Escheat of unclaimed estates	-	2,914	(2,914)
Escheat of unclaimed inactive bank accounts	-	(32)	32
Interest on current deposits - General Treasury Funds	855,000	1,952,139	(1,097,139)
Interest on investments	1,875	5,517	(3,642)
Interest on loans to counties from bond funds	724,340	724,340	-
Grants by the U. S. Government for services rendered the employment security program	10,000	1,958	8,042
Interest on litigated claims	53,000	131,239	(78,239)
Health Fund reimbursements (premiums)	380,000	636,745	(256,745)
Interest on G. O. bonds issued for airport purposes	242,077	245,926	(3,849)
Interest on G. O. bonds issued for harbor purposes	-	168,220	(168,220)
Interest on G. O. bonds issued for State highways	1,782,953	1,864,381	(81,428)
Interest on G. O. bonds issued for veterans' loans	494,309	494,309	-
Interest on G. O. bonds issued for Land Revolving Fund	62,813	101,810	(38,997)
Interest on G. O. bonds issued for Sand Island Account	45,850	45,851	(1)
Interest on temporary loans to State agencies	-	15,572	(15,572)
Employees' Retirement System:			
Assessment for expenses of administration	34,000	46,874	(12,874)
Accrued interest on original issue of bond sold	-	179,500	(179,500)
Principal installments on G. O. bonds issued for State highways	2,690,478	2,690,478	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Revenues by Department, Continued

	Budget	Actual	Actual (over) under budget
Department of Budget and Finance, Continued:			
Employees' Retirement System, Continued:			
Principal installments on G. O. bonds issued for airport purposes	$ 560,296	560,296	-
Principal installments on G. O. bonds issued for veterans' loans	1,370,974	1,370,974	-
Principal installments on G. O. bonds issued for land development	117,019	117,019	-
Principal installments on G. O. bonds issued for Sand Island	69,282	69,282	-
Principal installments on G. O. bonds issued for counties purposes	2,753,497	2,753,497	-
Premiums on bonds sold	-	4,495	(4,495)
Refunds and reimbursements - prior periods	-	28,401	(28,401)
Total Department of Budget and Finance	13,631,195	16,095,616	(2,464,421)
Department of Defense:			
Military Division:			
Rental of armories	-	2,331	(2,331)
Rentals, Keaukaha Military Reservation	-	299	(299)
Rentals, public buildings and rooms	-	3,335	(3,335)
Rentals, housing units	720	1,274	(554)
Fees, for use of government land	-	25	(25)
Total Department of Defense	720	7,264	(6,544)
Department of Education:			
Education Division:			
Witness or juror fees	-	105	(105)
Rentals, cottages and garages	117,500	121,946	(4,446)
Rentals, public buildings and rooms	950	9,407	(8,457)
Fines, school libraries	300	1,093	(793)
Licenses to operate private schools	110	150	(40)
Telephone coin box commissions	-	483	(483)
Rentals (leased public lands)	-	1	(1)
Refunds and reimbursements - prior periods	-	31,001	(31,001)
Libraries Division:			
Hawaii State Library:			
Fines	62,771	49,616	13,155
Rentals, books, films and records	6,000	2,839	3,161
Maui Public Library:			
Fines	5,500	6,024	(524)
Hawaii Public Library:			
Fines	5,995	6,344	(349)
Sale of cards	100	56	44
Miscellaneous income	400	411	(11)
Kauai Public Library:			
Fines	1,934	1,945	(11)
Total Department of Education	201,560	231,421	(29,861)
Office of the Governor:			
Refunds and reimbursements - prior periods	-	17,690	(17,690)
Total Office of the Governor	-	17,690	(17,690)

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Revenues by Department, Continued

	Budget	Actual	Actual (over) under budget
Department of Health:			
Administration:			
Rentals, public buildings and rooms	$ -	420	(420)
Commissions, vending machines	-	97	(97)
Services to outside agencies, Special Funds	-	125	(125)
Indirect overhead income	-	16,058	(16,058)
Witness or juror fees	-	160	(160)
Repayment of temporary advances to Special Funds	-	9,019	(9,019)
Transfers from Special Funds:			
Unrequired balance of special program for Guamaniam patients	-	44,664	(44,664)
Refunds and reimbursements - prior periods	-	25,816	(25,816)
Business licenses and permits:			
Embalmers, undertakers and funeral directors	855	1,251	(396)
Fumigators	1,000	440	560
Laboratory directors	250	245	5
Laboratory technicians	1,300	1,029	271
Midwives	6	6	-
Physical therapists	405	270	135
Pediatrists	113	127	(14)
Sanitarians	350	321	29
Tatoo artists	50	35	15
Examination and registration fees:			
Embalmers, undertakers and funeral directors	-	115	(115)
Fumigators	-	354	(354)
Laboratory directors	-	25	(25)
Laboratory technicians	-	550	(550)
Physical therapists	-	255	(255)
Sanitarians	-	30	(30)
Tatoo artists	-	50	(50)
Health Statistics, Bureau of:			
Fees, certified copies of certificates	116,550	115,695	855
Grants by the U. S. Government for microfilm transcripts of health records	750	1,113	(363)
Marriage license fees	26,300	36,093	(9,793)
Hospitals and Settlement, Division of:			
Maintenance of Kalaupapa telephone system	1,086	1,115	(29)
Sale of products, Kalaupapa	135	321	(186)
Sale of meals, Hale Mohalu	1,438	1,540	(102)
Rental of equipment	-	53	(53)
Sanitation, Bureau of:			
Inspection of tatoo shops	38	38	-
Veneral Disease and Cancer Control, Bureau of:			
Fees, use of radium	800	354	446
Public Health Nursing, Bureau of:			
Psychiatric professional service fees	7,500	12,774	(5,274)
State Hospital:			
Sale of meals	2,800	3,052	(252)
Support and care of nonindigent patients	220,000	284,543	(64,543)

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Revenues by Department, Continued

	Budget	Actual	Actual (over) under budget
Department of Health, Continued:			
State Hospital, Continued:			
Rental of quarters	$ 3,600	2,815	785
Sale of swill	1,500	1,375	125
Waimano Home:			
Sale of meals	6,570	6,486	84
Support and care of nonindigent patients	95,000	139,032	(44,032)
Maluhia Hospital:			
Support and care of indigent patients	775,000	1,060,338	(285,338)
Ambulance service fees	7,000	4,072	2,928
Outpatient service fees	1,300	1,233	67
Dental service fees	26,000	26,341	(341)
Rental of quarters	4,100	2,587	1,513
Sale of meals	8,950	9,847	(897)
Honokaa Hospital:			
Inpatient fees	155,570	189,543	(33,973)
Support and care of indigent patients	26,670	57,470	(30,800)
Rental of quarters	1,260	1,793	(533)
Sale of meals	1,800	2,003	(203)
Kohala Hospital:			
Inpatient fees	59,000	90,523	(31,523)
Support and care of indigent patients	12,000	30,198	(18,198)
Rental of quarters	840	685	155
Sale of meals	940	828	112
Kona Hospital:			
Inpatient fees	115,622	179,855	(64,233)
Support and care of indigent patients	100,000	86,817	13,183
Rental of quarters	2,592	1,412	1,180
Sale of meals	4,786	3,622	1,164
Total Department of Health	1,791,826	2,457,028	(665,202)
Judicial Branch:			
Supreme Court:			
Court costs	3,200	4,202	(1,002)
Bar admission fees	300	480	(180)
Fees for issuance of certificates	50	8	42
Sale of Supreme Court reports	6,450	6,760	(310)
Sale of publications	-	230	(230)
First Circuit Court:			
Bail and bond forfeitures	1,485	3,216	(1,731)
Court costs	144,500	156,344	(11,844)
Court fees	11,465	9,857	1,608
Court fines	12,326	27,485	(15,159)
Escheat of unclaimed monies and cash overages	3,677	2,644	1,033
Fees, administering small estate	11,642	13,910	(2,268)
Interest on current deposits by Department Accountants	43,311	74,905	(31,594)
Unclaimed bails, exhibits and charges	-	917	(917)
Refunds and reimbursements - prior periods	-	1,071	(1,071)

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Revenues by Department, Continued

	Budget	Actual	Actual (over) under budget
Judicial Branch, Continued:			
Second Circuit Court:			
Court costs	$ 6,000	8,627	(2,627)
Court fees	1,750	1,763	(13)
Court fines	1,100	2,661	(1,561)
Escheat of unclaimed estates	150	-	150
Escheat of unclaimed monies and cash overages	-	603	(603)
Fees, administering small estates	900	1,373	(473)
Third Circuit Court:			
Court costs	8,000	11,821	(3,821)
Court fees	2,500	2,348	152
Court fines	500	925	(425)
Escheat of unclaimed estates	-	1,095	(1,095)
Escheat of unclaimed monies and cash overages	1,500	3,937	(2,437)
Fees, administering small estates	500	1,013	(513)
Fifth Circuit Court:			
Court Costs	4,000	3,865	135
Court fees	1,200	771	429
Court fines	200	15	185
Fees, administering small estates	600	431	169
Escheat of unclaimed monies and cash overages	100	-	100
Family Court:			
Refunds and reimbursements - prior periods	-	914	(914)
District Courts (undistributed):			
Fines	702,976	526,640	176,336
Traffic waivers	732,083	855,929	(123,846)
Marriage waivers	3,011	9,657	(6,646)
Dog leash waivers	4,000	4,730	(730)
Bail forfeitures	-	255,749	(255,749)
Bond forfeitures	-	10,624	(10,624)
Court costs	68,340	71,363	(3,023)
Fees - copies of certificates and extracts of records	42,005	49,386	(7,381)
Confiscated Evidence Funds	49	59	(10)
Escheat of unclaimed monies	-	16	(16)
Land Court:			
Fees, registration of land court titles	15,000	3,928	11,072
Total Judicial Branch	1,834,870	2,132,272	(297,402)
Department of Labor and Industrial Relations:			
Administration:			
Fees, boiler inspection	2,000	15	1,985
Fees, elevator mechanics licenses	166	471	(305)
Permits, elevator installation	5,400	4,692	708
Sheriff's service fees	300	179	121
License fees, commercial employment agencies	1,312	1,425	(113)
Fees, inspection of amusement rides	-	102	(102)
Refunds and reimbursements - prior periods	-	2	(2)
Witness or juror fees	-	24	(24)
Total Department of Labor and Industrial Relations	9,178	6,910	2,268

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Revenues by Department, Continued

	Budget	Actual	Actual (over) under budget
Department of Land and Natural Resources:			
Office of the Director:			
Fees, appraisal	$ 100	-	100
Fees, certified copies of public documents	500	566	(66)
Fees, consent to assignments or transfers	2,000	880	1,120
Fees, issuance of land patents, grants, etc.	12,500	6,960	5,540
Fees, surveying of public lands	7,000	6,796	204
Sale of improvements on expired or canceled leases	-	395	(395)
Sale of publications	100	26	74
Sale of wood, rock and sand	-	15,938	(15,938)
Indemnity for damages to insured property	1,000	2,000	(1,000)
Cost of managing property for other State departments	1,000	3,830	(2,830)
Conveyances, Bureau of:			
Fees for certified copies of instruments and maps	6,000	9,059	(3,059)
Fees, land court certificates	60,000	57,622	2,378
Filing fees, land court documents	100,000	70,931	29,069
Recording and filing fees, mortgages, deeds, etc.	285,000	273,240	11,760
Conveyances tax	90,000	265,672	(175,672)
Division of Forestry:			
Sale of products from reserves	35,000	10,202	24,798
Sale of services	-	41	(41)
Division of Parks:			
Rentals, recreation areas	12,130	2,692	9,438
Rentals of cabins and lodgings	26,135	26,857	(722)
Commissions, vendors sales	150	69	81
Sale of water	7,535	4,177	3,358
Rental of restaurant, marina and related concessions	24,000	-	24,000
Transportation services, recreation areas	-	9,645	(9,645)
Division of Water and Land Development:			
Sale of standard water specifications	-	30	(30)
Office of the Director:			
Witness or juror fees	-	9	(9)
Transfer from Trust Funds:			
Proceeds of rentals, licenses and sale of wood, rock and sand	1,905,000	2,116,532	(211,532)
Transfer from Special Funds:			
Reimbursement for prior period bond funds appropriations	-	132,379	(132,379)
Refunds and reimbursements - prior periods	-	1,309	(1,309)
Total Department of Land and Natural Resources	2,575,150	3,017,857	(442,707)
Office of the Lieutenant Governor:			
Fees, certificates of Hawaiian birth	2,000	3,988	(1,988)
Filing costs for change of name	2,000	2,718	(718)
Nomination fees	200	9,625	(9,425)
Sale of law books	9,250	5,076	4,174
Sale of public documents	-	97	(97)
Total Office of the Lieutenant Governor	13,450	21,504	(8,054)

(Continued)

Schedule 1-a, Cont.

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Revenues by Department, Continued

	Budget	Actual	Actual (over) under budget
Department of Planning and Economic Development:			
Sale of statistical abstracts	$ 20	-	20
Sale of publications	1,500	1,386	114
Interest on State disaster commercial loans	10,000	12,917	(2,917)
Interest on depressed area loans	-	5,796	(5,796)
Fees, costs of public hearings and publications	-	1,600	(1,600)
Repayment of State disaster commercial loans	35,000	32,413	2,587
Refunds and reimbursements - prior periods	-	3	(3)
Total Department of Planning and Economic Development	46,520	54,115	(7,595)
Department of Regulatory Agencies:			
Business Taxes:			
Premiums of insurance companies	4,730,000	5,147,387	(417,387)
Health Licenses:			
Barbers	10,457	10,267	190
Cosmetologists	13,287	15,688	(2,401)
Chiropractors	120	125	(5)
Dentists	5,738	6,661	(923)
Dispensing opticians	1,485	1,375	110
Masseurs	2,805	2,972	(167)
Naturopaths	105	90	15
Nurses	14,223	17,851	(3,628)
Optometrists	532	647	(115)
Osteopathic physicians	1,125	1,387	(262)
Pharmacists	4,460	4,580	(120)
Physicians	6,140	7,650	(1,510)
Psychologists	-	38	(38)
Veterinarians	615	720	(105)
Cemetery authority	-	2,200	(2,200)
Cemetery salesmen	-	1,690	(1,690)
All other:			
Agricultural or fishing cooperative associations	430	450	(20)
Abstract makers	410	555	(145)
Accountants	13,995	14,375	(380)
Collection agencies	2,190	2,070	120
Contractors	104,040	131,707	(27,667)
Engineers, architects and surveyors	21,645	26,400	(4,755)
Foreign corporations	66,000	75,124	(9,124)
Industrial and small loan companies	12,625	11,500	1,125
Insurance companies, agents and salesmen	101,776	67,535	34,241
Participants in boxing contests	1,493	1,927	(434)
Private detectives and guards	2,062	1,950	112
Real estate brokers and salesman	54,960	63,138	(8,178)

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Revenues by Department, Continued

	Budget	Actual	Actual (over) under budget
Department of Regulatory Agencies, Continued:			
All other, Continued:			
Savings and loan agents	$ 156	135	21
Securities dealers and salesmen	7,925	8,020	(95)
Escrow depositories	-	275	(275)
Mortgage brokers and solicitors	-	3,500	(3,500)
Fines:			
State boxing commission	-	75	(75)
Unclaimed monies and cash overages	-	1	(1)
Examination and Registration Fees:			
Barbers	3,075	1,965	1,110
Cosmetologists	12,102	11,741	361
Chiropractors	50	150	(100)
Dentists	1,975	2,600	(625)
Dispensing opticians	1,200	150	1,050
Masseurs	1,265	1,255	10
Nurses	15,322	17,221	(1,899)
Optometrists	90	60	30
Osteopathic physicians	500	1,935	(1,435)
Pharmacists	915	1,140	(225)
Physicians	7,215	6,745	470
Psychologists	-	655	(655)
Veterinarians	105	70	35
Cemetery authority	-	3,925	(3,925)
Cemetery salesmen	-	5,300	(5,300)
All other:			
Abstract makers	-	300	(300)
Accountants	4,665	5,790	(1,125)
Collection agencies	180	300	(120)
Examination and Registration Fees:			
All other			
Contractors	47,050	49,900	(2,850)
Engineers, architects and surveyors	13,260	14,710	(1,450)
Real estate brokers and salesmen	33,045	30,515	2,530
Private detectives and guards	525	450	75
Application, Registration, Review or Registration Fees:			
Corporations	156,740	186,573	(29,833)
Financial institutions	91,650	91,383	267
Insurers and rating organizations	-	12,996	(12,996)
Fees, examination of insurance licenses:			
Insurance commissioner	-	29,393	(29,393)
Motor carriers:			
Certificates of public convenience and necessity	2,750	3,050	(300)
Organize banks and branch banks	5,000	150	4,850
Partnerships	8,055	7,618	437
Public service companies	325,947	324,084	1,863
Registration of securities	12,480	21,424	(8,944)

(Continued)

Schedule 1-a, Cont.

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Revenues by Department, Continued

	Budget	Actual	Actual (over) under budget
Department of Regulatory Agencies, Continued:			
Application, Registration, Review or Registration Fees, Continued:			
Trademarks, names, prints and labels	$ 10,300	11,417	(1,117)
Securities dealers and salesmen	5,400	7,355	(1,955)
Subdivisions - uniform land sales	-	2,450	(2,450)
Industrial and small loan companies	-	2,950	(2,950)
Escrow depositories	-	995	(995)
Other Fees:			
Filing of legal process or notice	15	37	(22)
Issuance of certificates of compliance	535	182	353
Gross weight, Hawaii motor carriers	54,000	49,141	4,859
Sale of safety stickers and decals, Hawaii motor carriers	53,000	56,165	(3,165)
Seating capacity, Hawaii motor carriers	11,500	14,412	(2,912)
Sale of publications	1,120	895	225
Fire Marshal inspectional services	6,500	4,203	2,297
Sale of copies of public documents	-	17	(17)
Witness or juror fees	-	27	(27)
Total Department of Regulatory Agencies	6,068,330	6,613,859	(545,529)
Department of Social Services:			
Division of Training Schools:			
Sale of services	-	2	(2)
Sale of meals	-	871	(871)
Support and care of wards	-	1,569	(1,569)
Sale of miscellaneous items	-	315	(315)
Sale of equipment and other property	-	1,138	(1,138)
Division of Hawaii Prison System:			
Sale of meals	35	205	(170)
Support and care of Federal prisoners	5,840	8,836	(2,996)
Sale of products	13,600	7,517	6,083
Hawaii Housing Authority:			
Repayment of advances	-	806	(806)
Public Welfare Division:			
Witness or juror fees	-	90	(90)
Refunds and reimbursements - prior periods	-	119,400	(119,400)
Total Department of Social Services	19,475	140,749	(121,274)
Department of Taxation:			
Delinquent compensation and dividends taxes	6,000	3,455	2,545
Fees for certified copies of tax returns	1,200	999	201
Fees for certified copies of real property assessment notices	-	10	(10)
Fees for real property tax search	300	87	213
Franchise taxes - banks and financial corporations	1,746,000	1,495,073	250,927
General excise taxes	110,180,000	114,359,639	(4,179,639)
General excise licenses	150,000	158,836	(8,836)
Inheritance and estate taxes	1,200,000	1,606,042	(406,042)
Interest on delinquent payments on liquid fuel tax	-	4,797	(4,797)

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Revenues by Department, Continued

	Budget	Actual	Actual (over) under budget
Department of Taxation, Continued:			
Liquid fuel taxes - small boat harbors	$ 35,000	35,584	(584)
Liquor permits and taxes	6,400,000	6,291,427	108,573
Net income taxes - individual	58,000,000	70,308,627	(12,308,627)
Net income taxes - corporation	10,000,000	11,196,353	(1,196,353)
Permits, liquid fuel retail dealers	3,000	2,950	50
Public service companies tax	10,060,000	10,544,914	(484,914)
Sale of tax codes	200	43	157
Sale of maps and prints	22,000	19,113	2,887
Tobacco licenses and taxes	4,800,000	4,972,852	(172,852)
Grants by the U. S. Government for services rendered the employment security program	-	5,119	(5,119)
Tax appeal court costs	3,000	4,677	(1,677)
Real property administration assessment	995,000	1,717,794	(722,794)
Sale of publications	-	165	(165)
Witness or juror fees	-	13	(13)
Refunds and reimbursements - prior periods	-	62	(62)
Total Department of Taxation	203,601,700	222,728,631	(19,126,931)
Department of Transportation:			
Harbor Division:			
Mooring charges	165,000	168,773	(3,773)
Rental of land and wharf space	70,000	60,957	9,043
Rentals, auto parking space	20,000	36,541	(16,541)
Sale of services - electric current	3,000	820	2,180
Sale of other services	-	272	(272)
Sale of water	-	451	(451)
Sale of coral, dredged material	-	4,043	(4,043)
Shower privileges	-	532	(532)
Miscellaneous income	9,000	1,770	7,230
Mooring agreement issuance fees	-	1,768	(1,768)
Fees, living aboard quarters	14,000	19,116	(5,116)
Boat registration fees	35,000	14,097	20,903
Permits to vendors	-	2,821	(2,821)
Total Department of Transportation	316,000	311,961	4,039
University of Hawaii:			
Interest on investments	-	17	(17)
General fees (registration, laboratory and health)	580,404	588,911	(8,507)
Tuition fees	2,686,030	2,844,620	(158,590)
Library fees, fines and penalties	16,369	20,984	(4,615)
Course fees	48,000	39,139	8,861
Graduation and diploma fees	14,000	20,489	(6,489)
Fees, copies of records	30,000	35,210	(5,210)
Sale of products	145,000	160,749	(15,749)
Rentals and leaseholds, including dormitories	10,000	11,369	(1,369)

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Revenues by Department, Continued

	Budget	Actual	Actual (over) under budget
University of Hawaii, Continued:			
Sale of services	$ 14,000	11,267	2,733
Sale of publications	47,500	43,826	3,674
East-West Center instructional overhead	568,700	1,064,649	(495,949)
East-West Center direct support	206,000	412,000	(206,000)
Sand Island income	82,717	257,845	(175,128)
Indirect overhead funds	900,000	1,110,177	(210,177)
Sale of equipment and other property	-	746	(746)
Acquarium admission fees	33,000	44,584	(11,584)
Sale of miscellaneous articles	-	9	(9)
Miscellaneous items	10,000	14,599	(4,599)
Credential evaluation fees	25,000	76,166	(51,166)
Fees, Community College	123,000	-	123,000
Telephone coin box commissions	-	1,799	(1,799)
Witness or juror fees	-	40	(40)
Refunds and reimbursements - prior periods	-	1,200	(1,200)
Total University of Hawaii	5,539,720	6,760,395	(1,220,675)
Grand total - all departments	$ 236,252,363	261,414,145	(25,161,782)

Schedule 2

STATE OF HAWAII
GENERAL FUND

Summary of Appropriated Receipts by Department

Year ended June 30, 1968

	Budget	Actual	Actual under (over) budget
Department of Accounting and General Services	$ 103,513	1,649,231	(1,545,718)
Department of Agriculture	31,370	127,671	(96,301)
Department of Attorney General	-	9,790	(9,790)
Department of Budget and Finance	65,400	307,541	(242,141)
Department of Defense	14,216,937	12,657,164	1,559,773
Department of Education	15,471,769	12,406,846	3,064,923
Office of the Governor	98,000	247,550	(149,550)
Department of Health	3,213,635	4,426,463	(1,212,828)
Judicial Branch	-	29,150	(29,150)
Department of Labor and Industrial Relations	2,228,681	2,514,590	(285,909)
Department of Land and Natural Resources	681,611	2,243,088	(1,561,477)
The Legislature	-	762	(762)
Department of Personnel Services	-	1,067	(1,067)
Department of Planning and Economic Development	1,144,583	417,153	727,430
Department of Social Services	12,080,088	14,351,484	(2,271,396)
Department of Taxation	-	3,589	(3,589)
Department of Transportation	-	73,007	(73,007)
University of Hawaii	23,365,431	26,756,414	(3,390,983)
Act 97 functions	-	167,183	(167,183)
Other Boards and Commissions	-	31,887	(31,887)
	$ 72,701,018	78,421,630	(5,720,612)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriated Receipts by Department

Year ended June 30, 1968

	Budget	Actual	Actual under (over) budget
Department of Accounting and General Services:			
Division of Accounting:			
Assessment for workmen's compensation claims and unemployment compensation benefit payments	$ -	201,077	(201,077)
Transfer from Special Fund:			
For vacation credit of employees	-	281	(281)
Division of Public Works:			
Assessment for accrued vacation and sick leave	-	42,371	(42,371)
Transfer from Special Funds:			
For maintenance and operations	-	87,894	(87,894)
For vacation credit of employees	-	3,781	(3,781)
Contribution by University of Hawaii for renovation of buildings	-	98,641	(98,641)
For vacation earned with Hawaii Housing Authority	-	2,713	(2,713)
For vacation earned with counties	-	8,086	(8,086)
Grants by the U. S. Government for:			
School construction	-	1,085,743	(1,085,743)
East-West Center	-	30,000	(30,000)
National Science Foundation Act	-	33,000	(33,000)
Division of Survey:			
Grants for vacation earned with counties	-	89	(89)
Central Purchasing Division:			
Sale of surplus property	103,513	55,555	47,958
Total Department of Accounting and General Services	103,513	1,649,231	(1,545,718)
Department of Agriculture:			
Donations for Naalehu Research Work	-	5,000	(5,000)
Grants by the U. S. Government for:			
Development of standards for grades of processed foods and vegetables	13,500	10,338	3,162
Coffee inspection fees	11,870	5,627	6,243
Grants by the U. S. Government for:			
Marketing Research	6,000	1,500	4,500
Entomological surveys	-	6,000	(6,000)
Development irradiator	-	98,810	(98,810)
Overtime meat inspection services	-	396	(396)
Total Department of Agriculture	31,370	127,671	(96,301)
Department of Attorney General:			
Grants for vacation earned with counties	-	9,790	(9,790)
Total Department of Attorney General	-	9,790	(9,790)

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriated Receipts by Department, Continued

	Budget	Actual	Actual under (over) budget
Department of Budget and Finance:			
Transfer from Special Funds:			
Vacation credit of employees	$ -	1,218	(1,218)
Refunds and reimbursements - prior periods	-	7,215	(7,215)
Grants for vacation earned with counties	-	895	(895)
Grants by the U. S. Government for:			
Economic Opportunity Act	-	97,695	(97,695)
Older Americans Act of 1965	65,400	82,750	(17,350)
Higher Education Act of 1965	-	117,338	(117,338)
Donations for Children and Youth project	-	430	(430)
Total Department of Budget and Finance	65,400	307,541	(242,141)
Department of Defense:			
Division of Civil Defense:			
Grants by the U. S. Government for Civil Defense	130,083	155,631	(25,548)
Division of Military:			
Hawaii National Guard - service contracts	86,854	107,453	(20,599)
Grants by the U. S. Government for Hawaii National Guard (Army and Air Force)	14,000,000	12,394,080	1,605,920
Total Department of Defense	14,216,937	12,657,164	1,559,773
Department of Education:			
Division of Instruction:			
Grants for vacation earned with:			
Counties	-	1,065	(1,065)
Hawaii Housing Authority	-	108	(108)
Grants by the U. S. Government for:			
Educational Agencies in Areas Affected by Federal Activities PL874, 82nd Congress	7,500,000	6,115,986	1,384,014
Vocational education - Title VIII - PL864	-	69,044	(69,044)
Practical nurses training program	-	23,015	(23,015)
Education in agriculture (S-H)	10,000	10,000	-
Education in agriculture (G-B)	40,000	40,000	-
Education in distributive occupations (G-B)	15,000	15,000	-
Education in home economics (G-B)	40,000	35,890	4,110
Education of teachers (S-H)	8,000	10,000	(2,000)
Education in trades and industries (S-H)	2,500	10,327	(7,827)
Education in trades and industries (G-B)	4,064	40,000	(35,936)
Improved statistical services - Title X, PL 864	50,000	-	50,000
Guidance counseling and testing - Title V, PL 864	93,821	94,739	(918)
National school lunch program	-	8,971	(8,971)
School construction	-	543,371	(543,371)
Science, mathematics and foreign language - Title III, PL 864	364,622	85,052	279,570
Civil Defense education	31,259	-	31,259
Adult education in Civil Defense	-	20,434	(20,434)
Veterans training	11,974	-	11,974
Strengthening instruction in humanities and the arts	-	1,725	(1,725)
Economic Opportunity Act	792,058	907,399	(115,341)

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriated Receipts by Department, Continued

	Budget	Actual	Actual under (over) budget
Department of Education, Continued:			
Division of Instruction, Continued:			
Grants by the U. S. Government for, continued:			
Occupational training and retraining	$ -	5,556	(5,556)
Training professional personnel - for handicapped children	-	33,392	(33,392)
Manpower development PL 89-415	447,602	276,936	170,666
Vocational education - PL 88-210	344,462	792,537	(448,075)
National Teacher Corps - Higher Education Act of 1965	-	119,172	(119,172)
Elementary - Secondary Act of 1965, PL 8910	5,299,307	2,721,022	2,578,285
Higher Education Facilities Act of 1963	-	3,137	(3,137)
Handicapped children, PL 89-313	-	36,953	(36,953)
Cooperative research program	23,129	39,928	(16,799)
Driver training fees	-	33,996	(33,996)
Sale of equipment and other property	-	3,042	(3,042)
Transfers from Special Fund:			
Vacation earned			
Refunds and reimbursements - prior periods	-	154	(154)
Division of Libraries:	-	398	(398)
Grants by the U. S. Government for public library service	334,448	308,497	25,951
Division of Vocational Rehabilitation:			
Training of personnel for education of handicapped children, PL 85-926	59,523	-	59,523
Total Department of Education	15,471,769	12,406,846	3,064,923
Office of the Governor:			
Grants by U. S. Government for:			
Under the Economic Opportunity Act	98,000	77,317	20,683
National endowment for the arts	-	90,233	(90,233)
Repayment of loan to unemployment compensation benefits program	-	80,000	(80,000)
Total Office of the Governor	98,000	247,550	(149,550)
Department of Health:			
General Administration:			
Refunds and reimbursements - prior periods	-	3,744	(3,744)
Grants for vacation earned with counties	-	1,100	(1,100)
Transfers from Special Funds:			
For vacation credit of employees	-	598	(598)
Donations for special projects	-	9,250	(9,250)
Division of Hospitals and Settlement:			
Grants by the U. S. Government for Hansen's disease program	1,200,000	1,185,572	14,428
Sale of equipment and other property	-	136	(136)
Hospital and Medical Facilities Administration	16,738	-	16,738
Division of Public Health Nursing:			
Fees for home health services	-	18,408	(18,408)
Sale of stores purchased for resale	-	1,772	(1,772)

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriated Receipts by Department, Continued

			Actual under (over) budget
Department of Health, Continued:			
State Hospital:			
Grants by the U. S. Government for:			
Training in psychiatry	$ -	97,864	(97,864)
Traineeship and internship program for psychologists	-	21,590	(21,590)
Remotivation and readaptation of chronic patients	-	94,994	(94,994)
Grants for vacation earned with counties	-	874	(874)
Waimano Home:			
Grants for vacation earned with counties	-	186	(186)
Grants by the U. S. Government for:			
Administration of medicare program	64,252	42,278	21,974
General health services	36,400	276,000	(239,600)
Economic Opportunity Act	-	137,181	(137,181)
Tuberculosis control	17,500	-	17,500
Care of crippled children	197,994	275,000	(77,006)
Maternal and child health	204,672	209,700	(5,028)
Home health services	-	13,000	(13,000)
Home health services - mental retardation	65,000	168,882	(103,882)
Mental health	-	78,500	(78,500)
Heart disease control	87,100	-	87,100
Cancer control	25,000	-	25,000
Water pollution control	-	65,232	(65,232)
Hospital construction	-	863,095	(863,095)
Special public health projects	909,493	833,180	76,313
Chronically ill and aged	60,000	-	60,000
Radiological health	15,000	-	15,000
Dental health	12,500	-	12,500
Maternal and infant care project	301,986	-	301,986
Comprehensive health planning	-	28,327	(28,327)
Total Department of Health	3,213,635	4,426,463	(1,212,828)
Judicial Branch:			
Circuit Courts:			
Grants for vacation earned with counties	-	5,857	(5,857)
Sale of equipment	-	23	(23)
Transfer from Special Funds:			
For vacation credit of employees	-	567	(567)
District Courts:			
Grants for vacation earned with counties	-	22,612	(22,612)
Sale of equipment	-	91	(91)
Total Judicial Branch	-	29,150	(29,150)

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriated Receipts by Department, Continued

	Budget	Actual	Actual under (over) budget
Department of Labor and Industrial Relations:			
Grants for vacation earned with University of Hawaii	$ -	3,620	(3,620)
Grants by the U. S. Government for employment security administration	2,228,681	2,503,508	(274,827)
For air conditioning of Labor Building	-	6,729	(6,729)
Sale of equipment	-	733	(733)
Total Department of Labor and Industrial Relations	2,228,681	2,514,590	(285,909)
Department of Land and Natural Resources:			
Grants for vacation earned with counties	-	2,945	(2,945)
Grants by U. S. Government under Economic Opportunity Act	-	1,359,181	(1,359,181)
Division of Fish and Game:			
Licenses, commercial fishing	10,000	10,778	(778)
Licenses, hunting	54,910	61,116	(6,206)
Licenses, sport fishing	13,984	12,840	1,144
Licenses, game bird farmers	40	34	6
Sale of fish and game tags and boat numbers	140	267	(127)
Sale of publications	-	22	(22)
Sale of confiscated evidence	200	256	(56)
Sale of equipment	-	150	(150)
Grants by the U. S. Government for:			
Nene goose restoration	15,000	19,252	(4,252)
Wildlife restoration	89,233	93,398	(4,165)
Fish restoration	60,083	51,893	8,190
Participating in management of the Hawaiian Islands National Wildlife Refuge	2,500	2,790	(290)
Fisheries research and development	48,521	29,886	18,635
Loans from State Treasury (SB2.5RLH55)	-	5,000	(5,000)
Transfer from Special Funds:			
Vacation credit of employees	-	1,191	(1,191)
Division of Forestry:			
Grants by the U. S. Government for:			
Soil conservation	3,000	2,500	500
Reforestration	42,000	45,136	(3,136)
Forest fire preventation	35,000	36,502	(1,502)
Division of Water Resources:			
Grants by the U. S. Government for:			
Water resources planning	100,000	43,060	56,940
Public improvements	-	223,537	(223,537)
Division of Hydrography:			
Grants by the U. S. Government for expenses	207,000	240,900	(33,900)
Division of Parks:			
Rentals of cabins and barracks	-	454	(454)
Total Department of Land and Natural Resources	681,611	2,243,088	(1,561,477)

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriated Receipts by Department, Continued

	Budget	Actual	Actual under (over) budget
Legislature:			
Office of the Auditor:			
Grants for vacation earned with counties	$ -	151	(151)
Transfer from Special Funds:			
For vacation credit of employees	-	611	(611)
Total Legislature	-	762	(762)
Department of Personnel Services:			
Grants for vacation earned with counties	-	1,067	(1,067)
Total Department of Personnel Services	-	1,067	(1,067)
Department of Planning and Economic Development:			
Grants by the U. S. Government for:			
Urban planning	-	60,200	(60,200)
Study on the transportation and general plan	48,300	-	48,300
State technical services annual program	79,000	45,269	33,731
State vocational rehabilitation plan	60,000	-	60,000
Outdoor recreation program	936,577	271,353	665,224
Grants by the City and County of Honolulu for:			
Vacation earned	-	1,703	(1,703)
Urban planning	-	2,335	(2,335)
Foreign trade zone fees	20,706	35,793	(15,087)
Refunds and reimbursements - prior periods	-	500	(500)
Total Department of Planning and Economic Development	1,144,583	417,153	727,430
Department of Social Services:			
Division of Social Welfare Services:			
Grants by the U. S. Government for:			
Child welfare services	239,989	217,827	22,162
Old age assistance, aid to blind and disabled	245,765	2,303,011	(2,057,246)
Aid to dependent children	598,142	6,014,627	(5,416,485)
Medical assistance for the aged, Title XXX	9,481,567	4,593,947	4,887,620
Economic Opportunity Act	-	30,491	(30,491)
Sale of equipment and other property	-	255	(255)
Grants for vacation earned with:			
Counties	-	2,032	(2,032)
Hawaii Housing Authority	-	1,051	(1,051)
Refunds and reimbursements - prior periods	-	8,180	(8,180)
Donations for operation and maintenance	-	2,482	(2,482)
Division of Sight Conservation and Work with the Blind:			
Grants by the U. S. Government for rehabilitation services for the blind	169,188	178,532	(9,344)
Donations for conservation of eyesight	-	150	(150)
Division of Vocational Rehabilitation:			
Grants for vocational rehabilitation of disabled persons	1,225,784	863,205	362,579
Grants for determination of disability for Federal OASI	119,653	135,694	(16,041)
Total Department of Social Services	12,080,088	14,351,484	(2,271,396)

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriated Receipts by Department, Continued

	Budget	Actual	Actual under (over) budget
Department of Taxation:			
Sale of equipment and other property	$ -	50	(50)
Transfer from Special Funds:			
For vacation credit of employees	-	3,539	(3,539)
Total Department of Taxation	-	3,589	(3,589)
Department of Transportation:			
Division of Highways:			
Grants by the U. S. Government for:			
Economic Opportunity Act	-	48,000	(48,000)
Traffic Safety	-	25,004	(25,004)
Refunds and reimbursements - prior periods	-	3	(3)
Total Department of Transportation	-	73,007	(73,007)
University of Hawaii:			
Grants for vacation earned with:			
Counties	-	2,893	(2,893)
Hawaii Housing Authority	-	85	(85)
Transfers from other funds - Morrill Act income	266,882	224,186	42,696
Transfers from Special Funds:			
For vacation credit of employees	-	6,564	(6,564)
Grants by the U. S. Government for:			
Agricultural experiment station	464,918	500,967	(36,049)
Agricultural extension service	397,021	382,451	14,570
Education and research	14,723,000	19,653,926	(4,930,926)
East-West Center	5,800,000	5,333,292	466,708
Purposes of Bankhead-Jones Act	215,000	215,040	(40)
Peace Corps	-	437,010	(437,010)
Military commutation	10,500	-	10,500
National defense education	276,000	-	276,000
Water Resources Research Act	100,000	-	100,000
Community college system	433,090	-	433,090
Higher Education Act, Title I	229,020	-	229,020
Higher Education Act, Title IV	450,000	-	450,000
Total University of Hawaii	23,365,431	26,756,414	(3,390,983)
Act 97 functions			
County of Hawaii:			
Grants by the U. S. Government for Public Works and Economic Development Act of 1965	-	167,000	(167,000)
Maluhia Hospital:			
Grants for vacation earned with counties	-	183	(183)
Total Act 97 functions	-	167,183	(167,183)
Other Boards and Commissions:			
Commission on higher education facilities	-	31,887	(31,887)
Total other Boards and Commissions	-	31,887	(31,887)
Grand total - all departments	$ 72,701,018	78,421,630	(5,720,612)

STATE OF HAWAII
GENERAL FUND

Schedule 3

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects

Year ended June 30, 1968

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Education:											
Operating appropriations - 1967-1968:											
Administration:											
State	$ -		2,860,284	83,050,095	4,361	9,489,758	86,176,435	2,879,111	3,884,798	-	2,464,154
	-	-	2,860,284	83,050,095	4,361	9,489,758	86,176,435	2,879,111	3,884,798	-	2,464,154
Insurance fund allotments:											
Aiea Elementary School	768		162	-	-	-	580	-	188	-	162
Benjamin Parker School	1,691		762	-	-	-	1,691	-	-	-	762
Cost of developing master plan for Benjamin Parker School	12,000		-	-	-	(12,000)	-	-	-	-	-
Benjamin Parker School, replacement of classroom equipment	44,239		3,493	-	-	-	3,309	-	-	36,309	8,114
Planning funds for repair of Liholiho School fire damages and reconstruction	1,078		10,000	-	-	-	9,430	-	-	664	984
Repairs, Kahuku High School auditorium	139		-	-	-	-	-	-	-	139	-
Blanche Pope Elementary School, purchase of school equipment	-		5,761	-	-	-	5,761	-	-	-	-
Blanche Pope Elementary School, planning for replacement of classroom building	500		-	-	-	-	-	-	-	500	-
Haleiwa Elementary School, replacement of equipment	-		-	-	-	933	-	-	-	933	-
Vocational Rehabilitation	-		644	-	-	-	-	-	-	-	644
Aiea School, fire damages	-		3,924	-	-	-	3,749	-	-	-	175
Kahuku School	-		585	-	-	-	154	-	-	-	431
Kahuku School, equipment	-		1,240	-	-	-	-	-	-	-	1,240
Liholiho School	-		56	-	-	-	-	-	-	-	56
Kahuku School, football equipment	-		123	-	-	-	123	-	-	-	-
Aiea School, books and equipment	-		570	-	-	-	561	-	-	-	9
Aiea School, fire damages	-		21,766	-	-	-	15,723	-	-	-	6,043
Waialae School, fire damages	-		119	-	-	-	-	-	-	-	119
Aiea School, replacement equipment	-		5,162	-	-	-	-	-	-	-	5,162
	60,415	-	54,367	-	-	(11,067)	41,081	-	188	38,545	23,901
Special and continuing appropriations:											
Motor vehicle driver training program	1		3,174	-	62	-	3,237	-	-	-	-
Motor vehicle driver training program	27,117		-	-	34,004	-	26,562	-	34,559	-	-
Claim for payroll adjustments for Eloise L. Kaloha	-		2,234	-	-	-	2,234	-	-	-	-
	27,118	-	5,408	-	34,066	-	32,033	-	34,559	-	-
Act 97 functions:											
School bus transportation - Oahu	-		538	-	-	-	-	-	-	-	538
School bus transportation - Hawaii	-		8,175	-	-	-	3,807	4,368	-	-	-
	-	-	8,713	-	-	-	3,807	4,368	-	-	538
Federal funds:											
Practical nurse training program	34,350		-	-	23,015	(23,015)	-	-	34,350	-	-
Science, mathematics and foreign language - Title III, PL 864	237,666		-	-	85,052	(306,863)	-	-	-	-	15,855

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Education, continued:											
Federal funds, continued:											
Guidance, counseling and testing, Title V, PL 864	$ 34,855		-	-	94,739	(129,593)	-	-	-	-	-
Perceptual language disorders project	1,115		-	-	-	-	-	-	1,115	-	-
Assistance for educational agencies in areas affected by Federal activities	2,604,142		-	-	6,115,986	(8,720,128)	-	-	-	-	-
School construction	357,458		130,777	-	543,371	(630,268)	401,339	-	-	-	-
N S L P	-		-	-	8,971	(8,971)	-	-	-	-	-
Adult education - civil defense	8,692		2	-	20,434	-	25,052	-	3,407	-	669
Manpower development and training, PL 874-15	152,524		58,458	-	276,936	(3,940)	403,336	-	46,504	-	34,139
Occupational training and retraining in areas designated as redevelopment areas	18,347		1,541	-	5,556	-	5,906	-	19,324	-	215
Vocational education, Title VIII, PL 864	934		-	-	69,044	(69,044)	-	-	934	-	-
Education in Agriculture - Smith-Hughes	10,000		-	-	10,000	(10,000)	-	-	10,000	-	-
Education in Agriculture - George-Barden	40,000		-	-	40,000	(40,000)	-	-	40,000	-	-
Education in Home Economics - George-Barden	40,000		-	-	35,890	(40,000)	-	-	35,890	-	-
Education of Teachers - Smith-Hughes	10,000		-	-	10,000	(10,000)	-	-	10,000	-	-
Education in Trades and Industries - Smith-Hughes	12,161		-	-	10,327	(11,661)	-	-	10,827	-	-
Education in Trades and Industries - George-Barden	18,929		-	-	40,000	(40,000)	-	-	18,929	-	-
Education in Distributive Occupations - George-Barden	43,688		-	-	15,000	(14,500)	-	-	44,188	-	-
Federal funds for rural library service	66,785		17,170	-	308,497	(308,497)	19,211	-	64,578	-	166
Training - education of handicapped children	16,558		1,589	-	33,392	15,197	54,389	-	-	-	12,348
Office of Economic Opportunity	87,063		258	-	320,715	-	392,871	-	14,679	-	486
Vocational Education Act of 1963, PL 88-210	277,385		128,379	-	792,537	(732,203)	352,193	-	103,296	-	10,609
Community Action Program - Economic Opportunity Act, Title IIa	72,795		10,015	-	421,828	-	492,593	-	8,400	-	3,645
Adult basic education - Economic Opportunity Act, Title IIb	7,030		2,627	-	155,409	-	145,119	-	-	-	19,946
Cooperative research program, PL 531	30,160		12,922	-	39,928	40,000	71,350	-	42,739	-	8,921
Federal fund for special programs in areas having high concentration of Children in Lower Income Families, Elementary and Secondary Education Act, Title I, PL 8910	645,202		115,352	-	1,398,247	-	2,082,971	-	-	-	75,830
Federal funds for school library resources, textbooks and other instructional materials - Elementary and Secondary Education Act, Title II, PL 8510	5,860		365,340	-	237,956	-	447,679	-	-	-	161,477
Federal funds for supplementary educational centers and service under Elementary and Secondary Education Act, Title II, PL 8910	102,856		21,530	-	858,050	40,000	1,007,733	-	-	-	14,703
Federal funds for strenghtening State Department of Education	17,504		32,805	-	148,689	(15,197)	110,875	-	26,051	-	46,875
Public information project, PL 89-10, Title V	10,203		328	-	6,668	-	15,423	-	1,716	-	60
Grants for strengthening instruction in Humanities and the Arts	1,791		324	-	1,725	-	-	-	3,840	-	-
Education of handicapped children in State operated schools	145,648		14,398	-	21,097	-	129,609	-	-	-	51,534

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Education, continued:											
Federal funds, continued:											
National Teacher Corps	$ 8,296		3,801	-	119,172	-	104,048	-	13,034	-	14,187
Children in institutions for neglected and delinquent	2,398		1,872	-	4,546	-	2,832	-	5,983	-	-
Follow through project - "Hoomau"	-		-	-	72,505	-	57,115	-	-	-	15,390
Education of Handicapped Children	-		-	-	20,000	-	11,930	-	-	-	8,070
Fisheries training - George-Barden	-		-	-	3,137	-	2,271	-	865	-	-
	5,122,395	-	919,488	-	12,368,419	(11,018,683)	6,335,845	-	560,649	-	495,125
Total Department of Education	$ 5,209,928	-	3,848,260	83,050,095	12,406,846	(1,539,992)	92,589,201	2,883,479	4,480,194	38,545	2,983,718
University of Hawaii:											
Operating appropriations - 1967-1968:											
Administration	-		1,222,522	31,984,402	233,729	15,094	32,403,827	17,380	-	-	1,034,541
Experiment Station - State offset	9,240		-	-	-	279,624	284,892	-	3,972	-	-
Extension Service - State offset	-		-	-	-	268,753	268,520	-	233	-	-
University Relation's office	-		2,475	-	-	-	2,475	-	-	-	-
University Press	-		20,687	-	-	-	20,687	-	-	-	-
Land Study Bureau	-		502	-	-	-	-	501	-	-	-
Hawaii Institute of Geophysics	-		3,800	-	-	-	3,328	472	-	-	-
Water Resources Research Center	-		773	-	-	-	773	-	-	-	-
Building and grounds maintenance	-		20,914	-	-	-	7,985	6,631	-	-	6,298
Building maintenance and shops	-		317	-	-	-	317	-	-	-	-
	9,240	-	1,271,990	31,984,402	233,729	563,471	32,992,804	24,984	4,205	-	1,040,839
Special and continuing appropriations:											
Implementation - shark control program	-		18,865	-	-	20,000	23,701	-	6,220	-	8,944
Updating the 1950 Manual on State Constitutional Provisions and Other Reports	20,000		-	-	-	-	20,000	-	-	-	-
Expansion of programs	-		-	25,000	-	-	6,738	-	14,261	-	4,001
Services and assistance for the Constitutional Convention	-		-	60,000	-	-	9,552	-	50,448	-	-
	20,000	-	18,865	85,000	-	20,000	59,991	-	70,929	-	12,945
Federal funds:											
East-West Center	556,801		-	-	5,333,292	11,342	5,591,532	-	309,903	-	-
Peace Corps	75,714		-	-	437,009	(93,589)	401,284	-	17,850	-	-
Higher Education Act:											
Community planning and government teaching	58,245		-	-	-	23,000	53,954	-	27,292	-	-
Problems of poverty and social discolation	23,577		-	-	-	10,338	15,179	-	18,736	-	-
Labor - management education	34,473		-	-	-	20,000	22,169	-	32,304	-	-
Public issues discussions	2,386		-	-	-	5,000	2,239	-	5,147	-	-
Continuing education - unmet needs	15,300		-	-	-	10,000	10,885	-	14,415	-	-
Lyceum series	11,500		-	-	-	15,000	6,691	-	19,809	-	-
Agricultural Extension Service (Smith-Lever)	23,368		-	-	382,451	-	390,666	-	15,152	-	-
Agricultural Experiment Station (Smith-Hughes)	63,476		-	-	500,967	-	515,271	-	49,172	-	-
Acquisition of land (Morrill Grant)	345		-	-	-	-	-	-	345	-	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
University of Hawaii, continued:											
Federal funds, continued:											
Other Federal funds	$ 108,254		-	-	19,868,966	82,246	20,231,823	-	(172,357)	-	-
Higher Education Facilities Act	-		-	-	-	28,200	-	-	28,200	-	-
Higher Education Act:											
Government Development Center	-		-	-	-	15,000	-	-	15,000	-	-
Kauai Model Community Center	-		-	-	-	16,000	-	-	16,000	-	-
	973,439	-	-	-	26,522,685	142,537	27,241,693	-	396,968	-	-
Total University of Hawaii	$ 1,002,679	-	1,290,855	32,069,402	26,756,414	726,008	60,294,488	24,984	472,102	-	1,053,784
Department of Agriculture:											
Operating appropriations - 1967-1968:											
General administration	-		2,929	208,474	-	2,779	204,594	7,899	-	-	1,689
Planning and coordination	-		186	-	-	-	185	1	-	-	-
Marketing and economics:											
Administration	-		357	39,795	1,500	-	41,373	4	-	-	275
Commodities	-		8,539	293,152	5,627	(12,370)	279,948	6,846	-	-	8,155
Crop and livestock reporting service	-		316	93,622	-	(1,122)	92,452	41	-	-	323
Market news service	-		1,764	35,330	-	1,465	38,272	56	-	-	231
Weights and measures	-		2,208	121,343	-	2,137	124,783	253	-	-	651
Animal industry:											
Administration	-		493	47,009	-	(1,599)	44,537	1,211	-	-	155
Livestock disease control	-		2,203	165,175	-	(19,107)	146,812	233	-	-	1,226
Veterinary laboratory	-		648	95,924	-	(4,393)	91,773	222	-	-	184
Inspection and quarantine	-		4,868	280,879	-	65,799	345,330	157	-	-	6,060
Meat inspection	-		962	228,737	396	(4,809)	223,672	377	-	-	1,237
Meat grading	-		-	7,700	-	-	7,700	-	-	-	-
Plant industry:											
Administration	-		1,689	43,858	-	(9,271)	35,199	810	-	-	266
Plant quarantine inspection	-		993	250,403	-	268	249,837	82	-	-	1,745
Entomology	-		1,850	158,410	6,000	(13,524)	150,719	543	-	-	1,474
Weed, seed and herbicide	-		706	102,359	-	(6,700)	89,236	2,671	-	-	4,458
Hawaii soil and water conservation	-		488	2,600	-	(2,600)	314	174	-	-	-
Milk control:											
Administration	-		-	87,000	-	-	64,498	21,617	-	-	886
Farm loan:											
Contribution to Farm Loan Fund	-		-	250,000	-	-	250,000	-	-	-	-
	-	-	31,199	2,511,770	13,523	(3,047)	2,481,234	43,197	-	-	29,015
Special and continuing appropriations:											
Donations for Naalehu Research Work	-		-	-	5,000	-	2,597	-	2,326	-	77
	-	-	-	-	5,000	-	2,597	-	2,326	-	77
Federal funds:											
Naalehu cattle disease research	21,335		12	-	-	-	19,981	-	1,365	-	-
Marketing development projects	14,946		-	-	10,338	-	21,174	-	4,110	-	-
Hawaii development irradiator	673		1,242	-	98,810	-	90,550	-	2,614	-	7,561
	36,954	-	1,254	-	109,148	-	131,705	-	8,089	-	7,561
Total Department of Agriculture	$ 36,954	-	32,453	2,511,770	127,671	(3,047)	2,615,536	43,197	10,415	-	36,653

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Land and Natural Resources:											
Operating appropriations - 1967-1968:											
Departmental administration	$ -		4,262	258,928	-	(81)	249,395	10,929	-	-	2,785
Conveyances	-		1,924	333,458	-	4,208	323,689	2,860	-	-	13,041
Fish and game:											
Administration	-		979	30,257	-	14,750	44,938	965	-	-	83
Enforcement	-		24,708	235,444	2,320	(7,000)	214,738	21,980	-	-	18,754
Fisheries, research and management	-		9,655	76,184	-	84,626	142,809	19,934	-	-	7,722
Wildlife, research and management	-		6,642	49,923	1,341	184,872	206,545	29,272	-	-	6,961
Fisheries, research and management	-		-	-	23,892	(23,892)	-	-	-	-	-
Wildlife, research and management	-		-	-	61,876	(61,876)	-	-	-	-	-
Forestry:											
Administration	-		868	54,451	-	36,502	75,383	16,287	-	-	151
Forestry management	-		163,338	680,344	-	59,923	716,092	139,255	-	-	48,258
Research	-		1,226	81,060	-	-	73,415	8,461	-	-	410
Land management	-		2,716	289,524	403	-	237,747	54,074	-	-	822
Hawaii soil and water conservation	-		-	-	-	2,600	2,119	427	-	-	54
State parks	-		4,959	442,826	222	(16,624)	366,307	57,511	-	-	7,565
Water and land development:											
Administration	-		351	67,884	-	704	68,798	141	-	-	-
Water resources survey	-		41,233	392,422	-	56,117	419,852	1,213	-	-	68,707
Flood control	-		17	36,434	-	976	34,715	65	-	-	2,647
Project development	-		311	37,356	-	1,068	38,703	-	-	-	32
Supplementation to irrigation revolving fund	-		-	95,659	-	-	93,979	1,680	-	-	-
	-	-	263,189	3,162,154	90,054	336,873	3,309,224	365,054	-	-	177,992
Special and continuing appropriations:											
Donations for improvement of Nalaau Park	93		-	-	-	-	-	-	93	-	-
Construction or reconstruction of Ahualoa Homestead Road from Lot 3, Grant 7190, Forward Lot 11, Grant 8867, Hamakua, Hawaii	-		63	-	-	-	-	-	-	-	63
Acquisition of land and forest reserve easements in watershed areas	15,000		-	-	-	-	-	-	15,000	-	-
Expenses for the development and regulation through zoning of forest and other lands in the various counties	3,456		-	-	-	-	-	-	3,456	-	-
Expenses toward the establishment and operation of a forest research center in the State of Hawaii of the United States Forest Service	496		-	-	-	-	-	-	496	-	-
Hawaii new vessel construction fisheries loans program	20,000		-	-	-	-	-	-	20,000	-	-
Importation of non-game birds	9,086		-	-	-	-	277	-	8,809	-	-
Plan and minor improvements - Diamond Head State Amusement	20,000		-	-	-	-	17,000	3,000	-	-	-
Hawaii Job Corps Center	101,858		58,775	-	-	(1,007)	44,199	-	53,584	-	61,843
State program of historic preservation and restoration	25,000		-	-	-	-	7,133	-	16,215	-	1,652
Fisheries development program	91,500		-	-	-	-	91,500	-	-	-	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Land and Natural Resources, continued:											
Special and continuing appropriations, continued:											
Federal reimbursable project Wahiawa public fishing area project	$ -		-	-	5,000	-	-	-	5,000	-	-
	286,489	-	58,838	-	5,000	(1,007)	160,109	3,000	122,653	-	63,558
Federal funds:											
Division of Hydrography	-		-	-	240,900	-	240,900	-	-	-	-
Economic Opportunity Act - Neighborhood Youth Corps	7,559		-	-	64,527	-	65,244	-	6,842	-	-
Economic Opportunity Act - Job Corps Center Program	-		-	-	1,258,657	-	1,252,979	-	5,678	-	-
Fisheries, research and management	798		-	-	75,837	(76,635)	-	-	-	-	-
Wildlife, research and management	-		-	-	115,439	(115,439)	-	-	-	-	-
Reforestation forest fire program	12,287		-	-	84,138	(96,425)	-	-	-	-	-
Open space grant - Kaikoo, Hawaii	116,961		-	-	-	-	-	-	116,961	-	-
Economic Opportunity Act - Operation Mainstreet	3,817		-	-	35,997	-	36,355	-	3,459	-	-
Water resources - planning	12,796		-	-	43,060	(55,856)	-	-	-	-	-
Puukapu watershed project	-		-	-	223,537	-	221,979	-	1,558	-	-
Public fishing area development and operations	-		-	-	5,942	-	-	-	5,942	-	-
	154,218	-	-	-	2,148,034	(344,355)	1,817,457	-	140,440	-	-
Total Department of Land and Natural Resources	$ 440,707	-	322,027	3,162,154	2,243,088	(8,489)	5,286,790	368,054	263,093	-	241,550
Department of Planning and Economic Development:											
Operating appropriations - 1967-1968:											
Planning and Economic Development Services	-		11,302	649,446	1,703	-	571,119	74,114	-	-	17,218
Land Use Commission	-		4,515	46,514	-	-	48,335	741	-	-	1,953
Tourism promotion	-		-	1,441,000	-	34,686	1,456,815	-	-	-	18,871
Industry and product promotion	-		80,251	30,000	-	-	51,705	825	-	-	57,722
State program for the promotion of research and development and science related industries	-		11,936	-	-	-	7,440	4,170	-	-	326
Foreign trade and pacific affairs	-		2,181	107,183	35,793	-	116,908	27,624	-	-	625
Commission on Manpower and Full Employment	-		1,411	36,700	-	-	30,318	7,051	-	-	741
State technical service program	-		-	54,000	-	-	14,312	457	-	-	39,231
Hawaii capital loan program	-		-	250,000	-	-	250,000	-	-	-	-
Statewide vocational rehabilitation planning project	-		-	-	-	34,500	-	28,224	-	-	6,276
	-	-	111,596	2,614,843	37,496	69,186	2,546,952	143,206	-	-	142,963
Special and continuing appropriations:											
Contributions by County of Maui for Kihei Civic improvement development plan, P-19	-		-	-	2,335	-	-	-	2,335	-	-
Study for a State housing program	94		1,042	-	-	-	-	-	94	-	1,042
Depressed Area Fund	149,086		-	-	-	-	-	-	149,086	-	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Planning and Economic Development, continued:											
Special and continuing appropriations, continued:											
Hawaii Capital Loan Revolving Fund	$ -		-	250,000	-	-	-	-	250,000	-	-
Statewide community shelter plan	9,510		-	-	-	(6,000)	-	3,510	-	-	-
Commission on Manpower and Full Employment	-		15,673	-	-	-	14,513	-	-	-	1,160
County and private contributions - Lahaina regional plan	-		10,500	-	-	-	10,500	-	-	-	-
Updating - tourist destination study	-		-	100,000	-	-	-	100,000	-	-	-
Implementation of programs for encouraging and promoting basic commercial and industrial activities in the State	-		-	5	-	-	-	5	-	-	-
Implementation of programs for developing the economic potential of the State	-		-	75,000	-	-	22,747	43,852	-	-	8,401
	158,690	-	27,215	425,005	2,335	(6,000)	47,760	147,367	401,515	-	10,603
Federal funds:											
Study on transportation and general plan	25,745		22,016	-	-	-	23,847	-	8,170	-	15,744
Planning - State Technical Services Act	25,620		-	-	500	-	3,032	-	23,088	-	-
Planning - Vocational Rehabilitation Services	16,929		17,773	-	26,417	12,000	66,485	-	6,634	-	-
Outdoor Recreation Services	136,022		-	-	271,353	-	382,225	-	25,150	-	-
Urban planning - Lahaina regional plan	-		-	-	48,200	-	38,889	-	263	-	9,048
State Technical Services, annual program	10,370		-	-	18,852	-	8,071	-	21,151	-	-
	214,686	-	39,789	-	365,322	12,000	522,549	-	84,456	-	24,792
Total Department of Planning and Economic Development	$ 373,376	-	178,600	3,039,848	405,153	75,186	3,117,261	290,573	485,971	-	178,358
Department of Transportation:											
Operating appropriations - 1967-1968:											
Small boat harbors	-		15,567	399,892	-	-	292,775	18,340	-	-	104,344
Alleviation of traffic problem on Kamehameha Highway	17,751		-	-	-	-	17,424	327	-	-	-
Alleviation of traffic problem on Kamehameha Highway	-		-	-	-	5,691	5,460	228	-	-	-
	17,751	-	15,567	399,892	-	5,691	315,659	18,895	-	-	104,344
Special and continuing appropriations:											
Expenses for examination, investigation, survey or reconnaissance necessary for obtaining information relative to the acquisition, construction, or operation of the ferry or ferry facilities	94,787		-	-	-	-	-	-	94,787	-	-
Claim of E. A. K. Williams for remuneration for land being used as a State highway	151		-	-	-	-	-	-	151	-	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Transportation, continued:											
Special and continuing appropriations, continued:											
Assisting the U. S. district engineer in expediting survey of the coast of the Hawaiian Islands	$ 3,571		-	-	-	-	-	-	3,571	-	-
Acquisition of property and other expenditures in connection with improvements of Keehi Lagoon for use as a seaplane harbor	20,348		-	-	-	-	1,404	-	18,945	-	-
	118,857	-	-	-	-	-	1,404	-	117,454	-	-
Federal funds:											
Economic Opportunity Act - main stream project	4,036		-	-	48,000	-	40,312	-	11,724	-	-
Highway Traffic Safety, PL 89-564	-		-	-	25,004	-	17,532	-	7,472	-	-
	4,036	-	-	-	73,004	-	57,844	-	19,196	-	-
Total Department of Transportation	$ 140,644	-	15,567	399,892	73,004	5,691	374,907	18,895	136,650	-	104,344
Department of Defense:											
Operating appropriations - 1967-1968:											
Civil defense	-		12,323	143,650	122,786	(2,820)	246,227	3,636	-	-	26,076
Command and administration	-		42,045	423,493	-	7,501	447,388	10,280	-	-	15,371
Maintenance and operations	-		41,999	462,425	107,453	(4,680)	540,728	26,749	-	-	39,720
Windstorm damages, Keaukaha Military Reservation	-		-	-	-	2,285	2,285	-	-	-	-
	-		96,367	1,029,568	230,239	2,286	1,236,628	40,665	-	-	81,167
Special and continuing appropriations:											
Major Disaster Fund	-		-	200,000	-	-	73,230	-	126,770	-	-
	-	-	-	200,000	-	-	73,230	-	126,770	-	-
Federal funds:											
Civil defense equipment program	-		14,921	-	-	-	14,921	-	-	-	-
Civil defense emergency resources management program	8,990		-	-	-	-	8,990	-	-	-	-
Purchase and installation of civil defense sirens	1,043		10,257	-	2,911	-	9,501	-	3,954	-	756
Civil defense radiological maintenance and calibration program	2,994		-	-	15,341	-	13,717	-	4,618	-	-
Personnel and administration expense under PL 85-606 programs	-		-	-	9,204	-	9,191	-	13	-	-
Hawaii National and Air Guard operations (FNCT)	-		-	-	12,394,080	-	12,394,080	-	-	-	-
Community shelter program	3,843		-	-	5,389	-	5,595	-	3,637	-	-
	16,870	-	25,178	-	12,426,925	-	12,455,995	-	12,222	-	756
Total Department of Defense	$ 16,870	-	121,545	1,229,568	12,657,164	2,286	13,765,853	40,665	138,992	-	81,923

(Continued)

Schedule 3, Cont.

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Health:											
Operating appropriations - 1967-1968:											
Departmental administration	$ -		12,081	376,852	-	3,763	380,781	6,099	-	-	5,816
Health education	-		893	86,036	-	1,380	86,632	142	-	-	1,535
Research, planning and statistics	-		4,845	194,140	598	6,084	201,276	1,413	-	-	2,978
District health offices	-		2,300	276,346	-	6,649	275,589	-	-	-	9,706
Children's Health Services:											
Administration	-		137	70,636	-	5,074	74,250	101	-	-	1,496
Crippled children	-		21,201	447,813	-	(13,856)	421,090	15,031	-	-	19,037
Maternal and child health	-		650	50,716	-	3,187	50,950	153	-	-	3,450
Maternity and infant care projects	-		14,871	109,946	-	-	115,696	3,853	-	-	5,268
Communicable Disease:											
Administration	-		663	95,032	-	2,050	94,757	613	-	-	2,375
Epidemiology	-		1,159	88,544	-	(15,739)	67,346	326	-	-	6,292
Tuberculosis control	-		23,918	236,300	-	15,440	260,719	1,530	-	-	13,409
Hansen's disease:											
Hale Mohalu Hospital	-		8,117	154,390	334,828	43,875	517,936	3,715	-	-	19,559
Kalaupapa Settlement	-		13,913	-	850,880	40,944	867,344	6,079	-	-	32,314
Dental health	-		2,005	336,406	1,023	(69,956)	262,851	1,191	-	-	5,436
Environmental Health:											
Administration	-		269	29,809	-	7,007	36,999	19	-	-	67
Food and drug	-		-	74,851	-	2,959	77,609	1	-	-	200
Health engineering	-		2,861	136,546	-	(17,392)	120,220	194	-	-	1,601
Sanitation	-		1,748	483,386	-	2,854	483,636	831	-	-	3,521
Mosquito control	-		1,934	275,709	-	(12,377)	262,670	417	-	-	2,179
Rodent control	-		3,237	298,869	-	6,540	306,279	684	-	-	1,683
Medical Health Services:											
Administration	-		9	25,955	-	57	25,480	415	-	-	126
Chronic disease	-		40	40,818	-	(4,091)	36,668	90	-	-	9
Hospital and medical facilities	-		480	47,974	-	2,043	49,450	252	-	-	795
Laboratory services	-		670	256,295	-	13,548	267,879	182	-	-	2,452
Nutrition	-		-	28,612	-	2,975	31,550	37	-	-	-
Public health nursing	-		9,345	782,537	-	79,184	859,538	8,290	-	-	3,238
Mental Health:											
Administration	-		179	87,909	-	(40,424)	47,271	362	-	-	31
Preventive and clinical services	-		20,114	1,297,506	-	(84,105)	1,182,592	7,309	-	-	43,614
Hawaii State Hospital:											
Administration	-		1,614	184,062	-	(4,277)	176,458	1,264	-	-	3,677
Clinical services	-		10,243	760,900	-	(22,078)	717,134	22,681	-	-	9,250
Nursing services	-		18,692	1,614,074	258	132,146	1,730,842	2,543	-	-	31,785
Maintenance and operations	-		22,334	410,858	617	503	403,734	5,814	-	-	24,764
Support and subsistence	-		33,523	748,484	-	(46,856)	680,828	25,042	-	-	29,281
Waimano Training School and Hospital:											
Administration	-		444	45,337	-	(8,906)	36,024	171	-	-	680
Extramural activities	-		8,055	124,006	-	(6,737)	120,574	1,429	-	-	3,321
Medical and hospital services	-		13,940	605,445	186	(4,872)	600,860	7,814	-	-	6,025
Social services and placement	-		1,744	147,109	-	(893)	145,216	2,359	-	-	385
Training	-		4,495	109,670	-	(1,473)	103,311	3,209	-	-	6,172
Institution facilities administration	-		2,548	78,521	-	1,450	78,522	2,479	-	-	1,518
Cottage life	-		17,549	909,300	-	38,120	946,254	10,017	-	-	8,698
Food service	-		10,688	401,493	-	(2,900)	382,343	13,647	-	-	13,291

(Continued)

Schedule 3, Cont.

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Health, continued:											
Waimano Training School and Hospital, continued:											
Maintenance and production	$ -		58,398	430,385	-	6,200	426,854	2,559	-	-	65,571
Sewing services	-		1,560	39,224	-	322	33,962	1,485	-	-	5,659
Hospital administration	-		-	57,245	-	-	4,242	49,758	-	-	3,245
	-	-	353,466	13,056,046	1,188,390	67,422	14,052,216	211,600	-	-	401,509
Special and continuing appropriations:											
Neighborhood health aid for Waimanalo children	-		-	-	4,250	-	1,993	-	2,257	-	-
Immunization of indigent and medically indigent	6,769		124	-	-	-	-	6,893	-	-	-
Water pollution control	8,176		80	-	-	-	2,710	-	452	-	5,094
Contributions for project on poisonous fish and plants	-		-	-	5,000	-	34	-	4,966	-	-
Community Mental Retardation Services:											
Day Care Center	6,837		97	-	-	-	-	6,934	-	-	-
Medical services and drugs	5,000		-	-	-	-	-	5,000	-	-	-
Homemakers services	10,609		18	-	-	-	-	10,627	-	-	-
Home nursing service	-		11,330	-	-	-	-	-	-	-	11,330
Half-Way House	32,540		29	-	-	-	-	32,569	-	-	-
Intensive Treatment Unit	28,591		186	-	-	-	-	28,777	-	-	-
Financial aid to private agencies	-		12,645	-	-	-	-	-	-	-	12,645
Community Mental Health Services:											
Staffing of Mental Health Center	20,674		6	-	-	-	3,144	-	8,332	-	9,204
Planning	3,182		-	-	-	-	-	3,182	-	-	-
Financial aid to private agencies	1,519		-	-	-	-	-	-	1,519	-	-
Contributions - Community Action program	10,391		-	-	-	-	1,661	-	8,730	-	-
Home Health Services	17,150		-	-	20,180	-	11,285	-	24,921	-	1,124
Expansion of program of assistance to Mental Retardation Associations of Hawaii	-		-	20,000	-	-	19,994	6	-	-	-
Waimanalo Children and Youth Health Services project	57,909		-	-	-	-	11,316	-	46,593	-	-
	209,347	-	24,515	20,000	29,430	-	52,137	93,988	97,770	-	39,397
Act 97, health functions:											
Maluhia Hospital	-		6,301	-	-	7,852	14,154	-	-	-	-
Hilo Hospital	-		-	-	-	23,536	23,536	-	-	-	-
Honokaa Hospital	-		390	-	-	1,700	2,090	-	-	-	-
Kohala Hospital	-		-	-	-	2,150	2,150	-	-	-	-
Kona Hospital	-		1,016	-	-	598	598	-	-	-	1,016
Kula Sanatorium and General Hospital	-		238	-	-	1,810	1,810	-	-	-	238
Maui Memorial Hospital	-		38,245	-	-	(24,868)	13,376	-	-	-	-
Hana Medical	-		2,689	-	-	(2,689)	-	-	-	-	-
Kauai Veterans Memorial Hospital	-		-	-	-	688	688	-	-	-	-
Samuel Mahelona Memorial Hospital	-		14,893	-	-	(10,443)	4,450	-	-	-	-
Miscellaneous services	-		1,109	-	-	(334)	775	-	-	-	-
	-	-	64,881	-	-	-	63,627	-	-	-	1,254
Federal funds:											
Comprehensive health planning	-		-	-	28,328	221	23,051	-	5,498	-	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Health, continued:											
Federal funds, continued:											
General health	$ 578		-	-	277,077	-	276,615	-	1,040	-	-
Cancer control	1,812		-	-	-	-	1,400	-	412	-	-
Chronically ill and aged	9,984		-	-	-	-	7,833	-	2,151	-	-
Heart disease control	6,740		-	-	-	-	4,516	-	2,224	-	-
Mental health	629		-	-	74,500	(1,000)	71,947	-	2,182	-	-
Radiological health	5,521		-	-	36	-	5,180	-	377	-	-
Dental health	1,467		-	-	-	-	803	-	664	-	-
Crippled children - Fund A	14,210		-	-	156,000	-	165,224	-	4,986	-	-
Crippled children - Fund B	11,891		-	-	58,000	-	68,505	-	1,386	-	-
Crippled children - refunds and adjustments, prior fiscal years	1,068		-	-	790	-	1,136	-	722	-	-
Maternal and child health - Fund A	8,957		-	-	161,000	-	162,107	-	7,850	-	-
Maternal and child health - Fund B	11,679		-	-	48,700	-	59,044	-	1,335	-	-
Maternal and child health - refunds	69		-	-	360	-	410	-	19	-	-
Crippled children services to Guamanian children	7,785		-	-	61,000	-	68,745	-	40	-	-
Hospital and medical facilities program administration	542		-	-	16,738	(512)	16,673	-	95	-	-
Medicare administration	13,588		-	-	42,278	-	53,880	-	1,986	-	-
Home Health Services	4,650		8,982	-	13,000	4,000	30,402	-	230	-	-
Mental retardation - refunds and adjustments, prior fiscal year	2		-	-	8	-	-	-	10	-	-
Office Economic Opportunity Project Head Start	41,604		-	-	137,181	96,000	250,229	-	24,556	-	-
Water pollution control	11,780		27,000	-	65,254	-	29,116	-	56,418	-	18,500
Hospital construction	-		-	-	820,858	512	821,370	-	-	-	-
Mental retardation - special project	5,666		1,248	-	119,900	-	122,108	-	4,706	-	-
Crippled children - conservation of hearing	502		-	-	-	-	251	-	251	-	-
Dental services - mental retardation	2,037		-	-	32,000	-	32,298	-	1,739	-	-
Nanakuli maternity and infant care project	13,847		-	-	286,025	578	299,104	-	1,346	-	-
Children and Youth project	-		-	-	73,000	(21,955)	48,729	-	2,316	-	-
Maui comprehensive mental health services program	-		-	-	38,534	-	38,534	-	-	-	-
	176,608	-	37,230	-	2,510,567	77,844	2,659,210	-	124,539	-	18,500
Federal research and training grants for:											
Solid waste disposal planning	1,817		-	-	14,700	-	15,142	-	1,375	-	-
Community cancer demonstration grant	1,830		-	-	-	-	-	-	1,830	-	-
Community Mental Health Centers staffing grant	-		-	-	12,864	(4,000)	7,621	-	1,243	-	-
Graduate training - clinical physchology	16,317		-	-	21,590	1,572	37,490	-	1,989	-	-
Graduate training - psychiatry	18,437		-	-	73,658	(2,860)	82,997	-	6,238	-	-
Graduate training - psychiatry, general practitioner training	4,221		-	-	9,391	-	12,652	-	960	-	-
Social readaptation of chronic patients	31,560		-	-	94,994	(226)	81,214	-	45,114	-	-
Hawaii health referral program	-		-	-	4,500	1,000	4,804	-	696	-	-
Armed Forces medical rejectee	8,879		-	-	2,972	-	2,614	-	9,237	-	-
Grants for TB eradication project	3,920		-	-	64,500	(488)	66,324	-	1,608	-	-
Studies of reservoirs and vectors of plague	31,149		-	-	23,664	(4,956)	46,412	-	3,445	-	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Health, continued:											
Federal research and training grants for, continued:											
Venereal disease case finding	$ 476		-	-	1,700	-	2,157	-	19	-	-
Language disorders project	-		-	-	10,087	-	8,471	-	1,616	-	-
Health surveillance program	7,038		-	-	-	(1,077)	4,246	-	1,715	-	-
In-service training - mental health	3,947		-	-	19,860	3,000	24,363	-	2,444	-	-
In-service training - mental retardation	19,662		-	-	11,240	11,218	29,054	-	13,066	-	-
Differential mortality by race in Hawaii	1,163		-	-	5,400	-	5,491	-	1,072	-	-
Control of oral cancer	-		-	-	100	-	100	-	-	-	-
Eradication of aedes aegypti project	4,079		-	-	84,677	-	73,305	-	15,451	-	-
Topically applied fluoride study	-		-	-	8,225	-	8,225	-	-	-	-
Vaccination assistance project grant	18,515		-	-	75,500	(150)	85,681	-	8,184	-	-
HIP (MR) improved and extended patient care at Waimano	2,334		-	-	50,673	1,069	47,830	-	6,246	-	-
Intensive program for community placement - HIP	1,688		-	-	46,724	1,092	41,948	-	7,555	-	-
Air pollution control program	9,803		-	-	2,500	-	11,015	-	1,288	-	-
Medical self help	216		-	-	1,260	-	1,043	-	433	-	-
Mental retardation, planning	7,302		-	-	16,982	(2,309)	21,010	-	965	-	-
Health facilities planning	222		-	-	25,500	-	22,737	-	2,985	-	-
Training grants for intensive program for community placement	-		-	-	14,815	(14,815)	-	-	-	-	-
	194,575	-	-	-	698,076	(11,930)	743,946	-	136,774	-	-
Total Department of Health	$ 580,530	-	480,092	13,076,046	4,426,463	133,336	17,571,136	305,588	359,083	-	460,660
Act 97 - Health Functions:											
Operation and maintenance of:											
Maluhia Hospital	-		-	2,326,298	183	-	2,326,298	183	-	-	-
Maui Memorial Hospital	-		-	447,534	-	-	447,534	-	-	-	-
Kula Sanatorium	-		-	685,242	-	-	684,307	935	-	-	-
Hana Medical Center	-		-	53,744	-	-	53,744	-	-	-	-
Hilo Memorial Hospital	-		-	910,073	-	-	778,078	131,995	-	-	-
Honokaa Hospital	-		-	317,638	-	-	317,637	1	-	-	-
Kohala Hospital	-		-	227,638	-	-	217,374	10,264	-	-	-
Kona Hospital	-		-	375,061	-	-	375,060	1	-	-	-
Samuel Mahelona Hospital	-		-	697,422	-	-	683,717	13,705	-	-	-
Kauai Veterans Hospital	-		-	94,536	-	-	94,536	-	-	-	-
Total Act 97 - Health Functions	$ -	-	-	6,135,186	183	-	5,978,285	157,084	-	-	-
Judicial Branch:											
Operating appropriations - 1967-1968:											
Supreme Court:											
Supreme Court proper	-		2,730	275,146	-	22,222	298,305	321	-	-	1,472
Administrative Director	-		45,517	186,400	-	1,200	170,408	57,951	-	-	4,758
State Law Library system	-		10,254	91,729	-	6,000	106,300	809	-	-	873
Publication of Hawaii Reports	-		22,050	12,750	-	-	1,004	9,556	-	-	24,240
District Court of Kalawao	-		-	250	-	-	16	234	-	-	-
Reviser of statutes	-		-	311,843	-	(246,000)	57,785	2,036	-	-	6,024

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Judicial Branch, continued:											
Operating appropriations - 1967-1968, continued:											
Land Court	$ -		-	38,039	-	-	34,328	3,711	-	-	-
First Circuit Court:											
First Circuit Court proper	-		2,449	966,509	3	(60,873)	843,752	62,369	-	-	1,967
Jury trial expenses	-		1,127	320,798	-	-	223,739	97,436	-	-	750
Adult probation	-		-	156,466	-	-	152,495	3,169	-	-	803
Family Court	-		1,145	973,776	3,020	(17,000)	845,073	113,777	-	-	2,091
Juvenile Detention Home	-		1,906	237,010	-	17,000	250,294	4,405	-	-	1,217
Second Circuit Court proper:											
Second Circuit Court proper	-		-	119,510	3,404	5,074	124,526	3,449	-	-	13
Jury trial expenses	-		-	13,900	-	14,000	17,061	10,840	-	-	-
Probation operations	-		383	159,357	-	-	158,191	1,509	-	-	40
Third Circuit Court:											
Third Circuit Court proper	-		-	193,011	22,266	-	187,964	27,313	-	-	-
Jury trial expenses	-		38	25,000	91	-	22,151	2,978	-	-	-
Probation operations	-		171	156,080	346	-	143,689	12,906	-	-	-
Fifth Circuit Court:											
Fifth Circuit Court proper	-		-	104,384	20	(1,500)	101,471	1,230	-	-	203
Jury trial expenses	-		-	9,001	-	3,000	6,964	5,037	-	-	-
Probation operations	-		36	61,087	-	(1,500)	53,864	5,126	-	-	632
District Courts:											
District Courts of Honolulu:											
Judicial Services	-		714	353,105	-	8,900	357,821	2,512	-	-	2,386
Traffic Violations Bureau	-		1,200	436,887	-	(10,132)	410,161	2,495	-	-	15,299
Rural District Courts	-		224	201,359	-	-	166,451	34,456	-	-	676
District Courts of Maui	-		5,151	82,776	-	4,600	89,189	1,316	-	-	2,024
District Courts of Hawaii	-		1,027	100,542	-	9,009	110,517	63	-	-	-
District Courts of Kauai	-		-	31,419	-	-	30,258	1,141	-	-	19
Prior years:											
Publication of Hawaii Reports	-		8,418	-	-	-	8,418	-	-	-	-
Administrative Director	-		99,400	-	-	-	99,400	-	-	-	-
Administration and Operation of District Courts	-		47,983	-	-	-	25,151	22,828	-	-	-
Publication of Hawaii Reports	-		1,340	-	-	-	-	-	-	-	1,340
	-	-	253,263	5,618,134	29,150	(246,000)	5,096,746	490,973	-	-	66,827
Special and continuing appropriations:											
Relating to First Circuit Court Judges	72,915		3,151	-	-	-	1,013	-	71,902	-	3,151
Revision of The Statutes of Hawaii	31,041		53,630	-	-	246,000	64,889	-	103,440	-	162,343
Study, review and revision of the criminal, correctional and juvenile laws of the State of Hawaii	40,000		-	70,000	-	-	28,543	-	81,457	-	-
	143,956	-	56,781	70,000	-	246,000	94,445	-	256,799	-	165,494
Total Judicial Branch	$ 143,956	-	310,044	5,688,134	29,150	-	5,191,191	490,973	256,799	-	232,321

(Continued)

Schedule 3, Cont.

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Labor and Industrial Relations:											
Operating appropriations - 1967-1968:											
Administration	$ -		631	199,877	-	-	196,684	3,639	-	-	185
Apprenticeship	-		29	47,974	-	1,050	49,017	36	-	-	-
Labor law enforcement	-		-	229,758	-	-	211,044	18,527	-	-	187
Workmen's compensation	-		134	177,766	-	(258)	168,419	7,059	-	-	2,164
Industrial safety	-		-	201,055	-	(1,050)	180,222	19,382	-	-	401
Hawaii Employment Relations Board	-		-	21,167	-	-	18,528	2,153	-	-	486
Computer Center	-		2,929	40,428	-	159,325	200,787	1,396	-	-	499
	-	-	3,723	918,025	-	159,067	1,024,701	52,192	-	-	3,922
Special and continuing appropriations:											
Additional Unemployment Compensation Fund	6,931		-	-	-	-	-	-	6,931	-	-
Compensation of trainees under the fishermen training program	-		-	18,000	-	-	5,546	-	12,454	-	-
Due to other funds - Special Additional Unemployment Compensation Fund	307,357		-	-	-	-	-	-	307,357	-	-
	314,288	-	-	18,000	-	-	5,546	-	326,742	-	-
Federal funds:											
Employment Security Administration	14,984		15,573	-	2,514,590	1,378	2,516,883	-	29,642	-	-
Total Department of Labor and Industrial Relations	$ 329,272	-	19,296	936,025	2,514,590	160,445	3,547,130	52,192	356,384	-	3,922
Department of Social Services:											
Operating appropriations - 1967-1968:											
Departmental administration	-		5,043	351,840	2,482	300,055	645,424	9,545	-	-	4,451
Parole and pardon of felons	-		-	172,984	-	575	173,284	125	-	-	150
Public Welfare Services:											
Administration	-		691	125,151	-	104,826	229,880	390	-	-	398
Oahu branch	-		16,373	910,504	-	682,741	1,590,114	6,245	-	-	13,259
Hawaii branch	-		1,151	205,725	584	128,782	329,456	2,386	-	-	4,400
Maui branch	-		348	127,896	170	61,086	185,727	1,270	-	-	2,503
Kauai branch	-		170	86,181	-	23,340	108,526	930	-	-	235
Rehabilitation Services branch	-		1,643	103,486	-	93,119	195,151	387	-	-	2,710
Vocational Rehabilitation	-		159,455	340,255	516	796,022	1,203,874	39,613	-	-	52,761
Economic Assistance:											
Payments to indigents and medically indigent:											
Aid to aged, blind and disabled	-		196,763	4,056,585	-	6,215,307	10,055,103	225	-	-	413,327
Aid to families with dependent children	-		60,255	5,330,715	-	7,644,050	12,926,701	40	-	-	108,279
Child welfare foster care	-		9,278	784,683	-	(43,857)	736,941	-	-	-	13,163
General assistance	-		68,082	2,131,079	-	313,564	2,466,742	14	-	-	45,969
Payments for Vocational Rehabilitation of the Visually Handicapped	-		6,755	26,154	-	81,552	106,833	23	-	-	7,605
Payments for disabled and paraplegic veterans	-		-	21,425	-	(9,807)	192	1,426	-	-	10,000
Corrections Division:											
Administration	-		4,545	74,314	-	(3,668)	62,421	8,193	-	-	4,577
Detention and rehabilitation of juvenile offenders - Hawaii Youth Correctional Facility	-		11,703	807,412	521	(120,025)	674,568	7,231	-	-	17,812

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Social Services, continued:											
Operating appropriations - 1967-1968, continued:											
Corrections Division, continued:											
Juvenile parole	$ -		783	107,987	-	(29,814)	75,671	2,777	-	-	508
Custody and Rehabilitation of Felons:											
State Prison	-		20,945	1,413,765	-	(35,563)	1,358,624	25,655	-	-	14,868
Kulani Honor Camp	-		157,070	389,290	-	(53,534)	477,973	11,492	-	-	3,361
Olinda Honor Camp	-		41,716	221,908	-	10,782	256,347	14,671	-	-	3,388
Fire damages - equipment for State Prison	-		-	-	-	3,471	-	-	-	3,471	-
	-	-	762,769	17,789,339	4,273	16,163,004	33,859,552	132,638	-	3,471	723,724
Special and continuing appropriations:											
Education and occupational training of parolees	9,454		-	-	-	-	2,040	-	7,414	-	-
Hawaii Development Revolving Fund	-		-	100,000	-	-	-	-	100,000	-	-
State rent supplements	-		-	50,000	-	-	9,021	-	40,979	-	-
	9,454	-	-	150,000	-	-	11,061	-	148,393	-	-
Act 97 functions:											
Burial of indigents	-		13,481	60,500	-	(7,716)	60,508	1,707	-	-	4,050
Medical payments for State and County pensioners	-		30,479	192,500	-	(19,509)	166,667	29,659	-	-	7,144
	-	-	43,960	253,000	-	(27,225)	227,175	31,366	-	-	11,194
Federal funds:											
Old age assistance	36,432		-	-	2,303,331	(2,289,527)	-	-	50,236	-	-
Aid to dependent children	86,284		-	-	6,014,627	(5,887,135)	-	-	213,776	-	-
Child Welfare Services	4,540		-	-	218,070	(221,834)	-	-	776	-	-
Medical assistance for the aged	453,582		-	-	4,597,715	(4,592,741)	-	-	458,556	-	-
Rehabilitation Services for the Blind	27,540		-	-	173,833	(193,848)	-	-	7,525	-	-
Work experience projects	54,833		102	-	30,521	-	60,966	-	24,272	-	218
Determination of disability for Federal OASI	-		30	-	135,694	2,171	137,895	-	-	-	-
Vocational Rehabilitation of Disabled Persons - Support	47,116		-	-	861,152	(824,770)	(8)	-	83,506	-	-
Vocational Rehabilitation of Disabled Persons - Extension and Improvement	685		-	-	-	-	-	-	685	-	-
Vocational Rehabilitation of Disabled Persons - Independent Living	3,570		-	-	-	-	-	-	3,570	-	-
Rehabilitation in-service training of applicable personnel	-		-	-	2,268	(972)	-	-	1,296	-	-
Rehabilitation services to social security beneficiaries	-		-	-	10,000	5,000	12,114	-	-	-	2,886
	714,582	-	132	-	14,347,211	(14,003,656)	210,967	-	844,198	-	3,104
Total Department of Social Services	$ 724,036	-	806,861	18,192,339	14,351,484	2,132,123	34,308,755	164,004	992,591	3,471	738,022

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Accounting and General Services:											
Operating appropriations - 1967-1968:											
Departmental administration	$ -		606	123,484	-	6,310	129,692	106	-	-	602
Insurance management program:											
Administration	-		51	750	-	-	521	278	-	-	2
Commercial insurance purchase of auto fleet coverage	-		-	26,285	-	-	10,726	15,559	-	-	-
Workmen's compensation	-		-	334,128	-	-	334,128	-	-	-	-
Fire and other casualties	-		-	170,000	-	(142,733)	-	27,267	-	-	-
Internal post-audit	-		9,026	112,228	-	(18,705)	62,670	39,511	-	-	368
Division of Accounting and Pre-Audit:											
Uniform accounting and reporting	-		2,181	65,752	281	-	61,548	4,609	-	-	2,057
Pre-audit	-		-	114,174	-	9,245	121,192	1,209	-	-	1,018
Data processing (Computer Center No. 1)	-		5,555	312,707	-	38,400	319,705	30,238	-	-	6,719
Systems branch	-		-	54,714	-	-	41,508	13,206	-	-	-
Public Archives Division:											
Records service	-		11,587	82,402	-	12,713	103,301	2,132	-	-	1,269
Records management	-		9,085	46,388	-	2,405	54,169	2,621	-	-	1,088
Division of Central Services:											
Maintenance and operation of buildings and grounds	-		60,346	1,407,938	87,894	-	1,269,961	192,530	-	-	93,687
Repairs and alterations of buildings	-		14,780	350,901	-	3,000	330,895	5,869	-	-	31,917
Central messenger service	-		546	20,870	-	150	21,181	246	-	-	139
Land surveying	-		860	279,126	88	-	275,059	2,578	-	-	2,437
Division of Public Works:											
Public Works administration	-		1,385	113,585	-	-	103,312	10,857	-	-	801
Design and Planning Division, school projects	-		-	-	419	23,822	21,963	-	-	-	2,278
Division of Purchasing and Supply:											
Central purchasing and supply	-		2,664	96,542	-	-	82,100	15,869	-	-	1,237
Inventory management	-		27	8,981	-	-	1,216	7,571	-	-	221
Kamehameha Day Celebration Commission:											
Celebration expenses:											
City and County of Honolulu	-		8	10,000	-	-	9,395	-	-	-	613
Maui County, including Kalaupapa	-		150	3,000	-	-	1,019	-	-	-	2,131
Hawaii County	-		-	5,000	-	-	1,125	-	-	-	3,875
Kauai County	-		-	2,500	-	-	625	-	-	-	1,875
Painting, Youth Correctional Facility	1,053		20,400	-	-	25,687	27,538	-	-	-	19,602
Children and Youth Project, Waimanalo	-		95,690	-	-	-	84,793	-	-	-	10,897
Renovations, Sensory Science Laboratory	304		-	-	-	-	-	304	-	-	-
Renovations, Legislature Reference Bureau offices	-		122	-	-	-	-	122	-	-	-
Painting of buildings, Hawaii Technical Schools	-		3,065	-	-	-	-	3,065	-	-	-
Insurance Fund allotments:											
Purchase of equipment - Blanche Pope Elementary School	3,480		-	-	-	17,500	20,192	-	-	788	-
Fire damages, Maemae School	-		-	-	-	322	322	-	-	-	-
Fire damages, Kawananakoa Intermediate School	-		-	-	-	86,737	17,602	-	-	69,135	-
Fire damages, State Prison	-		-	-	-	24,840	406	-	-	24,434	-
Fire damages, Haleiwa Elementary School	-		-	-	-	5,434	5,434	-	-	-	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Accounting and General Services, continued:											
Operating appropriations - 1967-1968, continued:											
Insurance Fund allotments, continued:											
Fire damages, Nanakuli High School	$ -		-	-	-	480	480	-	-	-	-
Fire damages, Kalakaua Intermediate School	-		-	-	-	281	281	-	-	-	-
Fire damages, Castle High School	-		-	-	-	450	450	-	-	-	-
Cost of developing master plan for Benjamin Parker School, fire damage	-		-	-	-	12,000	389	-	-	676	10,935
	4,837	-	238,134	3,741,455	88,682	108,338	3,514,898	375,747	-	95,033	195,768
Special and continuing appropriations:											
Surplus Federal Property Revolving Fund	26,200		-	10,000	49,939	-	58,623	-	27,516	-	-
Unemployment compensation benefits payments - State employees	-		-	481,184	-	-	481,184	-	-	-	-
Public Works Revolving Fund	23,924		-	-	-	-	5,180	-	18,262	-	482
State surplus property program	11,319		-	-	5,616	-	7,354	-	9,581	-	-
Motor vehicle rentals and personal car mileage	-		-	-	-	5,000	2,677	-	2,323	-	-
Supplies, services and equipment for capital improvements projects	4,276		-	-	-	(5,000)	(11,696)	-	10,972	-	-
Public Works Accrued Vacation and Sick Leave Fund	46,927		-	-	54,555	-	73,266	-	28,216	-	-
Private donations for alterations, Pacific Biomedical Research Center, University of Hawaii	-		397	-	-	-	-	-	-	-	397
University of Hawaii contribution for alterations in Food Service Center Building for Genetics Research program	1,550		-	-	-	-	8	-	1,542	-	-
University of Hawaii contribution for the construction of penthouse at Hawaii Marine Laboratory	468		-	-	-	-	-	-	468	-	-
Repainting exterior, Hilo Hospital	1,524		-	-	-	-	-	1,524	-	-	-
Renovation of electrical distribution system at Hawaii State Hospital	281		-	-	-	-	-	281	-	-	-
Reserve for payment of workmen's compensation claims and unemployment compensation benefits payments	-		-	-	201,077	-	201,077	-	-	-	-
Contribution by County of Maui for exterior painting of Maui Memorial Hospital	-		18,645	-	-	-	18,589	-	56	-	-
Improvements to Agronomy Department, University of Hawaii	-		-	-	4,001	-	-	-	4,001	-	-
Warehouse building alterations, University of Hawaii	-		-	-	74,000	-	7,762	-	-	-	66,238
Biomedical Science Building, University of Hawaii	-		-	-	20,640	-	14,578	-	-	-	6,062
	116,469	-	19,042	491,184	409,828	-	858,602	1,805	102,937	-	73,179

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Accounting and General Services, continued:											
Act 97 functions:											
Repairs and maintenance of schools, Oahu	$ -		42,528	4,254,359	1,802	-	3,068,713	318,150	-	-	911,826
School construction, Oahu	-		2,921	42,917	-	-	35,411	10,427	-	-	-
Repairs and maintenance of schools, Hawaii	-		2,795	849,566	-	-	470,796	2,795	-	-	378,770
Repairs and maintenance of schools, Maui	-		17,433	583,207	-	-	579,438	21,202	-	-	-
Repairs and maintenance of schools, Kauai	-		10,143	252,182	176	-	209,258	43,870	-	-	9,373
County of Hawaii, administrative overhead	-		5,146	-	-	-	-	5,146	-	-	-
Repairs and maintenance of hospitals, Statewide	-		2,830	-	-	-	1,600	1,230	-	-	-
Repairs and maintenance of schools, Statewide	-		13,113	-	-	-	-	13,113	-	-	-
Workmen's compensation, Act 97 functions	-		-	79,170	-	-	79,170	-	-	-	-
Auxiliary services, Department Administration	-		-	22,186	-	-	7,634	14,546	-	-	6
Auxiliary services, Post Audit	-		-	27,267	-	-	18,917	8,350	-	-	-
Auxiliary services, Central Services	-		-	54,867	-	(15,118)	-	39,749	-	-	-
Auxiliary services, commercial insurance purchase auto fleet coverage	-		-	3,570	-	-	-	3,570	-	-	-
	-	-	96,909	6,169,291	1,978	(15,118)	4,470,937	482,148	-	-	1,299,975
Federal funds:											
Cloud Physics Laboratory, University of Hawaii	1,364		-	-	33,000	-	1,119	-	33,245	-	-
Plans - air conditioning of 3rd and 4th floors of Liliuokalani Building	80,180		1,664	-	-	-	64,688	-	16,761	-	395
Remodeling of State Library	5,000		-	-	-	-	590	-	4,410	-	-
Data processing building, Hawaii Technical School	-		-	-	-	53,500	1,077	-	-	-	52,423
Hotel restaurant training building	-		-	-	-	274,269	23,882	-	241,311	-	9,076
East-West Center Library facility	-		-	-	30,000	-	309	-	29,691	-	-
Grants by the U. S. Government for school construction	-		-	-	316,140	(316,140)	-	-	-	-	-
Renovation of eight buildings, Waimanalo Children and Youth project	-		-	-	-	22,580	20,214	-	2,366	-	-
Honolulu Community College, electrical work for welding shop	-		-	-	-	3,940	-	-	3,940	-	-
Grants for school construction project	-		-	-	64,570	-	80	-	64,490	-	-
Construction of wood frame portable building and walk	-		-	-	15,000	-	-	-	15,000	-	-
Fort Shafter Elementary School	-		-	-	-	212,892	197,864	-	-	4,705	10,323
Schofield 3rd Elementary	-		-	-	632,683	102,383	176,796	-	-	65,542	492,728
Pearl City Kai Elementary	-		-	-	-	192,038	136,705	-	-	985	54,348
Pearl Harbor Kai Elementary	-		-	-	57,350	126,390	159,737	-	-	4,946	19,057
Wheeler Intermediate, first increment	-		-	-	-	104,151	44,529	-	-	56,555	3,067
Wheeler Intermediate, second increment	-		-	-	-	124,978	12,429	-	-	77,795	34,754
Makakilo Elementary	-		-	-	-	83,578	51,540	-	-	32,038	-
	86,544	-	1,664	-	1,148,743	984,559	891,559	-	411,214	242,566	676,171
Total Department of Accounting and General Services	$ 207,850	-	355,749	10,401,930	1,649,231	1,077,779	9,735,996	859,700	514,151	337,599	2,245,093

(Continued)

Schedule 3, Cont.

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of the Attorney General:											
Operating appropriations - 1967-1968:											
Attorney General's office proper	$ -		4,751	576,854	9,790	-	569,394	12,206	-	-	9,795
Litigations	-		1,072	100,000	-	-	94,500	5,271	-	-	1,301
Bureau of Crime Statistics	-		-	11,517	-	(982)	9,556	885	-	-	94
Bureau of Civil Identification	-		-	33,491	-	982	34,271	65	-	-	137
Commission of Subversive Activities	-		-	17,765	-	-	17,580	185	-	-	-
Office of the Sheriff	-		-	9,900	-	-	9,900	-	-	-	-
Auxiliary services - Act 97 functions	-		-	12,600	-	-	-	12,600	-	-	-
	-	-	5,823	762,127	9,790	-	735,201	31,212	-	-	11,327
Special and continuing appropriations:											
Kahana Bay Fishery	39,710		-	-	-	-	-	-	39,710	-	-
Hawaii Education Council	9,451		-	-	-	-	92	-	9,359	-	-
Acquisition of the private rights in the Sea Fishery of Anukoli, Maalaea Bay, Island of Maui	1,200		-	-	-	-	851	-	349	-	-
	50,361	-	-	-	-	-	943	-	49,418	-	-
Total Department of the Attorney General	$ 50,361	-	5,823	762,127	9,790	-	736,144	31,212	49,418	-	11,327
Department of Budget and Finance:											
Operating appropriations - 1967-1968:											
Department administration	-		1,114	96,362	-	(2,107)	85,056	9,481	-	-	832
Budget Division:											
Budget services	-		2,608	240,147	-	(15,550)	170,010	56,166	-	-	1,029
Bonus to pensioners	-		-	2,797,300	-	(78,821)	2,488,803	229,676	-	-	-
Equipment contingency	-		-	25,000	-	-	-	25,000	-	-	-
Management Division:											
Management Services	-		260	68,391	-	-	56,965	11,251	-	-	435
Children and Youth	-		-	24,882	430	3,114	25,252	3,114	-	-	60
State-Wide Information System Division	-		3,803	379,281	2,113	5,676	318,351	8,829	-	-	63,693
Finance Division:											
Cash and debt management	-		1,023	61,773	-	550	63,102	202	-	-	42
Public debt service	-		21,102	43,816	-	-	50,296	12,681	-	-	1,941
Bonded debt - interest	-		-	7,763,717	-	-	7,763,717	-	-	-	-
Bonded debt - principal	-		-	13,633,600	-	-	13,633,600	-	-	-	-
Employees' Retirement System:											
Contributions	-		-	168,432	-	(30,000)	138,431	1	-	-	-
Pension Accumulation Fund	-		-	9,503,226	-	(16,800)	9,486,426	-	-	-	-
Post Retirement Fund, Act 175/61	-		-	652,506	-	-	652,506	-	-	-	-
Members on military leave	-		-	12,000	-	16,800	28,800	-	-	-	-
Social Security	-		-	4,435,175	-	-	4,435,175	-	-	-	-
Pensions:											
Veterans Hawaii Guard	-		-	288	-	-	288	-	-	-	-
Legislative	-		-	6,500	-	-	6,500	-	-	-	-
Minimum	-		-	29,000	-	-	24,000	5,000	-	-	-
Employees' Group Medical and Hospital Care:											
Administration	-		2,284	79,454	-	17,542	91,730	4,571	-	-	2,979
Contributions	-		99,836	3,508,882	-	10,208	3,474,043	78,500	-	-	66,383

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Budget and Finance, continued:											
Operating appropriations - 1967-1968, continued:											
Commission on aging	$ -		7,656	59,774	-	-	56,099	2,195	-	-	9,136
Student aid loan program	-		50,000	-	-	-	-	50,000	-	-	-
Electronic data processing survey	-		5,189	-	-	-	-	5,189	-	-	-
Consulting services - S.D.P.S.	-		6,000	-	-	-	-	6,000	-	-	-
Deficiency appropriations - 1967-1968	-		-	2,312,109	-	(2,312,109)	-	-	-	-	-
	-	-	200,875	45,901,615	2,543	(2,401,497)	43,049,150	507,856	-	-	146,530
Special and continuing appropriations:											
Expenses of escheat proceedings, unclaimed dividends	-		-	94	-	-	94	-	-	-	-
State grants-in-aid to:											
City and County of Honolulu	-		-	2,566,775	-	-	2,566,775	-	-	-	-
County of Maui	-		-	2,797,345	-	-	2,797,345	-	-	-	-
County of Hawaii	-		-	3,758,696	-	-	3,758,696	-	-	-	-
County of Kauai	-		-	2,304,287	-	-	2,304,287	-	-	-	-
Research, planning, services and facilities, and training fund in problems of the aged	3,217		-	-	7,183	-	4,655	-	4,745	-	1,000
Administrative cost of the counties for services rendered the State under contractual arrangement in connection with Act 97, SLH 1965	-		-	350,000	-	-	300,494	49,506	-	-	-
Contributions to Employees' Retirement System for Act 97 functions	-		339,944	1,433,364	-	-	1,625,788	132,520	-	-	15,000
Night shift work - public officers and employees	-		-	126,900	-	-	72,695	-	54,205	-	-
Additional costs for implementation of compensation plan for blue-collar positions of public employees	-		-	3,458,996	-	-	-	-	3,458,996	-	-
Contributions for group life insurance benefits	-		-	385,763	-	52,642	434,007	4,398	-	-	-
Judgments and claims against the State of Hawaii	-		-	18,835	-	-	17,770	-	1,065	-	-
	3,217	-	339,944	17,201,055	7,183	52,642	13,882,606	186,424	3,519,011	-	16,000
Federal funds:											
Commission on aging	6,134		-	-	97,695	-	85,725	-	18,104	-	-
Older Americans Act of 1965	15,959		-	-	82,782	-	94,657	-	4,084	-	-
Higher Education Act of 1965	3,000		-	-	117,338	(114,338)	1,116	-	4,884	-	-
	25,093	-	-	-	297,815	(114,338)	181,498	-	27,072	-	-
Total Department of Budget and Finance	$ 28,310	-	540,819	63,102,670	307,541	(2,463,193)	57,113,254	694,280	3,546,083	-	162,530
Executive:											
Operating appropriations - 1967-1968:											
Governor's Office	-		8,000	347,788	-	40,000	323,981	61,848	-	-	9,959
Washington Place	-		-	75,363	-	-	72,183	3,180	-	-	-
Governor's Contingent Fund	-		-	150,000	80,000	(100,542)	80,000	49,458	-	-	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Executive, continued:											
Operating appropriations - 1967-1968, continued:											
Western Interstate Commission for Higher Education	$ -		-	83,100	-	-	81,019	2,081	-	-	-
Institute for Technical Exchange	-		-	2,550	-	-	2,456	94	-	-	-
Hawaii Office of Economic Opportunity	-		4,310	322,719	-	(96,000)	220,648	10,380	-	-	-
Commission on Culture and the Arts	-		3,900	90,000	-	(4,733)	60,375	5,318	-	-	23,474
Employment of the handicapped	-		-	22,458	-	-	21,204	542	-	-	712
Consumer protection	-		-	35,000	-	(35,000)	-	-	-	-	-
	-	-	16,210	1,128,978	80,000	(196,275)	861,866	132,901	-	-	34,145
Special and continuing appropriations:											
Expenses, Necessary Commodities Emergency Act	10,000		-	-	-	-	-	-	10,000	-	-
Expenses, conferring upon certain persons the title of "Calabash Cousin to the People of Hawaii"	8		-	-	-	-	8	-	-	-	-
Statuary Hall Commission	936		-	-	-	-	-	-	936	-	-
Expenses incurred by the Fine Arts Committee on Iolani Palace	-		5,000	-	-	-	-	5,000	-	-	-
Developing and implementing a shark control program	-		-	40,000	-	(20,000)	20,000	-	-	-	-
Expenses of a special committee to study the subject of eminent domain	9,937		-	-	-	-	-	-	9,937	-	-
State Foundation on Culture and the Arts	4,304		-	-	-	-	3,176	-	1,128	-	-
State Foundation on Culture and the Arts (consultant)	110		2,900	-	-	-	3,010	-	-	-	-
Hawaii Highway Safety program	40,000		-	-	-	-	-	-	40,000	-	-
Expenses in preparing for the 1968 Constitutional Convention	100,000		-	-	-	-	92,385	-	7,615	-	-
Progressive neighborhoods programs	-		-	125,000	-	-	48,909	-	76,091	-	-
Office of Economic Opportunity programs at Palama Settlement	3,275		-	-	-	-	-	3,275	-	-	-
Pre-session and post-session expenses of the Constitutional Convention and other expenses or purposes provided for in Act 222 SLH 1967	-		-	1,205,000	-	-	7,821	-	1,197,179	-	-
Portrait of Governor	-		5,927	-	-	-	3,740	2,187	-	-	-
	168,570	-	13,827	1,370,000	-	(20,000)	179,049	10,462	1,342,886	-	-
Federal funds:											
Office of Economic Opportunity	6,421		-	-	77,317	-	81,891	-	1,848	-	-
National Endowment for the Arts	6,332		-	-	39,383	(4,733)	29,030	-	-	-	11,952
Environmental and urban design proposals	-		-	-	50,850	-	29,699	-	5,435	-	15,716
	12,753	-	-	-	167,550	(4,733)	140,620	-	7,283	-	27,668
Total Executive	$ 181,323	-	30,037	2,498,978	247,550	(221,008)	1,181,535	143,363	1,350,169	-	61,813

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Office of the Lieutenant Governor:											
Operating appropriations - 1967-1968:											
Lieutenant Governor's office	$ -		-	149,084	-	(4,000)	143,403	615	-	-	1,066
Elections administration	-		-	36,205	-	25,664	36,200	4	-	-	25,665
	-	-	-	185,289	-	21,664	179,603	619	-	-	26,731
Special and continuing appropriations:											
Election of delegates to the Constitutional Convention and for other expenses or purposes provided for in Act 222, SLH 1967	-		-	295,000	-	-	151,029	-	131,593	-	12,378
	-	-	-	295,000	-	-	151,029	-	131,593	-	12,378
Total Office of the Lieutenant Governor	$ -	-	-	480,289	-	21,664	330,632	619	131,593	-	39,109
Department of Personnel Services:											
Operating appropriations - 1967-1968:											
Personnel Services	-		927	479,318	1,067	(2,604)	469,282	4,752	-	-	4,674
Appeal Board	-		-	11,600	-	-	9,342	2,033	-	-	225
Auxiliary Services - Act 97 functions	-		-	23,474	-	-	18,581	1,583	-	-	3,310
	-	-	927	514,392	1,067	(2,604)	497,205	8,368	-	-	8,209
Special and continuing appropriations:											
Expenses, activities relating to loyalty of public employees	5,130		-	-	-	-	-	-	5,130	-	-
	5,130	-	-	-	-	-	-	-	5,130	-	-
Total Department of Personnel Services	$ 5,130	-	927	514,392	1,067	(2,604)	497,205	8,368	5,130	-	8,209
Department of Regulatory Agencies:											
Operating appropriations - 1967-1968:											
Administration	-		8,317	128,815	-	-	134,336	1,851	-	-	945
Business registration	-		431	59,765	-	814	59,486	1	-	-	1,524
Bank examination	-		508	149,895	-	(154)	149,661	131	-	-	457
Insurance Division	-		1,287	107,769	-	(1,911)	105,134	809	-	-	1,202
Fire marshal	-		25	36,979	-	248	36,945	-	-	-	307
Public Utilities Commission	-		10,796	317,059	-	(2,552)	316,514	1,193	-	-	7,596
Regulatory Boards and Commissions	-		760	27,901	-	(4,463)	21,697	377	-	-	2,124
Professional and vocational licensing	-		2,460	293,684	-	8,018	298,976	279	-	-	4,906
Consumer protection	-		-	-	-	35,000	28,434	1	-	-	6,564
	-	-	24,584	1,121,867	-	35,000	1,151,183	4,642	-	-	25,625
Special and continuing appropriations:											
State Discriminatory Practices Act	20,000		-	-	-	-	14,208	-	68	-	5,724
Expenses, Mortgage-Brokerage Act	-		-	10,000	-	-	6,317	-	5	-	3,679
	20,000	-	-	10,000	-	-	20,525	-	73	-	9,403
Total Department of Regulatory Agencies	$ 20,000	-	24,584	1,131,867	-	35,000	1,171,708	4,642	73	-	35,028

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Taxation:											
Operating appropriations - 1967-1968:											
Headquarters administration	$ -		5,931	506,948	50	11,100	512,217	6,084	-	-	5,728
Property technical	-		300	239,116	232	-	234,982	3,499	-	-	1,167
Systems and procedures	-		1,687	249,933	-	(155,545)	75,986	19,995	-	-	94
Field administration	-		312	183,330	-	-	177,546	6,012	-	-	83
Property assessment	-		2,616	557,260	-	2,581	557,993	3,596	-	-	869
Income assessment and audit	-		3,565	1,121,180	3,307	(10,690)	1,065,747	50,160	-	-	1,455
Collection	-		219	435,806	-	-	427,276	8,312	-	-	437
Tax appeals:											
Board of Review	-		-	5,500	-	-	4,955	545	-	-	-
Tax Appeal Court	-		40	6,926	-	-	2,636	4,269	-	-	60
	-	-	14,670	3,305,999	3,589	(152,554)	3,059,338	102,472	-	-	9,893
Special and continuing appropriations:											
Interest on litigated claims	-		-	351	-	-	351	-	-	-	-
Expenses, implementing the provisions of Act 10, SLH 1966, relating to taxation of conveyances	-		3,302	-	-	-	3,302	-	-	-	-
Refunds authorized of real property taxes	218,311		-	-	-	-	218,311	-	-	-	-
Study of the general excise tax laws of Hawaii	-		-	30,000	-	-	9,543	-	-	-	20,458
Membership fees and other expenses related to the Multi-State Tax Compact	-		-	8,600	-	-	-	-	8,600	-	-
	218,311	-	3,302	38,951	-	-	231,507	-	8,600	-	20,458
Total Department of Taxation	$ 218,311	-	17,972	3,344,950	3,589	(152,554)	3,290,845	102,472	8,600	-	30,351
Department of Hawaiian Home Lands:											
Special and continuing appropriations:											
Educational purposes pursuant to Special Revolving Account within the Hawaiian Home Loan Fund, Act 4 SLH 1965	-		-	100,000	-	-	100,000	-	-	-	-
Contribution to Hawaiian Farm Loan Fund	150,000		-	-	-	-	150,000	-	-	-	-
Total Department of Hawaiian Home Lands	$ 150,000	-	-	100,000	-	-	250,000	-	-	-	-
Other Boards and Commissions:											
Special and continuing appropriations:											
Expenses for the commissioning and placement of statue of Reverend Joseph Damon in National Statuary Hall	73,350		-	-	-	-	15,792	-	17,366	-	40,192
Expenses for the placement of statue of King Kamehameha I in National Statuary Hall	50,000		-	-	-	-	22,655	-	13,475	-	13,870
State Ethics Commission	-		-	25,000	-	-	9,517	-	15,483	-	-
	123,350	-	-	25,000	-	-	47,964	-	46,324	-	54,062
Federal funds:											
Commission on higher education facilities	3		-	-	31,887	(28,200)	3,687	-	3	-	-
	3	-	-	-	31,887	(28,200)	3,687	-	3	-	-
Total Other Boards and Commissions	$ 123,353	-	-	25,000	31,887	(28,200)	51,651	-	46,327	-	54,062

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Subsidies to Counties and Private Agencies:											
Operating appropriations - 1967-1968:											
Leahi Hospital	$ -		-	1,506,007	-	-	1,506,007	-	-	-	-
Private hospital subsidies	-		-	188,681	-	42,000	230,681	-	-	-	-
Strong-Carter Dental Clinic	-		-	5,000	-	-	5,000	-	-	-	-
Lunalilo Home	-		-	30,000	-	-	30,000	-	-	-	-
Cemetaries:											
Hawaii	-		-	7,500	-	-	7,500	-	-	-	-
Kauai	-		-	7,500	-	-	7,500	-	-	-	-
Maui	-		-	7,500	-	-	7,500	-	-	-	-
Molokai	-		-	3,750	-	-	3,750	-	-	-	-
Pacific War Memorial Commission	-		-	4,200	-	-	3,681	519	-	-	-
	-	-	-	1,760,138	-	42,000	1,801,619	519	-	-	-
Special and continuing appropriations:											
Kapiolani Maternity and Gynecological Hospital - aiding indigent patient	7,500		-	7,500	-	-	-	-	15,000	-	-
Increased benefits under the policemen, firemen and bansmen pension system	2,000		-	-	-	-	-	-	2,000	-	-
Tidal wave disaster relief, Kauai	6		-	-	-	-	-	-	6	-	-
	9,506	-	-	7,500	-	-	-	-	17,006	-	-
Federal funds:											
Kanoelehua-Pawaewa water systems project	-		-	-	167,000	-	-	-	167,000	-	-
	-	-	-	-	167,000	-	-	-	167,000	-	-
Total Subsidies to Counties and Private Agencies	$ 9,506	-	-	1,767,638	167,000	42,000	1,801,619	519	184,006	-	-
The Legislature:											
Special and continuing appropriations:											
Presession and other expenses of the State Senate, Budget Session of 1962	78,903		-	-	-	-	-	-	78,903	-	-
Expenses of the State Senate, General Session of 1963	40,992		-	-	-	-	-	-	40,992	-	-
Presession and other expenses of the State Senate, Budget Session of 1964	32,486		-	-	-	-	-	-	32,486	-	-
Presession and other expenses of the State Senate, General Session of 1965	31,182		-	-	-	-	10,345	-	20,837	-	-
Presession and other expenses of the House of Representatives, General Session of 1965	22,586		-	-	-	-	-	22,586	-	-	-
Presession and other expenses of the State Senate, Budget Session of 1966	18,825		-	-	-	-	835	-	17,990	-	-
Presession and other expenses of the House of Representatives, Budget Session of 1966	102,307		-	-	-	-	746	-	101,561	-	-
Expenses of the Office of the Legislative Auditor	-		49,680	317,000	762	1,568	278,054	6,953	-	-	84,003
Salaries - members of the Senate, Budget Session of 1968	-		-	37,500	-	-	37,500	-	-	-	-
Salaries - members of the House of Representatives, Budget Session of 1968	-		-	78,000	-	-	78,000	-	-	-	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Appropriations and Expenditures Other Than Capital Improvement Projects, Continued

	Balance, June 30, 1967								Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Lapses	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
The Legislature, continued:											
Special and continuing appropriations, continued:											
Presession and other expenses of the State Senate, General Session of 1967	$ 166,108		-	-	-	-	147,676	-	18,432	-	-
Presession and other expenses of the House of Representatives, General Session of 1967	208,339		-	-	-	-	167,712	-	40,627	-	-
Presession and other expenses of the State Senate, Budget Session of 1968	-		-	455,000	-	-	312,218	-	142,782	-	-
Presession and other expenses of the House of Representatives, Budget Session of 1968	-		-	658,000	-	-	383,377	-	274,623	-	-
Total Legislature	$ 701,728	-	49,680	1,545,500	762	1,568	1,416,463	29,539	769,233	-	84,003
Grand total - all departments	$ 10,694,824	-	8,451,190	255,165,800	78,409,627	(6,001)	322,217,585	6,714,402	14,557,057	379,615	8,846,780

STATE OF HAWAII
GENERAL FUND

Schedule 4

Detailed Schedule of Capital Improvement Projects

Year ended June 30, 1968

	Balance, June 30, 1967							Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Education:										
Waimea High School	$ -	317	-	-	-	-	-	-	317	-
Waimea High School, construction of four classroom building	-	3,195	-	-	-	-	-	-	3,195	-
Eleele School	-	4,408	-	-	-	-	-	-	4,408	-
Hilo High School, Hawaii	-	15,960	14,028	-	-	-	16,146	-	11,506	2,336
Pauoa Elementary School, Oahu	-	3,555	6,177	-	-	-	8,556	-	1,176	-
Waipahu Elementary, Oahu	-	6,661	10,901	-	-	-	11,966	-	4,506	1,090
Hilo Intermediate, Hawaii	-	5,000	-	-	-	-	1,450	-	3,550	-
Ahrens Elementary, Oahu	-	1,288	15,900	-	-	-	4,277	-	2,011	10,900
Waimea High and Elementary, Kauai	-	16,000	-	-	-	-	8,990	-	6,110	900
Kailua Elementary, Oahu	-	11,449	-	-	-	-	6,161	-	3,429	1,859
Aikahi Elementary, Oahu	-	466	210	-	-	-	623	-	53	-
Farrington High School, Oahu	-	388	6,440	-	-	-	6,240	-	-	588
Central Intermediate, Oahu	-	989	-	-	-	-	702	-	287	-
Puuhale Elementary, Oahu	-	48	157	-	-	-	157	-	48	-
Keolu Elementary School, Oahu	-	80	39,018	-	-	-	39,051	-	47	-
Radford High School, Oahu	-	-	165,277	-	-	-	165,277	-	-	-
Kalani High School, Oahu	-	1,406	-	-	-	-	339	-	1,067	-
Aina Haina Branch Library, Oahu	-	18,699	-	-	-	(18,699)	-	-	-	-
New Kaimuki Branch Library, Oahu	-	1,500	-	-	-	(1,500)	-	-	-	-
Kalihi-Palama Branch Library, Oahu	-	23,263	-	-	-	(23,263)	-	-	-	-
Pearl City Branch Library, Oahu, site purchase	-	721	8,423	-	-	-	7,308	-	-	1,836
New Wahiawa Branch Library, Oahu	-	36,645	-	-	-	(36,645)	-	-	-	-
Kahului Library, Maui	-	4,517	-	-	-	-	1,074	-	3,443	-
Kaneohe Branch Library, Kaneohe Civic Center, construction, books and equipment	-	10,308	-	-	-	(10,308)	-	-	-	-
Honokaa High School, plans for the construction of new elementary division	-	1	-	-	-	-	-	-	1	-
Kapaa High and Elementary School	-	2,160	-	-	-	-	-	-	2,160	-
Kapaa High and Elementary School	-	298	-	-	-	-	-	-	298	-
Kauai High School	-	377	-	-	-	-	-	-	377	-
Kapaa High and Elementary School	-	1,338	-	-	-	-	-	-	1,338	-
Kauai's schools, general plans	-	1	-	-	-	-	-	-	1	-
Kalanianaole Elementary Intermediate, Hawaii	-	12,430	-	-	-	-	1,250	-	-	11,180
Waiakea Intermediate, Hawaii	-	4,500	5,500	-	-	-	8,814	-	394	792
Kaimuki High, Oahu	-	-	-	75,000	-	-	73,711	-	1,289	-
Kapiolani Technical School, dual purpose education building, Oahu	-	3,109	-	-	-	(3,109)	-	-	-	-
Aiea Branch Library, plans	-	3	-	-	-	-	-	-	3	-
Aiea Branch Library	-	-	1,050	-	-	-	1,050	-	-	-
Maui Technical School, classroom plans	-	37	8,000	-	-	-	-	-	37	8,000
Waianae Branch Public School Library	-	7,293	-	-	-	-	-	-	7,293	-
Makawao Library replacement, Maui	-	41	-	-	-	-	41	-	-	-
Additional funds to complete Kapaa School cafetorium, including fixtures and furniture	-	-	544	-	-	-	-	-	-	544
Liholiho Elementary School, planning and construction, etc.	-	110	365	-	-	36,000	21,309	-	449	14,717

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Capital Improvement Projects, Continued

	Balance, June 30, 1967							Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Education, continued:										
Kalihi-Kai Elementary School, planning and construction, etc.	$ -	16	7,910	-	-	-	7,915	-	11	-
Moanalua Intermediate School, plans and construction, first increment	-	7,144	3,550	-	-	-	6,660	-	4,034	-
Castle High and Intermediate School, replacement of internal sewer system	-	25	-	-	-	-	-	-	25	-
Roosevelt High School	-	498	20,862	-	-	-	21,283	-	77	-
Leilehua High School, planning and construction, extend library	-	(19)	18,180	-	-	(1,051)	17,110	-	-	-
Pauoa Elementary School	-	-	127,457	-	-	-	125,189	-	2,268	-
Farrington High School, planning and construction	-	3,105	774	-	-	-	3,879	-	-	-
Waialae Elementary School, planning and construction, etc.	-	2,976	658	-	-	-	3,093	-	541	-
Ala Wai Elementary School, planning and construction, administration and parking	-	-	401	-	-	-	401	-	-	-
Kaahamanu Elementary School, planning and construction, etc.	-	2,228	584	-	-	-	2,696	-	116	-
Highlands Intermediate School, two special classrooms, etc.	-	817	43,213	-	-	-	43,347	-	683	-
Royal Elementary School, planning and construction, etc.	-	4,124	617	-	-	-	1,425	-	3,316	-
Washington Intermediate School, construction, two shops, etc.	-	2,729	-	-	-	-	1,813	-	916	-
Kapalama Elementary School, plans and construction, etc.	-	1,661	578	-	-	-	2,239	-	-	-
Lanakila Elementary School, planning and construction, ten classrooms, etc.	-	1,124	549	-	-	-	1,400	-	273	-
Maemae Elementary School	-	4,665	-	-	-	-	4,665	-	-	-
Likelike Elementary School, planning and construction, etc.	-	489	30,877	-	-	(2,074)	29,124	-	168	-
Wailuku Elementary School, plans and construction of four classroom building	-	3,943	2,254	-	-	-	2,412	-	3,785	-
Molokai High and Intermediate School, plans and construction of physical education facilities	-	700	-	-	-	-	114	-	586	-
Kilohana School, Molokai, construction of student lavatories	-	883	-	-	-	-	-	-	883	-
Master plan - feasibility study and construction, plans for new schools, Maui High in Kahului area, etc.	-	-	18,200	-	-	-	515	-	17,685	-
Kahului School, plans for a six classroom building	-	3,000	1,200	-	-	-	1,998	-	2,202	-
Hilo High School, plans and construction of kitchen, multi-purpose building and equipment	-	4,460	1,550	-	-	-	2,709	-	1,490	1,811
Waiakea-Waena Elementary School, plans and construction, etc.	-	3,862	-	-	-	(3,128)	-	-	734	-
Ernest B. DeSilva Elementary School	-	-	5,000	-	-	-	5,000	-	-	-
Waiakea Intermediate and Waiakea Elementary Schools, etc.	-	4,011	1,245	-	-	-	1,005	-	4,251	-
Kalanianaole Elementary and Intermediate, classroom renovation and equipment	-	3,183	-	-	-	-	357	-	526	2,300
Waimea Elementary and Intermediate, plans and construction, etc.	-	-	-	-	-	3,128	-	-	-	3,128

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Capital Improvement Projects, Continued

	Balance, June 30, 1967							Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Education, continued:										
Honokaa High and Elementary School, plans and engineering	$ -	9,928	100,358	-	-	-	102,899	-	7,387	-
Hilo Union Elementary School, plans and construction, etc.	-	-	6,000	-	-	-	2,310	-	-	3,690
Kaumana Elementary School	-	1,000	-	-	-	-	132	-	868	-
Kapaa Elementary School, plans and construction, etc.	-	3,926	495	-	-	-	70	-	3,856	495
Master plans, Kauai Schools master planning for the following schools, etc.	-	2,490	8,679	-	-	-	10,434	-	735	-
Puna district schools	-	6,217	368	-	-	-	440	-	5,777	368
Hilo Intermediate School	-	700	4,300	-	-	-	3,981	-	589	430
Two portable classrooms, Kauai district plans and construction	-	6,307	-	-	-	-	-	-	6,307	-
School land acquisition, planning and minor capital improvement fund	-	7,686	-	-	-	-	6,577	-	1,109	-
Planning construction and furnishings for portable classrooms and portable toilets	-	337,010	310,772	-	-	-	599,331	-	912	47,541
Planning for Statewide school facilities and its related controlled replacement and maintenance programs	-	20,339	-	-	-	-	(2,352)	-	22,691	-
Hokulani Elementary School	-	501	19,473	-	-	-	19,971	-	-	-
Kalihi-Kai Elementary School	-	2,294	9,800	-	-	-	10,372	-	1,722	-
Comprehensive Statewide planning and feasibility studies for public libraries, etc.	-	-	-	-	-	59,996	59,995	-	-	2
Waipahu 3rd Elementary	-	5,000	-	-	-	-	-	-	5,000	-
Nanakuli Elementary - proposed	-	5,000	-	-	-	-	-	-	5,000	-
Kalihi-Waena School	-	2,166	-	-	-	-	-	-	2,166	-
Kauluwela construction, fencing	-	267	-	-	-	-	-	-	267	-
Kaimuki High School	-	1,549	-	-	-	-	-	-	1,549	-
Castle High School swimming pool plans	-	5,339	1,100	-	-	-	-	-	6,439	-
Kalani High School Gymnatorium plans	-	6,636	-	-	-	-	-	-	6,636	-
Central Intermediate School, parking	-	797	-	-	-	-	-	-	797	-
Kalanianaole school site, improvements and facilities	-	-	81	-	-	-	-	-	-	81
Wailuku Elementary - acquisition of land and development	-	-	18	-	-	-	-	-	-	18
Reimbursement to City and County of Honolulu for construction of classrooms required for September 1965 school year, etc.	-	2,855	600	-	-	-	182	-	3,273	-
Nanakuli High School construction, 19 classrooms, 2 music rooms, 2 shops, etc.	-	26,064	96,110	-	-	-	92,147	-	20,416	9,611
Red Hill Elementary School	-	8,811	24,100	-	-	-	27,960	-	3,632	1,319
Kalaheo-Mokapu Elementary School, planning and construction, etc.	-	35,869	-	-	-	-	3,694	-	475	31,700
Waipahu 3rd Elementary School, planning and engineering	-	1,364	16,115	-	-	3,125	18,404	-	28	2,172
Kahaluu Elementary School, planning and construction, 12 classrooms, etc.	-	25	-	-	-	-	-	-	25	-
New Schofield 3rd Elementary School, plans	-	45,474	-	-	-	(40,800)	449	-	4,225	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Capital Improvement Projects, Continued

	Balance, June 30, 1967							Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Education, continued:										
Enchanted Kale Elementary School, planning and construction, etc.	$ -	23	12,481	-	-	-	10,099	-	2,405	-
Wilson Elementary School, planning and construction, etc.	-	432	-	-	-	-	184	-	248	-
Ewa Beach Intermediate School, planning ten classrooms, etc.	-	17,443	7,000	-	-	-	23,089	-	1,354	-
Campbell High and Intermediate School, planning and construction	-	2,593	568	-	-	4,000	4,860	-	2,301	-
Aiea High School, planning and construction of seven classrooms, etc.	-	3,331	744	-	-	-	3,433	-	642	-
Ewa Elementary School, planning and construction of four classrooms, etc.	-	2,826	62,228	-	-	800	65,676	-	178	-
Kalihi-Uka Elementary School, planning and construction, etc.	-	225	209,500	-	-	-	209,690	-	35	-
Mokulele Elementary School, planning and construction, etc.	-	-	1,067	-	-	-	1,067	-	-	-
Waialua High School, planning and construction, etc.	-	420	466	-	-	-	886	-	-	-
Kahuku High and Elementary School, planning and construction	-	-	482	-	-	-	480	-	2	-
Total Department of Education	-	827,092	1,460,554	75,000	-	(33,528)	1,947,301	-	222,409	159,408
University of Hawaii:										
Edmondson Hall and Pacific Biomedical Research Center	-	3,114	28,799	-	-	-	30,798	-	1,115	-
Educational television facilities	-	23,768	2,102	-	-	-	(21,678)	-	26,542	21,006
Leeward Oahu Community College	-	-	106,308	-	-	-	99,337	-	-	6,971
Maui Community College	-	-	-	6,000	-	-	4,841	-	1,159	-
Comprehensive Statewide planning and feasibility studies for public libraries, etc.	-	59,996	-	-	-	(59,996)	-	-	-	-
Hawaii Technical School - plans for dormitory facilities	-	182	-	-	-	-	120	-	62	-
Housing planning - study to evaluate housing needs, etc.	-	2,341	-	-	-	-	-	-	2,341	-
University physical development plans	-	1,599	2,063	-	-	-	2,899	-	699	63
Kauai Experiment Station	-	19,891	-	-	-	-	19,886	-	6	-
Master planning - Leeward Oahu and Kapiolani Community College	-	12,154	16,466	-	-	-	19,532	-	9,087	-
Kauai Community College - plans for relocation of Kauai Technical School, etc.	-	17,335	-	-	-	-	71	-	17,264	-
Major capital improvement planning for Manoa and Hilo campuses	-	1,479	20,050	-	-	-	21,510	-	19	-
Planning, construction and furnishings for temporary and semi-permanent buildings	40,000	3,230	88,979	-	-	-	89,618	-	2,585	40,007
University of Hawaii athletic field	-	-	1,585	-	-	-	-	-	-	1,585
Kapiolani Technical School, cafeteria, classrooms, hotel restaurant training building	-	-	46,195	-	-	-	-	-	-	46,195
Plant Science Building, Manoa	-	-	8,425	-	-	-	8,425	-	-	-
New College of Business Administration Building, Manoa	-	-	26,626	-	-	-	26,438	-	-	188

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Capital Improvement Projects, Continued

	Balance, June 30, 1967							Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
University of Hawaii, continued:										
New Agricultural Field Laboratory at Pearl City, Oahu	$ -	2,447	-	-	-	-	728	-	1,719	-
Minor capital improvements, Manoa, Hilo and elsewhere	-	1,276	12,936	-	-	-	11,030	-	308	2,874
University of Hawaii, campus roads, drainage and utilities	-	-	168	-	-	-	61	-	-	107
Classroom building No. 2 and Health Research Institute, University of Hawaii	-	2,233	-	-	-	-	-	-	2,233	-
International Gateway House Dormitory, second increment	-	16,235	-	-	-	-	-	-	16,235	-
Honolulu Technical School, equipment for electronics building	-	-	36,630	-	-	-	-	-	-	36,630
Classroom building No. 3, Manoa campus	-	-	6,044	-	-	-	5,010	-	1,034	-
Women's Dormitory, Manoa campus	-	1,500	-	-	-	(1,500)	-	-	-	-
Campus roads, drainage and utilities, Manoa campus	-	3	-	-	-	-	-	-	3	-
Roof repairs, cafeteria, Honolulu Community College	-	422	2,300	-	-	-	518	-	2,204	-
Educational television production equipment for new production building, Manoa	-	19,935	31,392	-	-	-	19,151	-	16,784	15,392
Grounds superintendent's cottage and nursery, University of Hawaii	-	5,013	-	-	-	-	-	-	5,013	-
Dean Hall renovations	-	4,669	-	-	-	-	-	-	4,669	-
Ceramic Laboratory, plans	-	548	-	-	-	-	-	-	548	-
Equipment for new Hawaii Marine Laboratory, Coconut Island, Oahu	-	2,065	-	-	-	-	1,851	-	214	-
Land acquisition, Manoa, Oahu	-	-	-	1,000,000	-	-	1,000,000	-	-	-
Total University of Hawaii	40,000	201,435	437,068	1,006,000	-	(61,496)	1,340,146	-	111,843	171,018
Department of Agriculture:										
Relocation of Animal Quarantine Station to Halawa Valley, Oahu	$ -	19	-	-	-	-	-	-	19	-
Pahakulea Camp, Hawaii	-	-	348	-	-	-	-	-	-	348
Lihue Nursery, Kauai	-	2	-	-	-	-	-	-	2	-
Quarantine demonstration irradiator	-	1,662	15,166	-	-	-	16,241	-	587	-
Total Department of Agriculture	-	1,683	15,514	-	-	-	16,241	-	608	348
Department of Land and Natural Resources:										
Mauna Kea Park, Hawaii - incremental expansion, etc.	-	2,524	6,591	-	-	-	9,078	-	37	-
Picnic and recreational area development, Kauai (plans)	-	5,000	-	-	-	-	4,390	-	610	-
Wahiawa Valley, Kalaheo	-	4,636	-	-	-	-	3,443	-	1,193	-
Kokee Park, Kauai - incremental expansion, etc.	-	45,701	-	-	-	-	43,621	-	1,287	793
Acquisition of public rights-of-ways to State lands	-	5,000	-	-	-	-	-	-	5,000	-
South Kohala water project	-	6,043	-	-	-	-	184	-	5,859	-
Akaka Falls Park and road, Honomu, Hawaii	-	39,269	-	-	-	-	3,820	-	35,449	-
Other Big Island State Parks, Hawaii	-	17,086	-	-	-	-	7,105	-	9,981	-
Polihale Park, Kauai - development of beach facilities, picnic area, water, parking, roads, etc.	-	15,044	-	-	-	-	14,350	-	694	-

(Continued)

STATE OF HAWAII
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Detailed Schedule of Capital Improvement Projects, Continued

	Balance, June 30, 1967							Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Land and Natural Resources, continued:										
Forest development trails, Kauai	$ -	10,372	-	-	-	-	6,348	-	4,024	-
Kukui Grove, Iao Valley, Maui	-	4,826	-	-	-	-	620	-	4,206	-
Forest reserve areas on Kauai	-	64	-	-	-	-	-	-	64	-
Pupukea Forest Park, Oahu	-	49,612	-	-	-	-	-	-	49,612	-
Waimea Heights Houselots, Kauai	-	8,224	-	-	-	-	-	-	8,224	-
Forest development, roads and trails, Hawaii	-	3,526	-	-	-	-	1,016	-	2,510	-
Honolulu Bait Station, Kapalama	-	1,536	-	-	-	-	-	-	1,536	-
Honolulu Bait Station, Kapalama laboratory, office, storeroom and shops	-	8	-	-	-	-	-	-	8	-
Honolulu game management area	-	1,121	-	-	-	-	-	-	1,121	-
Puu-Ka-Pole water system	-	515	-	-	-	-	-	-	515	-
Hanalei River project	-	19,303	-	-	-	-	-	-	19,303	-
Waiaha to Honokahau, North Kona water transmission line	-	992	-	-	-	-	875	-	117	-
Keei to Honaunau, South Kona water transmission line	-	43	-	-	-	-	29	-	14	-
Development Peacock Flats, Oahu	-	29,149	-	-	-	-	-	-	29,149	-
Development, Waahila Ridge, Oahu	-	437	-	-	-	-	-	-	437	-
Kapaa swamp reclamation	-	7,499	-	-	-	-	156	-	7,343	-
Weliweli Houselots, roads, water system and utilities	-	-	1,020	-	-	-	1,020	-	-	-
Statewide flood control plan	-	17,347	-	-	-	-	391	-	16,956	-
Panaewa Farm lot roads, Hawaii	-	5,000	-	-	-	-	5,000	-	-	-
Honaanau water transmission line	-	71	-	-	-	-	71	-	-	-
Forest development roads and trails, Maui	-	6,552	-	-	-	-	1,704	-	4,848	-
Waianapapapa Caves Park, Honokalani	-	4,995	-	-	-	-	194	-	4,801	-
Forest development, roads, Holokai	-	7,000	-	-	-	-	-	-	7,000	-
Purchase of land and building belonging to Matson Navigation Co., Maui - appraisal	-	5,000	-	-	-	-	-	-	5,000	-
Hamakua, Hawaii, plans for Visitor Destination Study	-	1,365	-	-	-	-	-	-	1,365	-
Kauai Natural Resources improvements program	-	18,665	-	-	-	-	18,665	-	-	-
Game management units and game observation exclosures	-	10	-	-	-	-	-	-	10	-
Anahola Hawaiian Homes Park	-	21	1,751	-	-	-	1,751	-	22	-
Kuhio Park	-	10	-	-	-	-	-	-	10	-
Kalopa homestead water system trunk line extension	-	-	214	-	-	-	-	-	-	214
Kapaniwai Park	-	1,593	18,400	-	-	-	11,323	-	1,285	7,384
Pukalani Park	-	2,125	-	-	-	-	75	-	2,050	-
Honokowai Park	-	1,192	-	-	-	-	75	-	1,117	-
Wailua, Waipouli, Kawaihau water system	-	1,189	950	-	-	-	-	-	1,189	950
Hanalei water system, Hanalei, Kauai	-	567	-	-	-	-	-	-	567	-
Wailua River State Park, Kauai	-	109,019	-	-	-	-	66,639	-	577	41,803
Kokee-Waimea Canyon State Park, Kauai	-	69,000	-	-	-	-	-	-	-	69,000
Hapuna Beach State Park, Hawaii	-	22,345	-	-	-	-	16,632	-	793	4,920
Kahana Valley State Park, Koolauloa, Oahu	-	-	-	1,035,000	-	-	969,596	-	65,404	-
Repairs to water main in Waikolu Valley, Molokai	-	-	-	20,000	-	-	498	-	19,502	-
Waiakea Homestead flood control	-	-	19	-	-	-	-	-	-	19
Waiakea-Uka district flood control			22,991							22,991
Forest development roads, Molokai	-	4,328	-	-	-	-	-	-	4,328	-
Forest development trails, Kauai	-	464	-	-	-	-	-	-	464	-

(Continued)

Schedule 4, Cont.

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Capital Improvement Projects, Continued

	Balance, June 30, 1967							Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Land and Natural Resources, continued:										
Mezzanine floor addition, Department of Land and Natural Resources, State Office Building	$ -	6,926	-	-	-	(6,926)	-	-	-	-
Waiakea Millpond Game Fish Preserve	-	278	-	-	-	-	-	-	278	-
Molokai irrigation and water utilization project	-	970	-	-	-	-	-	-	970	-
Poipu, Kukuiula, Lawai-Koloa water system	-	334	5,600	-	-	-	-	-	334	5,600
Lihue water system	-	9,415	-	-	-	-	-	-	9,415	-
Construct and equip pre-cut cabins for agriculture and conservation	-	35	-	-	-	-	-	-	35	-
Kaieie water system, Papaikou	-	1,259	-	-	-	-	-	-	1,259	-
Improvement to Hanapepe irrigation ditch	-	-	80	-	-	-	-	-	-	80
Waiakea land development	-	-	67,206	-	-	-	44,179	-	-	23,027
Preparation of public lands for exchange with victims of eruption	-	29,530	-	-	-	-	-	-	29,530	-
New Waiehu Golf Course Clubhouse	-	58	-	-	-	-	-	-	58	-
Wailua Golf Course, additional nine holes, construction of clubhouse, equipment and construction and development of water system	-	-	40	-	-	-	-	-	-	40
Wailua Golf Course Clubhouse, Kauai	-	2,668	-	-	-	-	-	-	2,668	-
Puna water development	-	859	-	-	-	-	-	-	859	-
Waiehu Golf Course	-	-	570	-	-	-	570	-	-	-
Total Department of Land and Natural Resources	-	607,720	125,432	1,055,000	-	(6,926)	1,233,418	-	370,987	176,821
Department of Planning and Economic Development:										
State funds to match Federal planning grants for shorelines study, P-10	-	488	-	-	12,000	(3,488)	9,000	-	-	-
State funds to match Federal planning grants	-	-	-	-	-	3,488	-	3,488	-	-
Honolulu Civic Center plan, Oahu	-	3,000	-	-	-	-	-	-	3,000	-
State Planning Office	-	124	-	-	-	-	-	-	124	-
State Planning Development Fund	5,584	2,639	-	-	-	6,000	-	11,583	2,639	-
State funds to match Federal planning grants	-	11,510	33,904	-	-	-	24,588	-	8,216	12,610
Foreign trade zone development - Honolulu	-	3,260	2,857	6,051	-	(6,091)	5,512	-	566	-
Honokowai sewerage system - plans	-	22,500	-	-	-	-	-	-	22,500	-
Makawao Civic Center, plans	-	14	-	-	-	-	14	-	-	-
Foreign trade zone development	-	-	-	-	-	6,092	3,682	-	2,410	-
Total Department of Planning and Economic Development	5,584	43,535	36,761	6,051	12,000	6,001	42,796	15,071	39,455	12,610
Department of Transportation:										
Drainage systems - improvements of drainage systems at Lauoho Road and Kauai Belt Road at Kalaheo, Koloa, Kauai (preliminary engineering)	-	85	-	-	-	-	85	-	-	-
Farrington Highway widening between Piliokoe Gulch and Kaena Point	-	24	-	-	-	-	-	-	24	-
Port Allen small boat harbor, Kauai	-	4,739	-	-	-	-	-	-	739	4,000
Diversion ditch, Lanai small boat harbor, Manele Bay, Lanai	-	1,871	-	-	-	-	1,871	-	-	-
Waimanalo small boat launching ramp	-	3,257	-	-	-	-	-	-	3,257	-
Replacement of approach to existing ramp at Kaulana, South Point, Hawaii (plans)	-	570	-	-	-	-	-	-	570	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Capital Improvement Projects, Continued

	Balance, June 30, 1967							Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Transportation, continued:										
Winch scale for Kailua Wharf, Kona, Hawaii	$ -	5,570	-	-	-	-	3,174	-	2,396	-
Kekaha Beach erosion, Kauai - engineering studies to prevent erosion of the beach area (plans)	-	5,000	-	-	-	-	-	-	5,000	-
Hoist and Winch scale for Kawaihae small boat harbor	-	5,209	-	-	-	-	-	-	5,209	-
Molokai Airport improvements, Hoolehua, Molokai	-	10,000	-	-	-	-	-	-	10,000	-
Keahole Airport - plans for new airport at Keahole, Hawaii	-	78,004	-	-	-	-	17,158	-	60,459	387
Shoulder improvements, Puna, Hawaii	-	1,189	2,034	-	-	-	1,348	-	1,875	-
Oahu transportation study	-	25,973	-	-	-	-	24,864	-	1,109	-
Kulani Road development	-	24,750	-	-	-	-	779	-	23,971	-
Niupea Homestead Road, Hamakua, Hawaii	-	150	-	-	-	-	-	-	150	-
Akaka Falls Road, Hawaii	-	1,920	-	-	-	-	-	-	1,920	-
Kalopa Homestead Road	-	67	-	-	-	-	-	-	67	-
Panaewa Farm Houselots Road	-	71	-	-	-	-	-	-	71	-
Road and bridge, Kaieie, South Hilo	-	484	-	-	-	-	-	-	484	-
Laupahoehoe Homesteads Road	-	126	-	-	-	-	-	-	126	-
Kauai Planning and Traffic Commission, general plan	-	-	6,788	-	-	-	-	-	-	6,788
Haleiwa Beach Park	-	19,356	-	-	-	-	-	-	19,356	-
General Lyman Field, Hilo	-	-	-	-	3	-	-	3	-	-
Kona Airport relocation - study and recommendations	-	2,319	-	-	-	-	-	-	2,319	-
Kona Airport - parking area and waiting room expansion	-	91	-	-	-	-	-	-	91	-
Hilo Airport - plans for jet terminal for passenger and cargoes	-	15,058	-	-	-	-	-	-	15,058	-
Lihue Airport - improvements	-	1,074	-	-	-	-	-	-	1,074	-
Honokahou-Kona destination area complex development, Hawaii	-	108,078	-	-	-	-	(60)	-	88,138	20,000
Kamehameha Highway, Oahu	-	55,380	-	-	-	(55,379)	-	-	1	-
Installation of highway lights from old government road and Farrington Highway intersection of Jade Street and Farrington Highway intersection, Waianae, Oahu	-	7,263	-	-	-	-	-	-	7,263	-
Likelike Highway lighting from School Street to Valley View Drive	-	812	-	-	-	-	-	-	812	-
Pedestrian overpass over the Hawaii Belt Road at Papaaloa, Laupahoehoe, Hawaii	-	47	-	-	-	-	-	-	47	-
Waianae Marina	-	40,000	-	-	-	-	-	-	40,000	-
Kapaa Beach erosion control	-	610	-	-	-	-	-	-	610	-
Nawiliwili small boat harbor	-	3,000	-	-	-	-	-	-	3,000	-
Ala Wai small boat harbor	-	659	-	-	-	-	155	-	504	-
Relocation of baseyard facilities, Honolulu	-	4,632	-	-	-	-	4,632	-	-	-
Pedestrian overpass, Likelike Highway at Anoi Road	-	1,205	6,050	-	-	-	4,801	-	400	2,054
Detour road from Waimano Home Road to Moanalua Road	-	75	-	-	-	-	17	-	58	-
Honoapiilani Highway - end of project S-0300(1) to vicinity of Honokahua Village	-	18,791	-	-	-	-	1,554	-	17,237	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Capital Improvement Projects, Continued

	Balance, June 30, 1967							Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Transportation, continued:										
Honoapiilani Highway - Honokahua to Honokahau	$ -	11,864	59,637	-	-	-	53,783	-	8,942	8,776
Kawaihae-Mahukona Road - continuous maintenance at graded but unpaved portions of the new road	-	5,243	-	-	-	-	5,125	-	121	-
Volcano Road - 29 mile post to 26 mile post	-	20,000	-	-	-	-	-	-	20,000	-
Kahuku to Honuapo, Hawaii Belt Road - Hawaii	-	23,000	-	-	-	-	-	-	23,000	-
Kauai Highway baseyard, Kapaa - plans and land acquisition for construction of a new baseyard at Kapaa for the Kauai district office (preliminary engineering)	-	16,423	-	-	-	-	-	-	16,423	-
Drainage system, Omao, Kauai - improvement of drainage system at Omao Road and along Kauai Belt Road at Omao, Kauai (preliminary engineering)	-	782	-	-	-	-	619	-	163	-
Mount Kahili Road	-	1,810	-	-	-	-	-	-	1,810	-
Engineering studies, Memorial Boulevard of the Pacific	-	7,678	-	-	-	-	-	-	7,678	-
State transportation and general plan	-	-	5,232	-	-	-	-	-	-	5,232
Kaimu to Opihikao, Pohoiki to Kapoho, and Mauka Road from Kapoho to east end of Chain of Craters Road plus road from Pahoa to Pohoiki Junction	-	1,641	13	-	-	-	-	-	1,641	13
Kawaihae-Puako Road, plans for realignment	-	20	-	-	-	-	-	-	20	-
Small boat harbor, Kona	-	11,929	-	-	-	-	10,257	-	1,672	-
Kikiaola small boat harbor, dredging bulkhead and moorings	-	2,541	-	-	-	-	495	-	2,046	-
Honokaa-Road, resurfacing from government main road Parcel 6 to Parcel 1, Neinie, Hamakua	-	-	470	-	-	-	-	-	-	470
Naalehu to Honuapo Road	-	-	453	-	-	-	-	-	-	453
Keauhou to Holualoa Road	-	-	86	-	-	-	-	-	-	86
Peck Road, Mt. View	-	-	284	-	-	-	-	-	-	284
Total Department of Transportation	-	550,442	81,047	-	3	(55,379)	130,657	3	396,911	48,543
Department of Defense:										
Protection of the City of Hilo from lava flows	-	686	-	-	-	-	-	-	686	-
State Civil Defense radio and warning system	-	-	14,921	-	-	-	14,921	-	-	-
Tidal wave escape road, Waiehu, Maui	-	73	-	-	-	-	-	-	73	-
Total Department of Defense	-	759	14,921	-	-	-	14,921	-	759	-
Department of Health:										
Waipahu Health Center	-	112	-	-	-	-	-	-	112	-
Maui Memorial Hospital	-	1,057	-	-	-	-	1,057	-	-	-
Honokaa Hospital	-	7,000	-	-	-	-	6,265	-	735	-
Hilo Hospital, redesign and renovate intensive care unit	-	4,000	-	-	-	-	-	-	4,000	-
Reroofing of 13 buildings, State Hospital	-	1,796	3,000	-	-	-	930	-	866	3,000
Replacement of 84 bed ward unit with dining facilities, Waimano Home, plans	-	6,661	-	-	-	-	5,538	-	-	1,123
Reroofing of buildings, 6, 7, 8, 9, 10, cafeteria and hospital annex, Waimano	-	226	-	-	-	-	-	-	226	-
Hale Mohalu Hospital complex replacement	-	6,326	-	-	-	-	1,632	-	4,694	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Capital Improvement Projects, Continued

	Balance, June 30, 1967							Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Health, continued:										
Construction of a water tank, Kalaupapa, Molokai, feasibility study	$ -	1,180	-	-	-	-	351	-	829	-
State Hospital, renovation of Ward I	-	3,151	-	-	-	-	-	-	3,151	-
Waimano Training School and Hospital, fire sprinkler system and fire escape boys area	-	898	-	-	-	-	-	-	898	-
Hale Mohalu, stream erosion control	-	108	-	-	-	-	-	-	108	-
X-ray Unit, purchase of a new unit, Mahelona Hospital	-	2,843	-	-	-	-	2,751	-	92	-
Samuel Mahelona Memorial Hospital - plans and construction of an occupational therapy building (program report)	-	5,549	-	-	-	-	5,549	-	-	-
Replace electrical distribution system - State Hospital	-	3,531	-	-	-	-	2,572	-	959	-
Molokai General Hospital	-	-	2,310	-	-	-	-	-	-	2,310
Kahului, planning for new school	-	820	-	-	-	-	-	-	820	-
Total Department of Health	-	45,258	5,310	-	-	-	26,645	-	17,490	6,433
Judiciary Branch:										
Alterations and improvements to Judiciary Building, First Circuit Court, Honolulu	-	82	-	-	-	-	-	-	82	-
Renovation of Second Circuit Court building	-	147	-	-	-	-	-	-	147	-
Statewide planning for Judiciary facilities	-	22,623	-	-	-	-	19,564	-	3,059	-
Air-condition six courtrooms and office of the chief clerk First Circuit Court, Honolulu	-	483	-	-	-	-	-	-	483	-
Total Judiciary Branch	-	23,335	-	-	-	-	19,564	-	3,771	-
Department of Social Services:										
Rehabilitation Center for the Blind and Physical Handicapped	-	-	743	-	-	-	-	-	-	743
Rehabilitation Center for Visually and Physically Handicapped, Honolulu	-	82	-	-	-	-	-	-	82	-
Installation of air conditioning in basement offices, Liliuokalani Building, Honolulu	-	24,433	-	-	-	(24,433)	-	-	-	-
Renovation of refrigeration, cold storage plant, kitchen and mess hall, State Prison	-	1,807	7,000	-	-	-	1,871	-	477	6,459
Security lights, Hawaii Youth Facilities	-	800	-	-	-	-	575	-	225	-
Ceramic tile bathroom, Youth Correctional facility	-	214	-	-	-	-	7	-	207	-
New Hawaii Youth Correctional facility	-	3,879	-	-	-	-	-	-	3,879	-
Ho opono - final phase, Rehabilitation Center complex	-	-	5,194	-	-	-	5,194	-	-	-
Kawailoa Girls Home, Oahu, Hookipa Cottage	-	1,468	-	-	-	-	-	-	1,468	-
Automatic fire extinguishing system at Hoopono Rehabilitation Center, Honolulu	-	-	10,450	-	-	-	9,609	-	841	-
Senior Opportunity Center in the Lanakila area, Oahu	-	-	943	-	-	-	-	-	-	943
Total Department of Social Services	-	32,683	24,330	-	-	(24,433)	17,256	-	7,179	8,145
Department of Accounting and General Services:										
Air conditioning of Department of Regulatory Agencies quarters	-	201	-	-	-	-	-	-	201	-
Iolani Palace, Honolulu	-	1,496	-	-	-	(1,496)	-	-	-	-

(Continued)

STATE OF HAWAII
GENERAL FUND

Detailed Schedule of Capital Improvement Projects, Continued

	Balance, June 30, 1967							Balance, June 30, 1968		
	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims	Appropriations	Appropriated receipts	Transfer and other credits	Expenditures	Unallotted appropriations	Unencumbered allotments	Unliquidated encumbrances and claims
Department of Accounting and General Services, continued:										
New Stadium, Honolulu	$ -	3,750	-	-	-	-	-	-	3,750	-
Iolani Palace, Honolulu	-	-	-	-	-	1,496	-	-	1,496	-
State Capitol Building	-	-	-	-	-	606	-	-	606	-
Improvements to Royal Mausoleum grounds, Nuuanu, Oahu	-	-	-	-	-	2,000	-	-	2,000	-
Salt Pond Beach area domestic water development	-	1,274	-	-	-	-	-	-	1,274	-
Salt Pond development	-	4,788	-	-	-	-	-	-	4,788	-
Iolani Palace rehabilitation	-	-	-	-	-	6,027	2,214	-	2,050	1,763
Alterations to Kapuaiwa Building, Oahu	-	10,904	-	-	-	(10,904)	-	-	-	-
Land acquisition, Honolulu Civic Center	-	1,719	1,800	-	-	192,667	193,467	-	1,719	1,000
Government building, Kona, plans and land acquisition	-	112	-	-	-	-	-	-	112	-
Records Storage Center, Honolulu	-	5,173	-	-	-	-	-	-	5,173	-
Renovation of former Universal Motors building	-	1,457	-	-	-	-	-	-	1,457	-
State Capitol Building	-	254,123	3,746,482	-	-	(606)	3,599,686	-	249,920	150,393
State Office Building, Lihue, Kauai	-	44	1,538	-	-	-	1,538	-	44	-
Completion of air conditioning, Hale Auhau, Honolulu	-	123	554	-	-	-	677	-	-	-
Iolani Palace rehabilitation	-	6,028	-	-	-	(6,028)	-	-	-	-
Acquisition of land for State Civic Center	-	-	30,496	-	-	-	-	-	-	30,496
State Office Building, Wailuku, Maui	-	12,993	280,460	-	-	-	287,783	-	5,670	-
Air-condition, first floor, Liliuokalani Building, design and engineering	-	152	559	-	-	-	630	-	15	66
Improvements to Royal Mausoleum grounds, Nuuanu, Oahu	-	2,000	-	-	-	(2,000)	-	-	-	-
State Capitol, Honolulu, Oahu	-	-	-	3,420,000	-	-	36,482	-	1,568,684	1,814,834
State Office Building, Hilo, Hawaii	-	-	-	1,937,000	-	-	1,772	-	46,228	1,889,000
Kauai Veterans Cemetery	-	890	-	-	-	-	-	-	890	-
Sewer system, Kauai	-	6,899	700	-	-	-	4,869	-	2,730	-
Kauai War Memorial Convention Hall	-	18,956	-	-	-	-	18,591	-	365	-
Total Department of Accounting and General Services	-	333,082	4,062,589	5,357,000	-	181,762	4,147,709	-	1,899,172	3,887,552
Department of Taxation:										
Tax Office Building air conditioning, construction	-	187	-	-	-	-	-	-	187	-
Tax Office Annex Building addition and air conditioning, Honolulu	-	-	684	-	-	-	684	-	-	-
Total Department of Taxation	-	187	684	-	-	-	684	-	187	-
Grand total - all departments	$ 45,584	2,667,211	6,264,210	7,499,051	12,003	6,001	8,937,338	15,074	3,070,771	4,470,878

The above schedule includes only those capital improvement projects financed by General Fund revenue. Those projects financed by special and bond funds are not included.

STATE OF HAWAII
GENERAL FUND

Section III

Uniform Accounting System

June 30, 1968

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STATE OF HAWAII
GENERAL FUND

SECTION III

UNIFORM ACCOUNTING SYSTEM

STATE OF HAWAII
GENERAL FUND

Section III

Uniform Accounting System

INTRODUCTION

The scope of this section is defined in the audit contract as follows:

> "The contract auditor shall study, review, evaluate, identify and report on fiscal matters which may have Statewide implications including . . . the role of the Statewide Information System in the uniform accounting system which is presently being developed. Included as part of the study shall be a review and evaluation of the past progress, present status and future timetable of converting the Statewide Accounting System to electronic data processing."

The Uniform Accounting System has been a major project of the Department of Accounting and General Services and the Statewide Information System. The almost complete lack of normal project management controls, such as clearly defined responsibilities, documented project goals, work schedules, and expenditure budgets has made this review more difficult than necessary. The lack of these controls has obviously played a large role in causing the past problems in both Statewide Information System (SWIS) and Statewide Accounting System (SWAS) and makes any forecast of progress difficult. Further, the interrelationship between SWIS and SWAS is significant and the past delays in SWIS development schedules have apparently had corollary impact on the progress of the Uniform Accounting System.

Our review is presented in two parts. In this section, we discuss the Statewide Uniform Accounting System (SWAS) as it currently stands and the schedule for conversion to electronic data processing (EDP). In the next section, we discuss the Statewide Information System (SWIS).

BACKGROUND

Inadequacies of Present Accounting System

As is detailed in later sections of this report, certain accounting data relating to the General Fund is processed at the various computer centers maintained by the State. However, the final posting process which accumulates the data from which the financial statements are prepared is performed either manually or on conventional bookkeeping machines. The comparative slowness in accumulating financial data and preparing financial reports with such a system as compared to the more modern fully automated systems has created the following problems.

In order for the various departments of the State to properly plan their activities, current information is required as to amounts expended or

The quarterly report "General Fund - Statement and Analysis of the Unappropriated Surplus" is prepared for the Department of Budget and Finance. This report merely forecasts the estimated unappropriated surplus at the end of the fiscal year by adding to the unappropriated surplus at the beginning of the year the actual revenues to date plus the estimated revenues for the remainder of the year as revised by the various revenue generating departments and deducting therefrom the authorized appropriation for the year. In essence, this report represents an updated version of the annual budget by substituting the revised revenue estimates for the revenue as estimated in the original budget. Although it is a useful planning tool, it does not provide data required to analyze the current year operations.

Quarterly financial statements are prepared for departmental use in comparing actual expenditures to date with amount authorized to be expended. However, as previously explained, under the present accounting system it is not possible to complete the reports in time for the various departments to derive any significant benefit from them.

ORIGINAL CONCEPT OF UNIFORM ACCOUNTING SYSTEM

The delays referred to in preceding paragraphs apparently existed in 1963 and in part prompted the Cresap, McCormick and Padget recommendation for a Uniform Accounting System in their report titled Information Study - Data Processing. The concept of this system is quoted below.

"This concept postulates a central accounting service, with responsibility to:

a. Interpret, analyze and report financial status in detail for all departments of the State Government.

b. Maintain and produce the accounting reports for all departments and agencies in sufficient detail so that duplicate accounting systems at departmental levels are unnecessary.

This concept calls for the accounting and budgeting process to be performed for all departments by the Department of Accounting and General Services. In accordance with the approved chart of accounts, expenditure and income documents would be coded and forwarded to the central accounting office within the Department of Accounting and General Services.

The central accounting office would process the input data and provide each department with a monthly status report showing the free balance for each account and fund under the department's jurisdiction."

It was expected that such a centralized system would reduce report delays while providing superior basis for planning and control.

In essence, the Statewide Uniform Accounting System would provide a centralized payroll, revenue, and expenditure and encumbrance system that would

support not only the requirements of DAGS but the requirements of the individual departments on a timely and meaningful basis, and thus eliminate any need for duplicate records. The power of modern computer systems makes the concept more realistic today than it was when first presented by Cresap, McCormick and Padget in 1963. A uniform fiscal accounting system would of necessity be a major subsystem within the total Statewide Information System. The uniform accounting system will be closely involved with budget requirements, purchasing requirements, vouchering requirements, payroll requirements, taxation and revenue requirements, and other basic fiscal control requirements. The framework of a fiscal accounting system must be constructed to embrace those individual systems and procedures that are necessary to process data in a uniform and controlled manner and provide meaningful information that is useful to management in accomplishing a wide variety of related objectives. Although these individual subsystems, procedures and data may appear to be unrelated throughout their own life-cycle, the information produced, of its very nature, is related and must be recognized as being related if control is to be maintained and effective fiscal management exercised.

PROBLEMS ENCOUNTERED IN DEVELOPING SYSTEM

The construction of the uniform accounting system is still in the early developmental stages. Original implementation schedules have not been met due to various problems in getting the program underway, such as:

1. Lack of a clear definition of responsibilities between SWIS and DAGS,

2. Lack of formalized project planning and control,

3. Shift in approach by SWIS to the centralized computer concept, and

4. Competing approaches to systems design.

Definition of Authority and Responsibility

During our interviews with State officials, it became apparent that there exists a variety of opinions on where the authority and responsibility for systems development rests. There is a question whether the Department of Accounting and General Services is to develop both the concept and prepare the detailed project definition and specifications to the level needed for computer programming or is it to develop only the project concept and request SWIS personnel to do the detailed specification writing. Possibly such responsibility will have to be determined on a project-by-project basis rather than on a continuing basis. In any case, the responsibility for systems development should be clearly defined and communicated to all people involved by the appropriate authority.

One result of this lack of clearly defined responsibilities is the apparent lack of necessary coordination between DAGS and SWIS. DAGS cannot make significant progress toward a Statewide Uniform Accounting System without the full cooperation and support of SWIS. DAGS published in October of 1967 and revised in October of 1968 a document entitled "Recommendations for Revisions in the Accounting System of the State of Hawaii". This document consisted of two primary sections. These sections were:

I. General nature of the accounting system.

II. Systems recommendation.

The first section provided, if not an ideal result, a basis upon which a meaningful dialogue between DAGS and SWIS could have been developed and the basic accounting philosophy defined. This dialogue apparently did not follow. The second section spelled out in some detail the specific systems that DAGS recommended be implemented in several key areas. These systems were obviously developed by personnel adept in accounting theory and well versed in the controls required. They were not, however, developed by personnel skilled in the application of large scale computers to such systems. Stated simply, the DAGS personnel were well qualified to described "what" should be done but unqualified to described "how" it should be done. This could easily have been overcome had they and SWIS or other systems oriented personnel worked together on a "team" basis. This was not done.

The DAGS report relating to the Statewide Accounting System did not provide an overall systems structure that clearly related one subsystem to another. Therefore it failed to point out important relationships between the many accounting subsystems and the similarities between data in such subsystems. Relationships such as exist between dollars expended in the purchasing subsystem and payroll costs are clear to those who post DAGS summary accounts, but such relationships must be clearly defined to be meaningful to computer specialists working to develop an automated system. This definition was not made.

SWIS published in October 1968 the preliminary documentation of a Revenue Accounting System. This and the centralized payroll system have been major products of SWIS in the past few years. This RAS document contained an introduction which expressed the philosophy of SWIS and the system description. The system description consisted, in turn, of project definition and Department of Taxation background and current procedures. The RAS document is a much more sophisticated document from a systems standpoint. But since it deals narrowly with the requirements of the Department of Taxation and was not developed with meaningful participation by DAGS personnel, RAS neither coincides with the major interests of SWAS nor is it certain that it will integrate well with SWAS. Further, the SWIS personnel were not expert in accounting systems design and philosophy. The overall system definition would have benefited from DAGS participation.

It is, therefore, clear to us that the responsibility for design and coordination of systems development between SWIS and DAGS must be clearly spelled out and agreed upon if progress is to be made. Further, that this responsibility alignment must be one that encourages coordination among these two entities and other affected departments if the resultant systems are to be effective.

Project Planning and Control

The requirements for the project planning and control system to be utilized by the State in this area need to be clearly spelled-out. Each systems effort must have clearly defined goals, schedules and resource

requirements associated with it so that (a) its relative merit as compared to other potential expenditures of funds can be measured, (b) performance versus plan can be assessed, and (c) meaningful plans can be made for dependent interrelated activities*. Without these basic measurement criteria, the responsible government agencies (i.e., the Governor, Legislature) cannot effectively exercise their responsibility for control of these costly but potentially beneficial efforts.

Move Toward a Central Computer

Another delaying factor in the development of SWAS was the shift by SWIS to a centralized computer concept in early 1968. The centralized computer concept envisions one large computer center doing the work of three present smaller centers. There are efficiencies possible through this approach, but the system required to realize this efficiency will be more complex. This shift required both a revision in the procedures as conceived by DAGS and the implementation scheme as developed by DAGS. Both of these (procedures and implementation scheme) were based on the continued development of area computer centers at each major department.

Competing Approaches to Computer Design

We feel that the major deterrent to progress of SWAS is the competing philosophies of systems design between SWIS and DAGS. DAGS approach could be characterized as subsystems upgrading wherein the individual subsystems (such as payroll accounting) were improved around the existing integrating structure. SWIS, on the other hand, under the new administration, strongly advocates a "total systems approach". This approach implies a "top down" approach to large scale systems design. In this case, it implies that the basic information requirements of the State and the Comptroller will be spelled out and made an integral part of the total system design. Then the unique requirements of the functional departments will be added onto and incorporated into that basic system so that the final system will effectively serve the needs of all groups. Obviously, this approach requires skillful application of systems design technology to produce a system that is both effective and efficient. Vouchering activities, purchasing activity as it relates to fund status, expenditure recording, and detail accounting functions are all subsystems that must be coordinate within a single fiscal system. Only by creating and documenting this framework can both the designer and the user be assured that data will be processed efficiently, in a uniform manner, and that adequate internal control is maintained.

There is an obvious trade-off to be made, however, between the elapsed time necessary for such a complete system development effort and the increased effectiveness obtained. The DAGS approach would have provided immediate benefits to the State in terms of efficiency, control and quality whereas the SWIS approach is calculated to provide eventually a superior system with related savings that will offset the delays incumbent in the approach. Although there

*The preliminary report on RAS had a reasonable statement of goals, schedules and resources but was the only such document that we could locate.

are obvious merits to both approaches, neither SWIS nor DAGS has presented their case in a way that makes it easy for the State to resolve whether either approach or some compromise (assuming that the limited resources of the State preclude taking both approaches simultaneously) should be taken to the development of the SWAS. It appears that these viewpoints of DAGS and SWIS can best be reconciled if the two groups will work closely together. Each will have to modify his position slightly to be responsive to the other's needs. Almost any combination of compromise would at least result in some progress and be an improvement on current status. Until -

1. This basic question of approach is resolved and the best compromise between the two alternatives are agreed upon, and

2. The related priorities for action are assigned,

it is doubtful if any measurable progress will be made. This merely serves to emphasize the lack of clearly defined responsibility and authority present and the effect of this in delaying meaningful action.

SYSTEM DEVELOPMENT CONSIDERATIONS

Regardless of the approach taken it is assumed that the State will trend toward a uniform accounting system. The following is a discussion of some of the basic considerations of such a system.

Chart of Accounts

The chart of accounts constitutes the basic structure within which fiscal data elements are classified and accumulated. This structure provides a means of summarizing fiscal data in a fashion that will permit the timely and efficient preparation of fiscal reports at each management level. Therefore, the chart of accounts is the road map to fiscal information.

The chart of accounts must be developed with knowledge of the management decisions that require fiscal information and the type of information required. Information needs change. Therefore, the chart must be sufficiently flexible to permit change, yet sufficiently rigid to insure uniformity.

The chart of accounts need be uniform only to a specific level defined by control requirements. Below this level the individual departments could exercise discretion in development of a control structure while still conforming to the State's requirement.

We believe that as one of the first steps in development of a uniform accounting system the chart of accounts should be carefully reviewed to determine its adequacy to meet current needs and its appropriateness for computer utilization. This review should include the needs under a Program, Planning, and Budgeting System and the increasing need for detailed cost accounting in government agencies. It should also address itself to the EDP implications of the chart. The State's current 25-character account code is quite inclusive but its length could well pose some electronic data processing (EDP) problems.

Accrual Accounting

Accrual accounting for governmental entities has long been discussed. Although many states, including Hawaii, operate on a modified cash basis of accounting under which revenue is recorded when received in cash and liabilities are recorded as incurred, it is now generally conceded that a modified accrual basis of accounting is required to present fairly the financial position and results of operations of the General Fund of a governmental entity. The modified accrual basis of accounting as it relates to the General Fund, differs from the modified cash basis in that material or available revenues are recorded when earned rather than deferring recognition in the accounts until cash payment is received. Liabilities are recorded as incurred in the same manner as in the modified cash basis.

The modified cash basis as applied by the State of Hawaii is defended on the grounds of conservatism, that is, unappropriated surplus reflects only revenue received in cash. However, those who support the modified accrual basis contend that failure to give effect to available but uncollected revenue, results in unappropriated surplus not reflecting the total resources available for expenditure. We feel that the latter view is the more logical.

An analysis of the financial statements indicates that the overall financial position and results of operations of the General Fund would not significantly differ under the modified cash basis or modified accrual basis. However, it would appear that adopting a modified accrual basis would provide more meaningful management information, particularly at the departmental level. Therefore, in the development of the uniform accounting system, the opportunities for application of accrual concepts should be carefully evaluated. This evaluation should be performed on a department-by-department basis to insure that each department's specific needs are satisfied. This is particularly important in those departments that work closely with Federal agencies.

Planning, Programming, and Budgeting System (PPBS)

The Central Analysis Group (CAG) is currently reviewing State activity for development of a PPBS. Our experience in developing PPB Systems for other governmental agencies indicates the need for close coordination with the related accounting system. Fiscal information is essential in each stage of such a system (planning stage, programming stage and budgeting stage). The concepts under which the uniform accounting system will be developed should provide for the needs of the PPBS. We believe, therefore, that the CAG group should work closely with the uniform accounting group to insure that the accounting system meets the PPBS needs.

Fiscal Reporting

One of the first areas of interest under the SWIS system was Statewide control of detailed accounting and financial reporting. These concepts have not been developed to an operational stage.

Throughout the documents we reviewed, there is consistent comment on the need to provide management with the information they need and desire. We agree with this philosophy and feel that the success of the uniform accounting system will depend upon the degree to which it is followed.

The fiscal reporting program should be closely reviewed during the development of the uniform accounting system. The reports required can then be related to the chart of accounts and both (reports and chart of accounts) developed concurrently to insure that an efficient and flexible system is developed. A report entitled, "Inventory of Reports, May 1967" issued by SWIS should be of value in understanding the current reporting structure and evaluating this structure to assure that no meaningful data currently received is designed out of the system.

Role of Internal Auditor

There is no uniform method to assure an adequate level of coordination between the State internal audit groups and either SWIS or DAGS personnel who are or will be developing systems. There is a need for coordination between these groups to ensure that the systems being developed provide adequate controls and provide audit trails.

The internal auditor should participate in the development stages of all major systems changes so that he has the opportunity to recommend corrections in the changes before major redesign work is done.

We strongly recommend that the internal audit personnel review all major systems changes as early in the developmental program as possible and approve the programs or indicate the problem areas where audit requirements would not be met.

Accounting Manual

The net result of the efforts to develop an integrated Statewide Uniform Accounting System should be documented in an accounting manual. This manual would provide a valid basis for review of the actual performance of the system versus its designed performance. Further, it would provide a ready reference for systems analysts seeking to improve the current system. Finally, these manuals would serve to train the new personnel in the system as it should operate.

In general we were unable to locate such manuals relating to the current system. The lack of such manuals made our review more difficult than desirable and has assuredly delayed development of new procedures.

TIMETABLE FOR CONVERSION OF ACCOUNTING FUNCTIONS TO EDP

With the exception of an estimated June 1969 date for upgrading of payroll system on the computer by SWIS and a "pending" schedule for the Revenue

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Section IV

Statewide Information System

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Accounting System, neither SWIS nor DAGS were able to provide a schedule for conversion of accounting systems to EDP. Further there is no statement of the criteria to be used for selecting and determining the relative priority of systems that might be appropriate for implementation on EDP. Such selection criteria is the first step in the preparation of a meaningful schedule.

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SECTION IV

STATEWIDE INFORMATION SYSTEM

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Section IV

Statewide Information System

INTRODUCTION

Since the specific progress of the Uniform Accounting System is intimately related to the general progress of the Statewide Information System, we review the history of SWIS in some detail in this report. The following comments cover our findings, conclusions and recommendations related to the Statewide Information System (SWIS).

ORIGIN AND DEVELOPMENT OF SWIS

In the year 1962, the Department of Budget and Finance was authorized to undertake a study of Statewide data processing operations by Act 31 of the Session Laws of Hawaii for that year. The management consulting firm of Cresap, McCormick and Padget was retained by the State in August of that year to perform a study relating to the development of a long-range data processing plan for the State Government. The data processing system that was to have been developed from the long-range plan was to be adequate to handle the mechanical processing of data and also be adequate to provide all kinds of information needed by the Legislative and Executive branches of the Government for decision making and policy development. The expected results of this study were the definition of data required for legislative and administrative decision making, a general design for an integrated data process system that would meet the State's needs, and recommendations concerning the equipment needed to put such a system into effect.

The consulting firm submitted its report in April of 1963. This report will hereinafter be referred to as the Cresap report. The major recommendations of this report are summarized below and discussed in more detail in the latter part of this section:

1. Mechanization should be expanded on an integrated basis. (The word "integrated" in the data processing sense means that common aspects of dissimilar systems were to be brought together in as effective a manner as possible for central data processing. This relates to the use of a general ledger to integrate such dissimilar functions as accounts receivable and payroll.)

2. Personnel with the appropriate data processing skills should be recruited by the State in order to properly staff and manage the planned data processing system.

3. "To mechanize on a comprehensive and integrated basis, the State should consider three computer centers." (Quoted from the Cresap study.)

4. A four-year implementation plan was suggested in order to accomplish complete mechanization.

On August 29, 1963, the State of Hawaii, in Administrative Directive Number 6, accepted the basic framework recommended by the Cresap study. In accepting this plan, the State indicated its desire to carry out the implementation portion of the plan in four annual phases.

In the first phase (1963-1964) a centralized accounting system including budgetary vouchering and payroll operations was to have been developed for computer center No. 1. This accounting system was to include financial reporting and operational statistics.

The second phase (1964-1965) included the activation of computer center No. 1 and the development of programs for computer center No. 2 was to be undertaken. Computer center No. 2 was to handle the mechanization needs of the tax and labor departments. Toward the end of the second phase, computer center No. 2 was to have been activated.

The third phase (1965-1966) included systems development and programming for the Departments of Education, Social Services, Health, Land and Natural Resources. It was envisioned that computer center No. 3 would be ready for activation toward the end of phase three.

Phase four (1966-1967) included the expansion of the functions of computer center No. 1 to serve the applications of the Departments of Transportation, Agriculture, Regulatory Agencies, Hawaiian Home Lands, Attorney General and Defense. All centers, during this phase, were to refine their ongoing applications.

The computers at the University of Hawaii and at the Department of Transportation were not included in the development of the Cresap study. The Cresap report merely noted the existence of these two computer centers and indicated that they would be used mainly for research purposes.

It is readily apparent that this timetable was not maintained. Today only minor segments of the Cresap study have been implemented.

THE CURRENT GOALS AND OBJECTIVES OF SWIS

The new Director of SWIS, Eugene Harrison, has occupied that position for less than a year. The first document to bear his official stamp was the project report on revenue accounting.

According to the SWIS report entitled "Revenue Accounting Subsystem - Project Definition", dated October 15, 1968, the ultimate goal of the Statewide Information System is to integrate or tie-together all operations of the State into one unified intelligence network that provides immediate sensitivity to changing conditions in any part of the organization. This intelligence network is to be designed so that problem areas are isolated and properly presented for management action. It is most important that the design of the intelligence network and the related data processing equipment be done with imagination and with full awareness of impending technological developments.

It is recognized that the above goals, while apparently highly desirable, may be very difficult to achieve. Resources, personnel and departmental management considerations of this plan are significant and will affect the goal setting process. The desirability of a uniform intelligence network is directly related to the cost of this network versus the benefits that the State derives from having it. One of the major problems of the Statewide Information System in meeting its goals will be to provide a measurably improved operation and thus obtain the continuing active participation and cooperation on the part of its ultimate information users in the governmental organization.

According to the Revenue Accounting Subsystem Report, "within the State of Hawaii governmental structure, SWIS exists as a 'Service Bureau' for data processing applications of all State agencies. Here the term 'agency' is used as defining any unit or level of organization within the State Government and those other governmental structures served by SWIS that require a program of data processing. SWIS is charged with the responsibility of providing the technical resources necessary for implementation of data processing systems on a departmental Statewide basis.

In addition to servicing the operational requirements and the information needs of individual agencies, SWIS will assume the lead role in developing a Statewide Information System composed of a network of files which will be responsive to the information needs of the many departments and of the administration. For this concept to become a reality, it is essential that increased effort be made by SWIS to become more technically proficient, to disseminate knowledge of such concepts and technology to the user, and to become more aware of the policy needs of the State."

CURRENT DEVELOPMENTS

Although many of the detailed applications prescribed by the Cresap study have been revised due to recent advances in computer technology, the basic concept of implementation on an integrated (total systems) basis still provides the framework for systems analyses and computer applications by SWIS. Our interviews with KeNam Kim, former Acting Director of SWIS, and Eugene Harrison, current Acting Director of SWIS, have confirmed the role of the Cresap study.

Two basic approaches exist in the implementation of any computer-oriented systems:

1. A program modification and maintenance approach, and

2. A project-oriented total systems approach.

The computer applications and systems analyses under the program modification approach are directed to alleviating major clerical tasks without changing the total system. The emphasis is to mechanize existing voluminous clerical tasks, and upon mechanization to improve the processing of these tasks. The resultant operating system provides neither continuously integrated processing nor production of timely management reports. An illustration of the program modification approach would be the conversion of a mechanized payroll system using a punched card computer to a similar but faster system utilizing a magnetic

tape computer. In this case, major procedural changes were not made. Existing computer programs are merely modified to permit the use of magnetic tape files.

When the existing system and procedural structure is satisfactory and if the new equipment will merely permit faster processing or lower costs, the program modification approach is justified. Also, when time is a major factor and the amount of new systems and procedural work is large, the program modification approach is justified.

Computer applications and systems analyses under the project approach would be expanded to effect the total system. The emphasis is mechanization on an integrated basis, that is mechanization is based upon a thorough review determining the needs of the total system. The resultant operating system provides continuously integrated processing and more likely production of timely management reports.

At the Statewide Information System the current computer applications have not been integrated. Generally, the program modification approach has been used. Numerous discrete applications dominate the operations of the computers. See the Exhibit at the end of this section for a listing of current computer applications at each center. By discrete applications, we mean stand-alone applications, such as equipment cost reporting. This may someday be integrated into a complete financial management system. A current project on the Revenue Accounting Subsystem (RAS) of the Department of Taxation indicates a change from the nonintegrated approach to an integrated (total system) approach. The system design effort for the RAS project will consider all revenue aspects of the State Accounting System. A better approach would have been to first review and document both the expense and revenue aspects of the accounting system before attacking either. Such a design effort should eventually result in an entirely new accounting system. We here reiterate from the preceding section of this report that responsibility for and coordination of systems development between SWIS and DAGS must be clearly spelled out.

Phase one of the multi-phased "RAS" project has been completed. Basically, the initial phase of the "RAS" project sets out: "To identify the source of receipts and to propose a means by which they can be captured as items of data and integrated into the framework of the Statewide Accounting System". (Revenue Accounting Subsystem Project Definition, page 1.)

The RAS project pertains to the eventual automation or computerization of the entire revenue portion of the State's accounting system. This involves the capturing of revenue data at the point that data enters the State Accounting System and inputting this data directly into a data processing system. The first phase of this project, an analysis and documentation effort at the Department of Taxation, has ostensibly been completed. However, as noted previously "RAS" is directly related to the development of a Statewide Accounting System (SWAS). SWIS personnel did not work closely with the Chief of the Accounting Division of the Department of the Accounting and General Services (DAGS), in development of RAS.

PROGRESS RELATED TO ORIGINAL CRESAP RECOMMENDATIONS

The following is a partial listing of the specific recommendations presented in the Cresap study, followed by a summary comment on the current status of each recommendation. We did not, consistent with the scope of our effort, attempt to derive the specific causes of SWIS's lack of progress relative to each recommendation; but rather we have noted this lack of progress because of its direct affect on the development of SWAS.

1. "In order to improve the State's Information System, mechanization should be expanded on a comprehensive and integrated basis."

   Present computer applications are not integrated. Many individual computer programs and subsystems have been developed and implemented on the existing three major computer systems. Among these data processing applications are payroll check writing, equipment usage reporting, and detail expenditure listings. These data processing applications all relate to general ledger accounts for the various organizations in the State Government. They could, therefore, be integrated, or combined, on a departmental basis in order to provide more timely and accurate general ledger accounting. An equipment usage reporting system now in operation for the Division of Highways could be, but has not been, adapted for use of other departments. Each computer center is now organized to process separately the work of specific departments or divisions. The present payroll system now combines the payroll for most State organizations, however, even this combined system is not efficiently integrated with labor cost distribution and personnel accounting functions.

   Full integration of all related data processing systems will require the development of a common systems concept as a framework within which the systems may be united. The development and partial implementation of a uniform account numbering system among all State organizations is a move toward the development of fully integrated information systems. Work toward the development of a common data bank for the use of several governmental departments is another step in the direction of full systems integration. However, to this date, we have not seen a comprehensive plan that embodied all aspects of the development of the integrated systems concept. Such a plan would contain (but would not be limited to) some of the following factors:

   a. A comprehensive diagram (systems flow chart) of all existing accounting and data processing functions for each major State organization. This diagram or flow chart would show the accounting flows by which information is summarized for management use. It would also be cross-indexed to note functional similarities between systems among the different organizations.

b. A numerical classification system (account numbering system) that was designed to meet the future needs of both accounting and data processing. From a practical standpoint, this number series should be as short as possible. Such a number system should be designed by a person who is intimately familiar with electronic data processing techniques.

c. The plan should be based upon a thorough analysis of all reports provided to all major organizations in the State Government. A file should be developed containing samples of these reports. Another file should be developed containing forms that provide input information to the various data processing and accounting subsystems. This file should be cross-referenced to the report file so that the sources of information on each report are clearly identified.

d. A diagram should be developed showing the similarities and relationships between basic accounting data from different organizations and how this data can be combined into a central data file (sometimes called a "central data bank").

e. Based upon the knowledge obtained during the above outlined systems analysis effort by competent senior level accounting systems and data processing analysts, a study should be made of information processing equipment that is now on the market or under development.

f. When all of the above factors have been analyzed and documented, a plan for the integration of all appropriate subsystems for the various governmental organizations can be developed. This plan should consider the need and potential needs of the government for at least the next ten years and should recognize the need for continuing systems development efforts. This plan should embody both manual systems for the smaller organizations and electronic data processing systems for organizations whose needs are greater. However, information from all of the organizations would eventually find its way in an orderly manner into the central file system for summarization and appropriate presentation to all levels of management.

The design of an integrated Statewide information and accounting system is indeed a large project. Such a project, at a minimum, would require an organized approach such as the one outlined above. In our evaluation of both SWIS and SWAS projects, such an organized approach was not found.

2. "The accounting system for all State departments should be centralized and performed by one computer. Although some departments might still maintain some internal analytical records, the detailed accounting for all departments would be performed by the central accounting system."

   A centralized accounting system has not been implemented as of this date, although many detailed accounting activities have been mechanized, such as payables, payroll, etc. There is some question whether the recommendation for all accounting in all State departments to be performed by one computer is practical, at this time or in the near future. While it is true that the most advanced equipment available working in the most optimum environment in terms of data communications, human skills, and work scheduling might be able to handle this job, we believe that the implementation of such an accounting system in a practical sense will be at least several years away.

   A more practical approach to a unified accounting system within SWIS would be to continue to develop the concept of basic accounting records being processed at separate computer centers, with each center being dedicated to processing the accounting work of one or more specified departments. At such time that the individual accounting systems are working satisfactorily on the decentralized computer centers, the implementation of a central computer that might summarize information at the appropriation or program level could take place.

   In order to control and give direction to the development of departmental accounting at several computer centers toward eventual unification on a central computer, the DAGS and SWIS personnel involved should act as a control group to review the plans for individual computer projects and to compare progress in these projects to overall plans. Another function of this group would be that of program auditing or quality control. That is, this group would assure that the goals of an individual program or system were accomplished in the most efficient and timely manner possible. It is most important that some means be developed whereby the progress in data processing systems development can be compared against a plan.

3. "The budget preparation and control system should include the development of the history of the past expense and income on budget work sheets. These past year actual expenditures would be obtained as a by-product of the accounting operation. In order to assist each department head and the Department of Budget and Review, a work sheet document would be produced mechanically which shows the actual expenditures of the previous two years . . ."

The system recommended for budgetary control by the Cresap report would have been satisfactory. However, the recommended system has not been implemented. Budget preparation, controls and reports have not been mechanized. The recommended system should at this time be expanded to include the development of preliminary estimates for future budget preparation as well as historical expense and income information.

Such a budgetary control system should be part of an integrated information system with available computer capacity and personnel resources. The budgetary control system should be expanded to include expense and revenue projection procedures.

4. "The vouchering processing should be performed as a by-product of the purchasing operation. A punched card or tape should be produced as a by-product of the preparation of the purchase order, and used as the source document to encumber the department's account. Upon receipt of the material, the encumbrance would be liquidated and the actual amount would be posted. This would produce the information needed for the accounting system.

   The vouchering processing has not been mechanized on an integrated basis, although warrant preparation for all departments and preparation of summary warrant vouchers for some departments have been mechanized, warrant vouchers are not now processed on a uniform or integrated basis.

   The mechanization of the vouchering system is not progressing as planned in the Cresap study. The development of a uniform system has not received sufficient support in the past, and very little work is being done in this area at present.

5. "The entire payroll operation should be mechanized, including the recordkeeping for employees' retirement."

   a. Payroll Mechanization

      The payroll operation has been mechanized. A study to improve the existing payroll system is currently in progress. This study will involve the design and programming of improved centralized computer reports as well as improved procedures for the various departments. Work on this study is not proceeding rapidly and the schedule for implementation has been put back from March to June at the earliest.

      As of this date, the recordkeeping for employees' retirement has been partially but not fully mechanized. It is believed that the future improvements to the payroll system will also improve retirement recordkeeping.

b. Existing Payroll System

The existing payroll system is essentially an "exception" payroll process. By exception, we mean that each regular employee of the State is paid on a current basis under the assumption that the employee will work for the full period for which he or she has been paid. At the end of each payroll period, all employees submit a time report which details the exact amount of hours worked during the period.

If the hours worked during the period are less than the normal hours, adjustments are made on an exception basis during the following pay period. In a similar manner, overtime work during a given pay period is handled on an exception basis and paid the following pay period. Therefore, the normal pay check given to an employee reflects the regular pay for the current period and exception pay for the previous period.

When an employee is hired by the State or changes his salary or work status, the appropriate personnel action forms are completed and submitted to the data processing center for conversion to magnetic tape. Special instructions are given to the computer center for new employees in order to ascertain the correct amount of the first pay check. After the initial period, the payroll computer system automatically turns out a pay check based upon the regular pay for the period for each employee unless instructed to do otherwise.

Appropriate controls had been built into the system in order to assure the propriety of this payroll disbursement. During the processing of the payroll system, payroll checks are produced for distribution to the employees and labor expense reports are produced for distribution to the various departments and divisions.

The present payroll system was not designed for use on the third generation IBM 360 computer. Two of which are now used by the State. While the system is computerized, the present operation is both inflexible and inefficient. Evidently these problems have been serious enough to warrant a complete redesign of the payroll sytem. During this redesign, it is expected that improvements will be made in order to develop more and better cost distribution information. Since the work on this study has not been concluded, we are not able to report in more detail on the system being developed.

6. "The personnel recordkeeping function should be mechanized to produce personnel control data plus any special information regarding personnel employed by the State, including those in teaching position in the public schools and at the University. This information would include special qualifications of each employee."

Although records providing specific qualifications of personnel have not been mechanized, the personnel records required for payroll preparation have been mechanized. These mechanized records might provide a framework for further development.

The term personnel control data refers to the present personnel files which contain all details concerning an employee's background and current employment status. It is these files that have not been mechanized.

Certain information relating directly to payroll has been extracted from these files and placed within the magnetic tape computer system in order to permit the processing of payroll on a current basis.

Very little work has been done to mechanize the records which will provide specific qualifications of personnel. These records are now stored in manual file cabinets.

7. "The tax processing system should be mechanized to provide for auditing of the tax returns, preparation of tax notices and delinquency notices, and special statistical reports. This could be provided on an integrated basis so that one tax could be compared with another under any given set of conditions."

The reporting of current and delinquent real property taxes has been mechanized through the use of a Univac 1050 computer with drum random access storage. Individual tax records for each piece of property are summarized on this computerized file. The use of this computerized file provides current property tax reports and delinquent tax reports. The processing of other types of tax such as personal State income tax is contemplated for the future. However, work on this program has been slow.

The Revenue Accounting System developed by SWIS in concert with Department of Taxation addresses this area specifically and states the plans for upgrading the processes.

8. "The Department of Education recordkeeping should be mechanized for teacher personnel administration, research reports, local school records and grade reports, pupil accounting, inventory control, and local school fund control. The basic accounting system would be mechanized centrally but the Department's input data would be developed to produce various operating statistical and financial analysis reports to be used in the management and program development in the Department of Education."

The only area in which computer mechanization is almost complete is for local school records and grade reports. Local school fund control is not fully mechanized; however, the Department of Education data processing system is utilized to provide reports

of expenditures. These reports are essentially detail listings of expenses. They do not comprise a fully integrated expense reporting system. Teacher personnel administration, research reports, pupil accounting, and school inventory control are still accomplished through essentially manual techniques. Much work must be done in this area in order to meet the recommendations of the original plan.

The basic accounting system for the Department of Education has not been centralized. The majority of the accounting work in the Department is done at the Department of Education computer center. All operating statistical and financial analysis reports are produced at this center.

Present SWIS plans indicate a trend toward further centralization of the accounting functions. Current plans call for the Department of Education computer center to lose its identity as a separate computer center under the aegis of the Department of Education. It is understood that in the future, this center will be fully under the control of SWIS.

9. "The University accounting should be mechanized and performed by the central accounting system the same as for all other departments. The student registration and accounting, the faculty personnel administration function, the institutional research data, the University's statistical reporting system and its internal administrative records analysis should be performed at the University by the University's computer center."

At the present, students registration and accounting and certain amount of statistical reporting are accomplished at the University's computer center. Faculty personnel administration, and internal administrative records analysis are now essentially performed manually with assistance in limited areas from the data processing section. The prime use of the University's computer center is for institutional research. The accounting for the University has been mechanized on only a very limited basis, and this limited mechanization does not utilize the central data processing system.

10. "The State should recruit specific talents so that its data processing system could be managed efficiently."

The State has apparently made an effort to recruit the necessary talents to develop and operate its data processing system. The position of Chief, SWIS Division has never been filled and several key lower level positions are not currently filled. The wage rates have prevented the State from attracting experienced data processing professionals from local sources. Therefore, it has been a policy of the State to attempt to train and develop data processing personnel from within.

In the past, each computer center was staffed by different classifications of technical personnel in order to fulfill such requirements as were placed upon that computer center. There was little unified direction in the development of comprehensive data processing systems that would serve more than one department. Currently, the Director of SWIS is planning to bring all the existing computer centers under unified control and to split the staff of the Statewide Information System into two primary groups each to be headed by a qualified professional. The first group is related to the development of new computer and data processing systems. This "development" staff now consists of approximately 58 people most of whom are programmers and systems analysts. Only a small portion of these 58 people have heavy experience on third generation data processing equipment; therefore, strong efforts are being made to upgrade the training of the staff.

The second group is called the production branch. This group now contains approximately 89 State employees. Of this number 44 persons are key-punch operators, with the remainder being machine operators and data control personnel. It is planned that a small group of equipment-oriented software programmers will work within the production branch in the area of improving computer operating systems.

It is planned that both the heads of the development branch and the production branch will report to the Director of the Statewide Information System. The production branch will be responsible for all production work involving completed data processing programs, be it the key-punching of information into punched cards, the processing of that information into completed reports and the checking of those reports and final distribution. The development branch will be responsible for long-range systems planning, the development of new data processing systems, and the implementation of those systems. The implementation responsibilities would include close support by the implementation personnel to the using department and to the production branch until such time as a new system is fully acceptable to the user.

Continued internal training of the SWIS technical staff is under direct control of the head of SWIS. At the present time there is strong emphasis on training in order to prepare the staff for more advanced equipment.

11. "To mechanize on a comprehensive and integrated basis, the State should consider three computer centers. The use of these three computers could be as follows:

> "Computer No. 1. This would be the central service computer, which would be primarily concerned with the financial and personnel activities but would also perform the miscellaneous applications for those departments that would not be included in either Computer No. 2 or Computer No. 3.

"The primary application would include performing the work for the Departments of Accounting and General Services, Budget and Review and Personnel. The specific functions for this computer would be:

a. Centralized accounting for all departments of the State.

b. Budget preparation, control and reports.

c. Vouchering of purchase documents, including vendor payment, distribution of costs and reports.

d. Payroll, including check preparation, earnings record, deduction registers and withholding statements.

e. Employee retirement recordkeeping.

f. Personnel recordkeeping, including employee identification, manpower control and reports.

g. Financial reports and statistics.

"Computer No. 2. This would be the computer to serve the Departments of Taxation and of Labor and Industrial Relations. This would include performing the processing for all taxes within the Department of Taxation, specifically:

a. Tax auditing.

b. Tax rolls and bills.

c. Records of payment.

d. Tax delinquency control.

e. Tax research.

f. Tax recordkeeping and statistics.

"For the Department of Labor and Industrial Relations, the computer would process:

a. All employment security work.

b. Employment service active file.

c. Statistical records and reports for all Department of Labor activities.

d. Economic planning reports.

"Computer No. 3. This would be the computer center for the Departments of Education (including the Library of Hawaii), Land and Natural Resources, Social Services, and Health. The accounting for these Departments, as for all other departments, would be performed on Computer No. 1.

"However, the functions that would be performed by this computer would include:

a. Internal accounting, testing, pupil recordkeeping and cost accounting analysis for the Department of Education.

b. Acquisitions, cataloguing and circulation for the Library.

c. Welfare recordkeeping.

d. Search and reproduction of certified records.

e. Statistical reports."

Three computer centers have been organized servicing the departments as prescribed by the Cresap study. In the past these computer centers have been under the partial control of the departments for whom they were doing data processing work. In the future, it appears to be the intention of the Director of SWIS to unify the control of these three computer centers under his Office. We feel that this unified control would have a beneficial effect on the planning, direction and staffing of the three computer centers. A listing of the status of each recommended application at each computer center is presented in Exhibit A on page 19 of this section.

12. "In order to accomplish complete mechanization, a four-year mechanization plan is suggested."

The four years provided for implementation have expired. It is obvious that many of the recommendations in the Cresap report have not been accomplished. It is possible that had the Cresap report fully considered the problems of developing a competent professional staff and the inherent delays in working with such a diverse organization, the report's recommendations might have been less ambitious.

RECOMMENDATIONS

As a result of our review of SWIS, we have developed some very basic recommendations which are summarized as follows:

1. Responsibility for systems design and development should be clearly defined and communicated to all people involved.

2. A data processing standards manual should be developed and enforced.

3. Specific goals and the plans for attainment of these goals, including schedules for accomplishment of clearly defined tasks and resources requirements, must be spelled out both to provide direction to SWIS itself and to allow the other responsible agencies of the government to act effectively in relation to SWIS.

4. Long-term and competent leadership must be assured in the positions of SWIS Director and SWIS Chief. It is especially important that the position of SWIS Chief be filled as soon as possible in order to provide overall technical direction to the systems design effort.

Each of these recommendations is discussed in the following paragraphs.

Definition of Authority

As the SWIS increases in effectiveness and expands its scope of activity, it will be necessary that its level of control be clearly defined and communicated to all appropriate personnel throughout the State. Therefore, we recommend that the authority and responsibility of SWIS be reviewed by a representative of the Governor's office, clearly defined and communicated to appropriate State personnel.

During our review of the computer centers, we were informed of problems in the establishment of priorities when both SWIS personnel and non-SWIS computer center personnel work side-by-side on common projects. For instance, some personnel at computer center No. 1 still appear to be formally assigned to DAGS rather than to SWIS. Although the problems experienced to date do not appear to be material, they may increase as the scope of SWIS projects expands and greater demands are made on the computer centers. The current organizational structure of SWIS and its interface with other State departments should be carefully reviewed, in light of projects that are in the planning stages, to determine the best means of providing data processing service to the various departmental users.

Data Processing Documentation Programming and Operating Standards

Our review of data processing center activities included determination of the standards required for documentation, programming and computer operations. Data processing documentation is the name given to various technical descriptions of computer programs, and the related forms, accounting procedures and reports. We were informed that at present the State does not have standards to guide the centers in these activities. In order to insure that an acceptable level of work is being performed by the personnel employed by the centers and SWIS and that the criteria for measuring performance will be uniform for all personnel, a data processing standards manual is essential. This manual is a detailed check list of required EDP systems documentation.

A good standards manual will include instructions and illustrations of the systems documentation (technical descriptions of a system) needed for the various levels of systems development - from the broad systems concept to subroutine programming diagrams; standard diagramming and "flow-charting" symbols (technical diagrams) to be used; methods of indexing to tie all work papers together; project work plan development procedures and review procedures; programming language requirements; program coding procedures; program testing and correction procedures; instructions for development of operations manuals; program modification procedures and required approvals, etc.

Data processing standards manuals have been developed for many governmental and industrial organizations. The State should acquire copies of existing documentation manuals and utilize the data they contain as the basis for developing a manual that will satisfy the State's requirements.

Project Control System

A review of the history of the SWIS operation indicates that the work undertaken by it is moving from relatively small program-modification tasks to major systems development and implementation programs. With this change in scope of operation, a project control technique must be developed and utilized to insure that the investment in time and materials is not wasted.

A good outline of techniques to be used in planning and executing a major study and implementation program is contained in the Systems Analysis section of the manual entitled Management Guide on How to Implement the Statewide Information System for the State of Hawaii, December 1963 (written by the Department of Budget and Finance). However, this outline has two fundamental omissions:

1. It does not require an estimate of manhours required by skill and task to be performed.

2. It does not cover project execution controls such as periodic manpower reporting against a budget; reports on work completed and deviation from original plans; progress meetings within the consulting team(s) and with the "Client"; and methods to ensure full utilization of assigned personnel.

These are administrative controls similar to those utilized by most professional consulting firms. With personnel costs representing the largest portion of SWIS's budget, it is essential that adequate control techniques be followed. A manual describing project planning techniques would have no similarity to the EDP documentation standards manual recommended on the preceding page, but would rather relate to techniques for 1) establishing project goals and objectives and 2) controlling cost, schedule and technical performance to meet the established objectives.

Although control techniques have been part of the SWIS program since 1963, little documentation can be found to verify that the techniques have, in fact, been used. An exception to this control deficiency was noted in the Revenue Accounting Study that is currently in process. The background and objectives of this study as well as an outline of the work to be performed was committed to writing and communicated to the client. In addition, manpower estimates were prepared. Each of these steps contributed to the sound management of the project and were well done. However, we were unable to determine any formal method whereby actual time expended on the study was reported and controlled through a routine system. This time control deficiency should be corrected in future projects.

SWIS Director's Position

Since the inception of SWIS in 1963, three people have acted as its Director - E. Mookini from April 1963 to October 1963; KeNam Kim from October 1963 to January 1968; and E. E. Harrison from January 1968 to this date. Mr. Harrison's tenure has been too short to result in major improvements in the practice of SWIS. During Mr. Kim's tenure, he was also filling the position of Deputy Director of the Department of Budget and Finance. This division of his time could not have permitted him to spend adequate time to ensure that SWIS was moving ahead at an acceptable rate. An additional handicap was created through the inability to fill the position of Chief, SWIS Division, since the inception of SWIS in 1963.

Considering the current status of SWIS and the current and proposed scope of its activity, we believe it is essential that the Director's position be filled on a full-time basis by an individual who can direct all of his efforts to Statewide information projects. As we discussed in previous

paragraphs, the length of time involved in the major developmental projects that SWIS contemplates supports the retention of a Director on a long-term basis to allow him to see his projects through to completion. We recommend that the State assure that the SWIS Director's position is such that it can attract and retain a competent individual who is able and willing to remain in the position for a minimum of three years, and able to spend his full-time managing the SWIS activity.

In addition, we recommend that the currently vacant position of Chief, SWIS Division be filled with a technically competent management oriented individual to assist the Director in field management of projects, or that two highly qualified individuals be recruited or promoted to fill the possible new positions of heads of Development and Production Branches of SWIS.

Exhibit A

STATE OF HAWAII
GENERAL FUND

Statewide Information System

Summary Table of Project and
Mechanization Progress to Date

Application	PROJECT STATUS			MECHANIZATION STATUS			
	Not started	Plans in process	Basic plans completed	Not started	Plans in process	Partially mechanized	Generally mechanized
Computer Center #1							
1. Centralized accounting for all departments of the State		x			x		
2. Budget preparation, control and reports	x			x			
3. Vouchering of purchase documents		x				x	
4. Payroll processing including check preparation and affiliated reports			x				x
5. Employee retirement recordkeeping			x				x
6. Personnel recordkeeping			x			x	
7. Financial reports and statistics	c o n t i n u i n g			c o n t i n u i n g			
Computer Center #2							
1. Department of Taxation - all returns:							
Centralized processing		x			x		
Extension and printing of tax rolls and tax bills		x				x	
Creation of receivables and collections records		x				x	
Records of payments and apportionment of funds		x			x		
Delinquency tax reminders and controls		x				x	
Creation of printing of map book indexes	x			x			
Tax research	c o n t i n u i n g			c o n t i n u i n g			
2. Department of Labor:							
Employment security		x				x	
Workmen's compensation			x				x
Accident investigation	x			x			
Research statistics	c o n t i n u i n g			c o n t i n u i n g			
3. Economic Planning reports	x			x			
Computer Center #3							
1. Department of Education:							
Financial records			x				x
Pupil accounting			x				x
Personnel records			x				x
Testing		x				x	
Research and statistics	c o n t i n u i n g			c o n t i n u i n g			
2. Library of Hawaii - acquisition, cataloguing, circulation	x			x			
3. Department of Land and Natural Resources - conveyance division and issuance of licenses		x				x	
4. Department of Social Services - welfare records, monthly checks and payment register, etc.			x				x
5. Department of Health:							
Search and reproduction of certified records		x				x	
Vehicle use	x			x			
Patient records		x				x	
Statistical reports	c o n t i n u i n g			c o n t i n u i n g			

STATE OF HAWAII
GENERAL FUND

SECTION V

INTERNAL CONTROL AND ACCOUNTING PROCEDURES

STATE OF HAWAII
GENERAL FUND

Section V

Internal Control and Accounting Procedures

June 30, 1968

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STATE OF HAWAII
GENERAL FUND

Section V

Internal Control and Accounting Procedures

INTRODUCTION

In connection with our examination of the financial statements of the General Fund of the State of Hawaii for the year ended June 30, 1968, we are presenting for your consideration certain comments and recommendations relating to the system of internal control and accounting procedures. The primary purpose of our examination was to enable us to form an opinion as to the financial position and the results of operations of the General Fund. Considering the test character of our examination, you will appreciate that reliance must be placed on adequate methods of internal control as the principal safeguard against irregularities which a test examination may not disclose.

An adequate system of internal control is the principal means by which the assets of an entity are safeguarded and the reliability of accounting data is assured. It is a means of preventing fraudulent acts by placing the possibility of such acts beyond the reach of every person who may be tempted. Under an adequate system of internal control work is segregated in such a manner that no one individual has control over all phases of a transaction; that is, the work of one individual is under the constant scrutiny and surveillance of another. In effect, the purpose of internal control is to provide an entity with a system of checks and balances.

This report is not intended to represent a complete survey of internal control and accounting procedures, but merely directs attention to certain matters coming to our attention during the course of our examination. Primary emphasis was placed on the records maintained by the Department of Accounting and General Services - General Fund Accounting Branch, to ascertain that expenditures were made in accordance with appropriation acts and other applicable laws and that revenues and other receipts were properly accounted for. With respect to the verification of revenues and other receipts, it was necessary to examine data in the various departments of the State.

As stated in the Accountants' Report, certain departments and State agencies were excluded from the scope of our examination by the terms of our contract. Such exclusions are as follows:

1. Those portions of the General Fund records, transactions and system administered by the State Department of Budget and Finance and Department of Personnel Services.

2. Those portions of the General Fund records, transactions and system administered by the State Department of Health, relating to the public hospitals and public health functions covered by Act 97, Session Laws of Hawaii 1965; Act 14, Session Laws of Hawaii 1966; and Act 203, Session Laws of Hawaii 1967.

3. The General Fund records, transactions and system of Federal funds received and expended in direct support of the Hawaii National Guard, and administered by the State Department of Defense.

4. Those portions of the General Fund records, transactions and system relating to the collection of revenue and other receipts, including Federal grants, by the State Departments of Health, Land and Natural Resources, and Regulatory Agencies.

Our report relating to the examination of the State's Judicial Branch records is presented under separate cover.

The Department of Accounting and General Services maintains the central accounting records for the entire State government. It records all expenditurs and receipts of the State by funds, and prepares annual financial statements for the Governor and Legislature.

The comments presented in the following pages relate to specific internal control weaknesses and accounting deficiencies observed during the course of our examination. Although they affect the General Fund of the State of Hawaii, the comments are arranged by the department to which they apply; however, certain comments under General Fund Accounting may apply to all departments.

GENERAL FUND ACCOUNTING

Review of Adequacy of Imprest and Change Funds

Our review of imprest and change funds in the departments indicated that, for the most part, such funds were adequate for the purposes for which they are used. Comments will be made as to the inadequacy of specific funds in subsequent paragraphs.

Accounting for Imprest and Change Funds

The General Fund has disbursed to various departments, divisions and branches an amount of money for the purpose of petty cash disbursements or change fund operations. As these funds are scattered in many locations throughout the State, it is not practicable for the personnel of the Department of Accounting and General Services to personally supervise the activities of individuals responsible for each fund. For the safeguarding of such assets, we recommend that department fiscal officers be required to prepare annual cash fund status reports for submission to the Comptroller at June 30. At such date, funds should be restored to their original amounts through reimbursement equal to sums expended to permit the recordation of expenditures in the year disbursed.

The Comptroller should also direct department fiscal officers to perform unannounced cash counts of petty cash and change funds and to retain the count sheets for verification purposes. The unannounced cash counts would act as a deterrent towards cash misappropriations.

We noted that warrants were being prepared for a substantial number of expenditures of relatively small amounts. The question has been raised as to the economies to be derived in increasing the amounts in the petty cash funds and utilizing the funds to a larger extent for the payment of small purchases ($5 or less). Although this procedure could result in reducing the work load at the departmental level, it does not appear that it would result in any substantial saving of time at the General Fund Accounting Branch since petty cash reimbursement vouchers are subject to pre-audit procedure prior to the issuing of warrants. When the warrant voucher system is revised, we would suggest that the situation be reappraised.

Employees' Travel Advances

Funds for official travel and transportation expenses including per diem allowances and other reimbursable expenditures may be secured by way of a cash advancement or by way of reimbursement of expenditures upon completion of trip. Advances are limited to costs itemized on approved travel requests and are charged to current periods appropriations (expensed). The pre-audit division of the Department of Accounting and General Services has established accounting control over cash advances to prevent improper use of such funds.

Pursuant to Section 34-9, Revised Laws of Hawaii 1955, rules governing official travel and transportation expenses were established in the Governor's Administrative Directive No. 10, as amended, dated March 12, 1968. These rules and regulations state that " ... within fifteen calendar days after return from a trip, a traveler, shall submit to the Comptroller a 'statement of completed travel'".

A review of the detail records maintained for employees' travel advances revealed that many outstanding amounts, over a year old, were still reflected in the books. As unexpended amounts should be returned to the State Treasury, the failure to properly account for advances could result in an unauthorized withholding of State funds.

We were informed through inquiry that this accumulation may have arisen from several possibilities:

1. The individual never filed a "statement of completed travel".

2. The individual filed a "statement of completed travel", which was misplaced by his department and had not been transmitted to the Comptroller's office.

3. The individual filed a "statement of completed travel", which was forwarded by his department to the Comptroller's office but misplaced by the latter.

Accordingly, a review should be made of these old outstanding amounts and remedial action initiated.

Our review also disclosed unnecessary delays in the processing of employee travel advance reports by employees and their respective departments. This situation was noted primarily in the Department of Education and the University of Hawaii.

The Comptroller should adopt procedures which would require the fiscal officer of each department to follow-up on travel advances to assure the preparation of reports in conformity with prescribed regulations.

Subsidiary Contract Ledgers

The pre-audit division of the Department of Accounting and General Services maintains contract ledgers (by contractors) to establish accounting control over General Fund obligations and to determine the propriety of funds disbursed. We were informed that no attempt was made to reconcile the subsidiary contract ledgers with the general ledger control accounts during the past year. If any of the contract ledgers were removed from the files or the recordation of financial transactions omitted, such errors may not be detected. Accordingly, in order to assure the accumulation of meaningful and accurate financial data, we recommend that the detail records be balanced with the general ledger control at least quarterly. Such procedure will also facilitate the reconciliation of differences, if any, on a timely basis.

Administration of Real Property Tax Assessment

Pursuant to Chapter 128 of the Revised Laws of Hawaii, as amended, costs of assessing and collecting real property taxes for a tax year are to be withheld from real property taxes collected on behalf of the counties in the following tax year. Accordingly, the amount due from the City and County of Honolulu totaling $548,662 was withheld and taken into General Fund revenue during June 1968, however the amounts due from Hawaii, Kauai and Maui Counties were not recorded until July 1968. We were informed that reports from the district tax collection officers for June 1968 for the latter counties had not been received in time to permit the recording of such revenue aggregating $101,412. To prevent the shifting of revenue from one period to another, such practice should be prohibited.

Payroll

To comply with the Federal and State laws, employees withholding exemption certificates should, where applicable, be updated to reflect current status.

Our examination revealed that in certain instances this was not being done. We also noted that employees' personnel records are not complete with current information, which was caused by maintaining original documents at several locations. Complete personnel records for each employee should be maintained at a central location. Accordingly, we suggest the Comptroller conduct a study to determine the economics and feasibility of centralizing personnel records within the Department of Accounting and General Services.

Warrant Voucher System and Purchasing Procedures

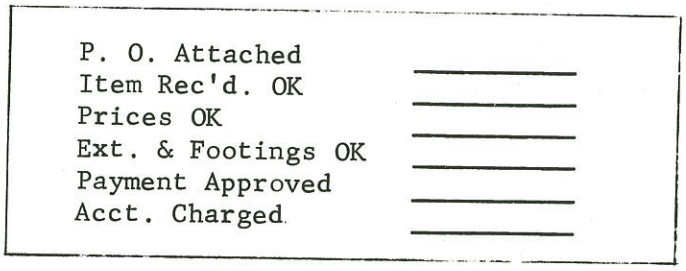
In the present warrant voucher system, vendors invoices which have been approved for payment by departments are listed on a form called an expenditure

voucher. Related purchase documents and invoices are attached to the expenditure voucher for each vendor. The totals of one or more expenditure vouchers are listed on a summary warrant voucher, which is submitted to DAGS (with copies of all supporting documents) for the preparation of a check (warrant) to each vendor. Copies of the expenditure vouchers and supporting papers are attached to a copy of the summary warrant voucher and filed by the departments.

Our review of the system disclosed the following deficiencies:

1. Cancellation of Supporting Documents

Expenditure vouchers and vendor invoices upon submission to DAGS for payment, should be marked or canceled in such a manner as to prevent duplicate payments. This is not presently being done by all departments. In conjunction with this cancellation, a review should be made to determine that invoices and purchase orders are attached, the condition of the merchandise received is acceptable, the prices, extensions and footings are verified, the proper account is charged, and the payment is approved. Cancellation and indication that these functions have been performed should be recorded through the use of a rubber stamp designed as follows:



This rubber stamp imprint should be stamped on the invoices, by each department, when the clerical functions are performed. As the clerical work is completed each line should be initialed.

2. Delay in Processing of Vendors' Invoices for Payment

Act 292 of Session Laws of Hawaii 1967 which relates to payment of government contracts and amending Chapter 9 of the Revised Laws of Hawaii 1955 states that, "Any person who renders a proper statement for goods delivered or services performed pursuant to contract, to any agency of the State or to any county, shall be paid no later than sixty calendar days following receipt of the statement. In the event circumstances prevent the paying agency from complying with this section, the person shall be entitled to interest on the principal amount remaining unpaid at the rate of one-half of one percent per month commencing on the sixtieth day following receipt of the statement."

Our examination disclosed that approximately eight percent of invoices were paid in excess of sixty days after the receipt of the invoice. Payment delays were found in the Departments of

Education, Health, Judiciary, Regulatory Agencies, Transportation and the University of Hawaii. A possible contribution to this delay is the present duplication of accounting procedures between the several Departments and DAGS. For example, the maintenance of duplicate accounting records and the recordation thereto, discussed in other sections of this report, performing of pre-audit procedures, etc. We understand that the duplication of functions will be minimized with the implementation of the Statewide Accounting System.

3. Purchases Prior to Issuance of Purchase Orders

The Department of Accounting and General Services maintains all expenditure records, which include summary warrant vouchers, distribution of expenditure, vendors' invoice, purchase orders and purchase requisitions.

Our examination of the expenditure records disclosed that approximately seventeen percent of invoices were dated prior to the corresponding purchase order indicating that purchases were made prior to the time the purchase was authorized. Purchase orders were found to be dated after the invoice date for the Departments of Accounting and General Services, Agriculture, Education, Land and Natural Resources, Personnel Services, Regulatory Agencies, Social Services, Taxation, Transportation and the University of Hawaii.

It is recommended that the Departments take the necessary steps to minimize this problem and eliminate purchasing practices which are of questionable legality. In not doing so, the Departments stand the risk of overencumbering certain appropriations because purchase orders were not recorded on a timely basis.

4. Purchase Order Preparation

Two different procedures are used in the preparation of purchase orders (i.e., a document authorizing a vendor to deliver described merchandise, materials or services at a specific price) at the departmental level. Under one procedure the initiator requests goods and services through a requisition form from which the buyer prepares and distributes the purchase order. Under a second procedure a combination purchase order-requisition form is used by the requisitioner. The combination purchase order-requisition form eliminates copying the complete order described on the requisition form on a separate purchase order by the buyer.

In view of the aforementioned two procedures of purchase order preparation we recommend that the State Comptroller review the present practices and adopt a uniform procedure to be used by all departments.

5. Future Considerations

Our review of the warrant voucher system indicated that centralized purchasing and accounting would have a beneficial effect in this area. Centralized purchasing in concept, is the practice of approving all requisitions and initiating all purchases of an organization by one department and at one location.

We recommend that the State Comptroller study the feasibility and economics of centralized purchasing. The following areas are so basic to the decision on centralization of purchasing, that we urge they be critically analyzed in connection with the above recommended study.

a. Greater use of volume purchases resulting in possible savings through volume discounts.

b. Greater use of competitive bidding by vendors on bulk purchases resulting in possible savings.

c. More timely processing of transactions through the elimination of duplication in recordkeeping procedures.

d. The improvement of budgetary controls through more timely processing of transactions. Budgetary control is the management of a governmental unit or enterprise in accordance with an approved budget with a view of keeping expenditures within the limitation of available appropriations or revenues.

e. Expanding the use of encumbrances to include lower dollar value items. Encumbering is the practice of recording anticipated expenditures, evidenced by a contract or purchase order, or determined by administrative order. The purpose of encumbering an obligation is to reserve a particular amount of money to assure its availability when payment of the obligation is due.

Under existing practices only goods and services opened for public bids are encumbered on a current basis, i.e., as contracts are awarded. Quarterly encumbrances are made for all outstanding purchase orders. By expanding the application of encumbrances to include all items evidenced by contract or purchase orders on a current basis, the State will have a more accurate estimate of expendable funds.

DEPARTMENT OF TAXATION

All Districts

Processing of Real Property Tax Bills

Under the present system, real property tax bills for Oahu are forwarded to the Administrative Services and Accounting Division of the Department of Taxation

and in the case of the other districts to their respective collection divisions before mailing. These divisions prepare necessary adjustments to reflect advance payments, name changes, address changes and other pertinent data, and sort the tax bills by zip code.

To expedite the processing of real property tax bills and improve internal control, we suggest that all tax bills be mailed from the computer center where they are prepared. This would involve programming the computer to sort the bills by zip code and financial institution. Certain tax bills would be mailed without reflecting recent changes for advance payments, new owners and change of addresses. However, these are comparatively few in number and we feel that the volume of work involved at the district levels in redirecting bills and handling queries concerning the variances would be nominal.

Taxes Receivable

The Department maintains records which account for the taxes due from individual taxpayers as well as the total amount due from all taxpayers. These records are maintained by type of tax and generally fall into two categories:

1. Taxes paid under protest, payments for which are deposited in a trust fund.

2. Unpaid taxes primarily representing amounts due on tax returns filed with no or only partial payment of the amount shown as due and payable on the return or from assessments by the Department.

Of this latter type of receivable, only amounts due on individual and corporation net income, franchise and public service taxes are reflected on the departmental statement of tax operations; a statement prepared monthly for departmental use which details transactions relating to tax collections by type of tax. Similar amounts relating to general excise, use, fuel, withholding, inheritance and tobacco taxes are not reflected on the statement.

The June statement is used by the general accounting section of the Department of Accounting and General Services to determine the tax receivables to be included in the General Fund accounts from which the General Fund balance sheet as of June 30 is prepared. Accordingly, some $4,000,000 of taxes receivable relating to taxes not included on the departmental statement as of June 30, 1968 are not reflected on the General Fund balance sheet as of that date. However, under the cash basis of accounting used by the State, this understatement of taxes receivable did not affect the fund balance.

We were unable to determine the reason for according different treatment to similar types of receivables, other than it had been the practice for an extended period of time and it had not been previously questioned.

We recommend that general excise, use, fuel, withholding, inheritance and tobacco taxes receivable be reflected in the Department's monthly operating statement and on the balance sheet of the General Fund in order to reflect the true status of taxes receivable.

Uniform Accounting Procedures

We recommend a chart of accounts, which describes in sufficient detail the contents of each account be prepared and utilized on a Statewide basis. This would permit the unification of accounting procedures and facilitate the preparation of financial statements and reports.

Internal Audit

We noted that the Department has not been audited either by the audit division or by independent certified public accountants since 1962. The Department being the major revenue collection agency in the State should be audited on an annual basis. Audits are conducive to continuing adherence to sound accounting practices and procedures and promote effective internal control.

Net Income Taxes

District office are required to trace all Form HW-2's (individual earnings record) filed by businesses to individual tax returns to ascertain that all returns have been filed. This procedure is not 100 percent effective since certain business entities file their withholding tax returns in Oahu and the appropriate HW-2's are not being forwarded to the neighbor island districts. Upon inquiry, we were informed that the practice of sending such information to the neighboring islands was discontinued as the volume of such data prohibited the Oahu district office from processing it for transmittal. We recommend the Department conduct a study to determine the feasibility of transmitting Form HW-2's to appropriate district offices for tax audit purposes.

Oahu District

Cash and Collections

Processing of Receipts

The majority of tax payments is comprised of checks received through the mail. At present, all receipts are processed through the cash registers.

The present system is capable of processing receipts on a timely basis for the greater part of the year, but from time to time, large volumes of returns prevent processing in the month in which the returns are received. This situation existed at June 30, 1968, the end of the fiscal year, resulting in an understatement of General Fund fund balance in a substantial but undeterminable amount.

Tax receipts processed during the first five days of July 1968 reflected tax revenues of approximately $7,000,000. It would be logical to assume that substantially all of this revenue represents taxes received in fiscal year 1968 which will be recorded as revenue in fiscal year 1969.

We recommend that consideration be given to using alternative procedures for processing returns and related check remittances. This could be done by batching the returns by classes, establishing control totals over these batches and entering only the batch totals in the cash register. Another method of receipting the returns would be substituted for the cash register imprint.

If it is decided to continue using the present system, we suggest that all unprocessed receipts on hand at the end of the fiscal year be processed through one cash register, deposited in the Treasury of the State of Hawaii, and shown on the statement of collections deposited in the Treasury of the State of Hawaii (Form B-13) "as of June 30", enabling the General Fund Accounting Branch to record the revenue in the fiscal year the payments are received. This is currently being done by other departments.

Control Over Mail Receipts

Mail is opened in the mail room where the date received is machine stamped on the tax returns, letter or envelope.

Although a great majority of tax payments are paid by check, occasionally currency will be received in the mail. Because of the small volume, mail containing cash or cash and checks which can be specifically identified with returns, is accumulated for as long as two weeks by the mail clerk and then entered in a log book. The log book, cash and returns are then handed to a cashier for processing through a cash register. As each item is processed, the cashier initials the log book entry and also records in the log book her cashier number and the cash register transaction number.

As good internal control requires that cash be recorded immediately at point of origin in order to preclude the unauthorized use of funds, we recommend that this log book be written up and the items processed daily. We also suggest that a periodic test-check be made by a responsible official to determine that items in the log book have in fact been processed by mail processing personnel and assure the timely recordation of General Fund revenue. This can be accomplished by comparing the transaction number and amount per the log book with the corresponding transaction on the appropriate cash register tape.

No accounting control is maintained over checks and returns received through the mail prior to the time they are processed by the cashiers. They are kept in the vault, which is left open during the day, in unlocked temporary storage boxes until the cashiers have time to process them; this can be as many as seven working days later.

As suggested in a previous paragraph, control over these checks and returns should be initiated in the mail room by sorting by type of return and establishing control totals for batches of these returns. At a minimum, the checks and returns should be locked up prior to processing. Under the present system, there is no means of ascertaining that all checks and returns placed in the storage boxes ever reach or are processed by the cashiers.

Currently, no controls are exercised over checks received through the mail unaccompanied by tax returns or for an amount greater or lesser than shown as payable on the accompanying tax returns. Mail room personnel route these checks either to the division handling the particular type of tax for investigation or, where the type of tax is indeterminable, to an account clerk for correspondence with the taxpayer. At the time of our investigation of this situation in August 1968, we found that a clerk in general excise division had approximately $32,700, and a clerk in administrative and the general services approximately $6,900 of such checks. A number of these checks had been on hand for over a

month. As there is no accounting record of the receipt of these checks, the possibility exists that they could be lost or misappropriated without the loss being detected.

We recommend that Xerox copies of these checks be made and that the checks be deposited in the bank, the offsetting credit would be to a suspense account. The Xerox of the checks and any related tax returns or correspondence should be sent to the appropriate division for investigation. The accounting division should keep a detail record showing the items included in the suspense account. Upon identification, accounting division should be notified and the suspense account relieved and the appropriate account credited.

Cashiers Operations

We were informed that cashiers leave the keys to their cash boxes in unlocked drawers next to their cash registers overnight. Although the cash boxes are locked in the vault at night, we suggest the cashiers keep the keys to their respective cash boxes at all times.

We understand that it is not known if there are duplicate keys on hand for all cash boxes and that a number of individuals have access to the duplicate keys that are on hand. We suggest that duplicate keys be obtained for all cash boxes and that custody of these duplicate keys be assigned to a responsible official in the collection division.

We understand that cashiers' funds are counted upon termination and, on rare occasions, on a surprise basis by supervisory personnel. We were informed that there have been two surprise counts in the last four years, the latest one being in July 1968.

We recommend that a cashier's fund be counted when the cashier goes on vacation or within a reasonable time when a cashier is absent on account of illness. When the person responsible for the fund is not available, two persons should conduct the count to reduce the possibility of a contention that cash was removed while the responsible party was not present. We also recommend that unannounced cash counts be made by supervisory personnel on a systematic basis, say once in every six-month period. It is not necessary to count all funds at one time, but a record should be maintained listing all cashiers, the dates funds were counted and by whom the counts were made.

It is division policy for the supervising cashier to clear the cash registers and print out accumulated totals on "cash register reading - detail report" (Form A-4). This can only be done by use of the "audit key" kept under the control of the supervising cashier. However, we were informed that when the cashiers are ready to have their registers cleared, they obtain the "audit key" from the supervising cashier and clear their own machines. To maintain effective internal control, the division policy should be adhered to.

Additionally, we were informed that cashiers can gain access to the register tapes to make corrections by obtaining the "audit key" from the supervising cashier. Such corrections should only be made in the presence of supervisory personnel who should verify the correction and indicate approval by initialing the register tape.

Taxes Receivables

The amounts due from taxpayers are recorded on subsidiary ledger cards posted by bookkeeping machines in the Administrative Services and Accounting Division, with the exception of real property tax receivables which are maintained on a computer.

General Excise and Hawaii Withholding Taxes

A ledger card is maintained for each taxpayer who files a general excise and Hawaii withholding tax return. The assessment as reflected on each taxpayer's return is posted to receivable cards. This procedure enables the compliance division to ascertain which taxpayers have not filed returns and to facilitate the examination of the returns filed annually by all taxpayers showing total taxable income and taxes paid during the year. The ledger cards do not have a column showing the total payments to date, therefore, the payment column of the cards must be totaled by the person checking the annual return. We recommend the inclusion of a column on the ledger card which would permit the accumulation of totals as payments are posted and accordingly simplify the checking of annual returns.

Credit adjustments arising from overpayments of tax, etc., are not posted to the ledger cards until these credits are claimed by the taxpayer. A file is maintained of copies of notices mailed to taxpayers advising them that a credit is due. But there are no control totals for these notices and we were informed that the file contained credits that have already been claimed by the taxpayer as well as those which are still outstanding. To the extent that such credit adjustments represent bona fide claims, General Fund tax revenue is overstated.

The aforementioned deficiency will be eliminated since the present practice precludes the use of credit memoranda. We understand, that at present, cash refunds are being made for all claims in excess of $5.

Real Property Tax

We were informed that the accounting division had not in all cases been comparing totals of the daily transaction reports, which are summations of cash receipts, billings and adjustments produced by the computer, to the accounting division control totals. We understand that this is now being done and any differences reconciled. The importance of this daily check and reconciliation should be emphasized, as only through such a procedure can any recording errors which may occur be readily identified.

The computer center, which maintains the individual account balances of real property taxes receivable, made a number of errors in transferring items from current to delinquent controls as of December 31, 1967. Many of these errors, which were primarily due to incorrect delinquent amounts of Federal leased lands carried over from 1967, have been located and corrected. But as of July 31, 1968, the delinquent detail was still out of balance with the control account by approximately $16,800. We have been informed that procedures have now been instituted which will prevent such a situation from recurring.

Delinquent Taxes

Collection of Delinquent Taxes

Over the past two years the number of delinquent accounts outstanding has risen from approximately 4,300 to approximately 7,100; also, 638 accounts totaling $495,544.46 have been written off as uncollectible. During this period, tax revenues have increased by approximately 26.5% and delinquencies have increased approximately 80.3% (from $2,988,933.55 at June 30, 1966 to $5,388,737.83 at June 30, 1968). However, there has been no proportionate increase in the number of delinquent tax collectors. The result of the greatly increased work load is that the collectors do not have sufficient time to adequately service the accounts assigned to them, with a resulting loss of revenue to the State.

The collection effort on delinquent taxes is generally limited to requests for payment by mail and telephone. If the taxpayer has assets, the State may seize the assets and sell them to satisfy the tax liability. In instances where the taxpayer had moved to the mainland, and a current address is available the account is referred to a local collection agency. Accounts considered uncollectible by the Director of Taxation are written off after a review of the individual accounts by the collection supervisor and the Tax Collector and final approval by the Director of Taxation.

An efficient tax collection program requires sufficient collectors to:

1. Contact the taxpayer as soon as the account is referred to the division.

2. Evaluate assets and search for available funds that can be collected, through legal action if necessary.

3. Work out a sound plan for the payment of delinquent taxes.

4. Continually check to see that taxpayers are adhering to the payment plans they have agreed to.

We recommend the hiring of additional delinquent tax collectors, as requested by the State Tax Collector in his budget request for the fiscal year 1969-1970. The increase in revenue to the State will almost certainly be in excess of the additional salary expense.

Search for Delinquent Taxpayers

The general excise tax compliance section has a systematic procedure in force for locating businesses operating without filing returns. However, it takes approximately six months to determine why no return has been filed, and, where appropriate, send an assessment notice to the taxpayer. Such delay results from the limited number of personnel assigned to review individual taxpayers ledgers to locate noncomplying taxpayers and the method of enforcement which requires (a) notices sent indicating noncompliance, (b) telephone contacts, (c) visit by field compliance personnel and (d) field audits for determination

of assessment. The taxpayer is not considered delinquent and referred to the collection division until he fails to reply to the assessment notice. Our test of collection division files for delinquent taxpayers indicated that some businesses were out of business or in process of dissolution before referrals were made to the collection division.

The division should consider segregating the ledger cards by monthly and quarterly taxpayers; as payments are posted during the month, these ledger cards could be filed in another section. Those remaining in the original section at the end of the month would be taxpayers who had not filed returns, and immediate action could be taken to determine the reason for the failure to file.

We suggest that the general excise tax compliance section consider methods of speeding up the investigation and assessment process so that delinquent taxpayers can be referred to the collection division on a more timely basis. It is possible that this timely referral could be accomplished by automatically assessing taxpayers one month after a return is due in an amount equal to that shown on the most recent return filed. Such procedure is permissible since the Director of Taxation may proceed as he deems best to obtain information on which to base an assessment. In addition, consideration should be given to requesting legislation which would require businesses filing delinquent general excise returns, on consistent basis, to post a tax bond with the State. Such a procedure would afford the State some protection upon bankruptcy or dissolution of businesses.

Accounting for Delinquent Taxes

The delinquent collection division maintains memorandum ledger cards for each type of tax for each delinquent taxpayer. These ledger cards provide a readily accessible source of information of amounts due from taxpayers. Due to the lack of clerical assistance, no attempt is made to agree the aggregate of the detail cards to the memorandum control totals. We were informed that the balances on the detail cards are traced to the Administrative Services and Accounting Division listing on an annual basis, but there is no evidence on the cards that this is done. The balances per the controls are agreed monthly to the control accounts maintained by Administrative Services and Accounting Division.

To assure that the accounts are correctly posted and to provide the delinquent tax collectors with the most recent reliable information of amounts owed by taxpayers, we suggest that additional clerical assistance be obtained to enable the detail cards to be balanced to the memorandum control on a regular basis. We also suggest that a checkmark be used to indicate the agreement of the detail cards to the Administrative Services and Accounting Division listing.

Maintenance of Accounting Records

For real property taxes, the memorandum records maintained by the collection division, in many respects, duplicate the receivable records maintained by the accounting division and by the computer. Since the real property tax receivable records are already maintained on the computer, we recommend that consideration be given to programming the computer to produce for the

collection division the various reports that would be required in order that the division's real property tax memorandum records could be eliminated. The computer should also be used to prepare listings of receivables showing amounts due by dates, to facilitate the filing of liens prior to the expiration of the period of the State's paramount lien, which places the State before certain creditors in bankruptcy proceedings. Our test work revealed three instances where the State forfeited its paramount lien through failure to file within statutory time limitations.

Write off of Delinquent Taxes

A number of small accounts of about $10 each were written off as uncollectible because the collector to whom the account was assigned had determined that the taxpayer could not be located. We understand that in these cases no check is made of this determination by supervisory personnel. We recommend that supervisory personnel review the files of a limited number of these cases to insure that the write off is proper. As a part of this review, statements could be mailed to the last known address of the taxpayer.

Net Income Taxes

Automation of Tax Audits

The system presently used for recording and examining net income tax returns is, to a large extent, a manual one and, in our opinion, would be greatly improved by a conversion to electronic data processing. At present, income and assessment division employees are required to spend much time performing clerical detail work to verify the propriety and mechanical accuracy of returns filed. Accordingly, sufficient time is not available to perform the more important analytical functions of tax audits and for the performance of compliance reviews. We suggest a study be made to determine the feasibility of implementing tax audits by the use of computers. Initially, the computer should be programmed to verify totals and extensions on returns and to test the reasonableness of deductions. As a by-product of automation, the Department will be able to obtain meaningful financial statistics and reports which will assist management in its administrative functions.

Use of Identification Numbers

Net income tax returns are numbered in the order in which they are received, with a prefix to indicate the type of return: e.g., individual - refund; corporation - taxable, no remittance, etc. This method is used to facilitate the compiling of statistics by types of returns received. However, the procedures for cross-referencing the various types of tax returns becomes exceedingly difficult.

We suggest that social security numbers and general excise tax license numbers be used for individual identification numbers and for corporate taxpayer identification numbers, respectively. This would greatly facilitate the procedures utilized for determining whether all taxpayers have filed returns, the cross-referencing from Hawaii withholding returns to individual net income tax returns and the cross-referencing from general excise returns to corporate net income returns.

Uniformity in Performance of Tax Audits

The auditing of tax returns is currently performed manually. This is a time-consuming procedure and, due to the large volume, many returns do not receive even a cursory review. We were informed that written audit instructions are furnished only to examiners of Form N-13, individual income tax returns; consequently, the audit steps performed on other returns vary from examiner to examiner. To establish uniformity in examination procedures and to upgrade the quality of audits, the Department should prepare an audit manual for examiners for each type of net income tax return which clearly defines the objectives of the audit and standards of performances and procedures.

Although a departmental directive establishing a limit of $5 had been circulated, our examination of returns disclosed that there was some confusion as to the limit below which additional assessments or refunds should be disregarded. Certain examiners stated that the limit was $10 and others $5. We recommend that the department's policy relating to this matter be disseminated to all employees.

We were informed that in many cases where the taxpayer submits an amended return, the examiner does not attempt to verify the propriety of such amendment. We recommend that all amendments involving significant changes in taxable income be reviewed by the examiner to determine the propriety of such changes.

We noted instances during our test examination of returns where the examiner auditing the return had not initialed the return on the appropriate line, though it was evident from checkmarks on the return that certain auditing procedures had been performed. Examiners should always initial the returns audited in order to establish responsibility for the work performed.

Our test examination of corporate returns, Form N-30, all of which had been examined by the division, revealed that in a number of cases the returns did not contain all the required supporting schedules or the total of a supporting schedule did not agree with the return. Our test also revealed a number of mathematical and tax computation errors which had not been discovered by the examiner. All exceptions and errors noted were brought to the attention of division personnel. We understand the deficiencies resulted from excessive work load.

Where the required schedules are not attached, or do not agree with the return, the taxpayer should be contacted and requested to submit the schedules or explain any differences.

The preceding comments indicate that the department should review present procedures to determine measures required to provide better assurance of quality audits.

Information Furnished by Internal Revenue Service

The most recent data available relating to the performance of field audits initiated as a result of information furnished by the Internal Revenue Service was for the calendar year 1967. It disclosed a decrease in the number

of such audits performed as compared to the preceding year. We understand that during the year 1967, 105 field audits were initiated as a result of information furnished by Internal Revenue Service. These 105 audits yielded assessments approximating $50,400, as compared to 236 field audits, yielding assessments approximating $172,800 during 1966; a decrease of $122,400 in assessments. We were informed that the decrease in total audits and assessments in 1967 was due to the temporary reassignment of the Returns Classifying Officer who was on special assignment to the Attorney General's office. We understand the Returns Classifying Officer is responsible for the coordinating and scheduling of tax audits based on information furnished by the Internal Revenue Service. A test of returns pending audit since his return indicates that the program is "back to normal" and that the number of audits and assessments will probably increase during the calendar year 1968.

Real Property Taxes

Appraisal of Properties

Appraisals are made each year of all new buildings and of buildings which building permits indicate have been altered or improved. Land and other buildings are reappraised as time allows.

We were informed that no procedures are in force for the rotation of appraisers to a different section of property each year and that there are no test-checks of appraisers' work by supervisory personnel. We suggest that supervisory personnel test-check a sample of each appraiser's work to ascertain that appraisals are being made correctly and in accordance with division policies. We also suggest that appraisers be rotated and assigned to a different section of property each year as a safeguard against any consistent under- or overvaluation of properties.

Adjustment of Assessed Valuation

Adjustments to assessed values can be initiated within the division by the appraisers or by the clerical staff. These adjustments may arise from a change in the method of valuing the property, computation errors, etc. All changes in assessed values are approved by supervisory personnel but we were informed that no indepth review is made of the validity of such adjustments other than seeing that they appear reasonable.

In order to provide control over these adjustments, we recommend that supervisory personnel verify the propriety, on a test basis, of these items by reference to field books, exemption files and other pertinent data.

General Excise Tax

General excise annual returns are subject to office and field audits in a manner similar to net income returns. However, no space is provided on the face of the return for the examiner to initial as having completed any audit procedures. We suggest that the following be rubber-stamped on the face of the return:

	(Initial of Examiner and date completed)
Addition and computation checked	
Payments per ledger checked	
Deductions reviewed	
Credit memo	
Additional tax due	
Scanned return only	

Penalty and Interest

Section 115-43 of the Tax Code specifies that a maximum penalty of 25 percent of the tax due will be assessed for filing a return after the date prescribed, plus interest at a specified rate. We tested the assessment of penalty and computation of interest for the various types of tax returns. The following is a list of exceptions noted:

1. Real Property Tax

   We understand that the limited number of personnel responsible for the collection of delinquent real property taxes prohibits the review of all accounts in accordance with departmental procedures. Consequently, when payment is received, penalty and interest may not always be assessed with a resulting loss of property tax revenue. Our test examination disclosed several computational errors which may have been avoided if rechecking procedures had been in effect.

2. General Excise Tax

   All returns are scanned by personnel of the compliance section of the income assessment and audit division when they are received from the collection division to ascertain whether penalty and interest should be assessed. We noted several instances where no penalty or interest had been assessed on returns filed subsequent to the due date. It appears that the difficulty in ascertaining the date the tax return was received and the period covered by such return contributed to the deficiencies noted. Under current procedures, the taxpayer is required to indicate whether the tax return is for a month or three-month period by crossing out the inapplicable caption. Consideration should be given to the use of tax returns which clearly distinguish monthly and quarterly returns.

3. Net Income Taxes

The mailing date is stamped on the front of all returns received with the exception of batches of returns that are submitted with a transmittal letter by accounting firms, etc. In this case only the transmittal letter is date stamped. These returns are subsequently numbered and filed by types in numerical order, thus the examiners have no basis to determine whether or not penalty and interest should be assessed. We suggest that all returns be date stamped.

Filing of Tax Returns

A number of tax returns selected for examination could not be located. While a form is provided for the sign-out of all returns, it is apparent that this form is not always being used. The time required to sign-out each return is not significant when compared to the time wasted in attempting to locate missing returns.

The importance of each individual's responsibility to sign for all returns taken out of the files should be emphasized.

MAUI

Delinquent Taxes

There is one delinquent tax collector on the Island of Maui and we understand that he is unable to contact all delinquent taxpayers as frequently as necessary to insure prompt settlement of amounts due. In addition to his collection duties, he is responsible for updating the memorandum receivable records and preparing the delinquent taxes monthly status report.

We suggest that the memorandum record be maintained by collection division clerical staff to enable the delinquent collector to concentrate on contacting delinquent taxpayers.

We were informed that when collections on delinquent receivables are received through the mail they are turned over to the delinquent collector prior to being processed through the cash register to enable the delinquent collector to update the memorandum receivables. Control should be established over the collections by processing the payments through the cash register, and then only the return need be given to the delinquent collector for updating purposes.

Real Property Tax

We were informed that no procedures are in force for the rotation of appraisers to a different section of property each year and that there are no test-checks of appraisers' work by supervisory personnel. We suggest that these procedures be adopted to ascertain that appraisals are being made in accordance with division policy, and as a safeguard against any consistent under- or over-valuation of property.

General Excise and Hawaii Withholding Taxes

The income and assessment division issues credit memos to taxpayers for overpayments, which are usually offset by taxpayers against future taxes due. The credits are posted to the individual ledger cards and a clerk in the income and assessment division keeps a file of copies of all open credit memos, notes on the reverse side any offsets taken and remaining balances, but the credits are not posted in the control account which represents the aggregate of the individual taxpayer's ledgers. We suggest that control be established over the credits by maintaining the ledger control on a net basis. Alternatively, a separate control account could be set up for credit balances.

Hilo District

Petty Cash and Change Fund

The cash register change fund is presently being used for disbursements for nominal purchases. The purpose of a change fund is to provide ready change in currency and coins and is not intended to be used for small dollar value purchases. A petty cash fund should be established for this latter purpose.

Accordingly, we recommend the establishment of a petty cash fund with the custody of such fund placed under the control of an individual not involved with the cashiering function.

Cashiering Procedures

At present, cashiers are required to make up shortages out of their personal funds each day. Overages are placed in a kitty which is split at the end of the year between the cashiers based on the ratio of overages. We recommend that overages and shortages be adjusted daily through the reserve cash fund maintained in the vault. At year end, the net overage should be transmitted to the General Fund or the net shortage should be vouched as an expense. We recommend the cash differences be recorded on ledger cards by cashier showing daily overages and shortages and the review and approval of such variances by the fiscal officer.

Kauai District

Accounting Records

We noted that no entries had been made in the general ledger to the "State Treasurer's Trust Account" since 1964, although transactions affecting the account occur daily; rather such transactions are being recorded on continuous worksheets by the fiscal officer. We recommend that accounting transactions be posted to the general ledger accounts in order to establish a more permanent record.

During our review of the general ledger accounts maintained by the fiscal officer, we noted that account classifications did not include the use of account numbers for reference in the general ledger. Although this practice does not create a problem for the current fiscal officer, who has been working with the general ledger for a number of years, it may be difficult for anyone else who is less familiar with the accounting system to prepare financial statements and reports.

Our recommendation for a uniform accounting system presented in a preceding section of this report should eliminate the aforementioned deficiency.

Accounts Receivable

At present, new ledger cards are prepared each year for every account, creating a considerable amount of unnecessary and time-consuming work. We suggest that new ledger cards be prepared only when the existing page is completely filled.

The subsidiary ledger cards for general excise and Hawaii withholding tax do not show the total payments received to date. These cards must be totaled manually as part of the audit of general excise and Hawaii withholding tax annual returns. We suggest the ledger cards be revised to provide a payment to date column.

We were informed that subsidiary ledgers were balanced to the controls on a regular basis, but that the adding machine trial balance tapes were not retained. Trial balance tapes should be retained for a reasonable period of time as evidence that subsidiaries have been balanced to controls and to facilitate the locating of errors in subsequent trial balances. We understand that this is now being done.

Kona and Molokai Subdistricts

Cash Collections

Present procedures allow the Kona and Molokai tax collectors to collect taxes (checks only) and forward these checks without initiating accounting control over such receipts to Hilo and Wailuku, respectively. This causes a delay in depositing the checks and allows the tax collector to handle receipts without keeping a proper record thereof. We recommend that all collections in these offices be recorded and deposited by them.

UNIVERSITY OF HAWAII

Manoa Campus

Delay in Transmittal of General Fund Revenue to State Treasury

In addition to General Fund revenue which the University of Hawaii collects and periodically deposits in the State Treasury, certain Federal funds are received, disbursed and accounted for by the University. Three bank accounts are maintained by the University in which these funds are deposited:

1. East-West Center account
2. Peace Corps account
3. General account

As the account titles imply, the first two accounts are used for cash transactions relating to the East-West Center and Peace Corps. The general account is used as a depository for General Fund revenue pending transfer to the State Treasury and also is the bank account for Federal funds other than East-West Center and Peace Corps funds.

Certain expenditures of Federal funds are required to be made prior to the receipt of funds from the reimbursing Federal governmental agencies. In such situations it has been the practice to utilize General Fund revenue deposited in the University's general account to finance these expenditures pending reimbursement by the Federal government. Under these circumstances, it has not been possible for the University to comply with paragraph 21, Chapter 34 of the Revised Laws of Hawaii, which reads as follows:

> "Every public accountant (those persons charged with the duty of collecting or receiving State revenue or other money) collecting or receiving revenue or other moneys in Honolulu shall pay weekly, or at such times as may be otherwise specially appointed, into the treasury all sums of money collected or received by him on account of the revenue or otherwise ... and unless otherwise specially directed, shall not later than the fifth day after the expiration of each month, transmit to the Comptroller a return in the form (prescribed), of all moneys collected or received by him during the preceding month, and shall make and subscribe to an oath in the form prescribed ... "

To illustrate, we noted that the following General Fund revenue collected by the University of Hawaii in fiscal years 1966 and 1967 was neither reported to the Comptroller nor remitted to the treasury within the time limitation prescribed by law, with the result that the revenue was not reflected in the General Fund accounts in the year received.

	1967	1966
Telephone coin box commissions	$ 465.95	230.41
General fees/registration fees	45,029.40	10,280.00
Tuition fees	224,228.13	54,154.57
Library fees, fines and penalties	4,316.26	1,467.13
Course fees	3,420.00	1,081.50
Graduation and diploma fees	5,977.50	807.00
Fees, copies of records	7,576.74	1,642.00
Sale of products	33,177.07	9,977.96
Rentals and leaseholds	3,018.68	907.89
Sale of services	3,328.90	1,344.36
Sale of publications	6,960.93	2,197.31
East-West Center instructional overhead	560,962.13	293,734.46
Miscellaneous income	3,419.09	570.59
Indirect overhead	23,364.73	-
East-West Center direct support income	206,000.00	-
Aquarium entrance fees	5,261.25	5,008.75
Sale of miscellaneous articles	1.60	2.00
Sale of property	-	25.00
Witness or juror fees, State employees	250.00	-
	$ 1,136,758.36	383,430.93

Of the $1,136,758.36 shown on the preceding page, $827,056.08 received by the University during the period March to May 1967 was transmitted to the State Treasury on August 17, 1967; and $309,702.28 received by the University during June 1967 was transmitted to the State Treasury on September 20, 1967. The amount of $383,430.93 shown on the preceding page represents receipts during June 1966 which were transmitted to the State Treasury on November 14, 1966. The effect of the delay in transmittals was:

1. An understatement of fiscal year 1966 revenue by $383,430.93;

2. An understatement of fiscal year 1967 revenue by $753,327.43 ($1,136,758.36 less $383,430.93); and

3. An overstatement of fiscal year 1968 revenue by $1,136,758.36.

Additionally, the following delays in transmittals to the State Treasury were noted as having occurred during fiscal year 1968:

1. July 1967 receipts were not transmitted until September 29, 1967.

2. Approximately $1,055,096 received during September, October and November 1967 was not transmitted to the State Treasurer until January 1968.

Section 6 of Act 8 (S.L.H. 1966) and Act 54 (S.L.H. 1967) provides a method to finance Federal projects in a manner other than delaying the remittance of General Fund revenue to the State Treasury. These acts contain the following provisions:

> "The Director of Finance may advance funds to the University of Hawaii when required to meet reimbursable costs incurred in connection with Federally financed research and training projects."

In a letter dated January 18, 1968, from the University of Hawaii to the Director of Finance, the University requested such an advance of $1,500,000. This letter read, in part, as follows:

> "It can thus be seen (from an attached schedule) that approximately $1,500,000 of University funds must be constantly tied up in receivables from Federal agencies.
>
> Because of this situation, we (the University) have had no recourse but to temporarily delay remittances due the State. As of December 31, 1967, $1,879,822 was due the State, representing General, Trust and Special Fund collections of as far back as September 25, 1967."

We were advised that no reply was received from the Department of Budget and Finance in response to this request.

We recommend that the University be required to remit all General Fund revenue to the State Treasury within statutory time limitations and that advances, as required or appropriate, be made to the University to finance

Federal projects. Such a procedure would be in compliance with State law, insure that General Fund revenue is recorded in the period received, and permit the State to control the use of General Fund cash.

Requirements for advances should be carefully analyzed and projected. We were advised by University personnel that past problems in regard to cash flow should be alleviated as many of the new contracts and grants provide for either cash advances, "cash pools" or cash availability through letters of credit. Such provisions should at least partially eliminate the need to utilize General Fund revenue (or to request advances), as Federal funds will be available as required for disbursement, rather than disbursements being made in advance of receipts.

Cash Transmittal Reports

Cash transmittal reports from the University to the State Treasury indicate cash received dates. It was noted that the cash received dates as indicated on transmittal reports from the University are not necessarily the actual dates of receipt by the University. For example, cash receipts relating to the spring 1968 student registration approximating $155,000 and $358,000 were received by the University on January 31, and February 1, 1968, respectively. This money was transmitted to the State Treasury by check number X-94 dated February 28, 1968 and the receipt dates appearing on the transmittal forms indicated that such funds were received by the University during the period February 12 to February 16, 1968. We suggest that receipt dates appearing on transmittal forms be the dates of actual receipt; otherwise, the State is not aware of delays in the transmittal of funds.

Earnings from Funds on Deposit

Included in the Other Federal Funds account 222-001-306 of the University of Hawaii is an amount of $13,509.15 entitled undistributed income - UHGA. We are advised that this represents earnings from funds placed in interest bearing accounts. University personnel have indicated that, in their opinion, this amount should be considered as State General Fund revenue, since it has been constantly necessary to utilize General Fund cash to cover expenditures pending receipts from Federal grants. Before such a decision is made, it will be necessary to analyze the source of the funds from which earnings were realized. Many Federal grants contain stipulations that monies received cannot be utilized for any purpose, including advances, other than those within the terms of the grant. Interest earned from deposits of idle Federal funds normally must be remitted to the Federal government. Therefore, an analysis in detail will be required before a decision can be made regarding the disposition of the amount presently held.

Income from Sand Island

Public Law 85-756 of the 85th Congress of the United States dated August 25, 1958 authorized the transfer of approximately 202 acres of the Sand Island Military Reservation to the Territory of Hawaii. The Act provides that all revenue or proceeds from any sale, lease or other disposition of this property shall be used solely for the support of the University of Hawaii. Chapter 14A-20 of the Revised Laws of Hawaii 1965 Supplement states:

"The department (of Land and Natural Resources) shall manage and administer the public lands of the State ... "

We are advised that all revenue derived from the above mentioned property is accounted for through a Trust Fund administered by the Department of Land and Natural Resources.

Act 8 of the 1966 Session Laws authorized General Fund appropriations and expenditures from other sources for the fiscal period ended June 30, 1967. Section 3 of this Act authorized the sum of $175,128 of Sand Island income to be expended for the operating expenses of the University. This amount was to be deposited into the General Fund of the State and considered as a reimbursement for monies appropriated for the operation of the University. We were advised by University personnel that, although the Department of Land and Natural Resources was reminded several times that the transfer should be made, the funds were not transferred out of the Sand Island Trust Fund account and deposited in the State Treasury as General Fund revenue until May 24, 1968 on depository receipt #7982. Should such delays be encountered in subsequent years, we suggest that correspondence be directed to the State Comptroller in order to effect the transfer of funds authorized by Legislative appropriation.

Indirect Overhead

Section 5 of Act 54 (S.L.H. 1967) provides that one-half of all amounts received by the University for indirect overhead expenses on accounts relating to research and training grants and contracts engaged in by the University be deposited in the State General Fund as reimbursement to the State for monies appropriated for University operations.

Although funds were being received throughout the fiscal year by the University for indirect overhead, no amount was transferred to the State General Fund until June 19, 1968, at which time $500,000 was transferred. Data contained in the University of Hawaii accounts and reports prepared by University personnel indicates that indirect overhead aggregating $610,177 was due to the General Fund as of June 30, 1968. The amount was computed as follows:

Income earned - 1967-1968	$ 1,783,560.00
General Fund share - 50%	891,780.00
Balance from 1966-1967 (all General Fund)	172,029.00
Reimbursement from Research Corporation for advance made in prior year	46,368.00
Total due General Fund	1,110,177.00
Transmitted to State Treasury in June 1968	500,000.00
Balance due General Fund at June 30, 1968	$ 610,177.00

As stated previously, the Director of Finance is authorized to advance funds to the University when required to meet costs incurred in connection with Federally financed research and training projects; however, we are not aware of any authority granted to the University to delay transmittals of amounts due to

the General Fund. All amounts held for the General Fund to which the General Fund has a rightful claim, should be transferred in order to properly reflect revenue in the period collected on behalf of the General Fund. Required advances should then be authorized by the Director of Finance. The $610,177 balance due at June 30, 1968 had not been transferred to the State Treasury and the State Treasurer had not been advised by the University that the amount was being withheld. Therefore, the amount would not have been recorded as fiscal 1968 General Fund revenue if we had not brought the matter to the attention of Accounting and General Services personnel during the course of our examination.

Appropriated Receipts

We have indicated in our discussion of the bank accounts maintained by the University of Hawaii that receipts and expenditures of Federal funds relating to University administered projects are administered and accounted for by the University.

Transactions relating to these projects are entered in the General Fund records from information contained in a "Federal Funds Report" prepared annually by University of Hawaii personnel. This report summarizes unexpended Federal funds at the beginning of the year, transactions during the year, and unexpended balances at the end of the year. The transactions, as reported by the University, are included in the General Fund Statement of Appropriations and Expenditures Other Than Capital Improvement Projects under the caption "University - Federal funds"; and the unexpended balances are reflected in the General Fund Balance Sheet as "Federal funds not required to be deposited in State Treasury" and "unalloted appropriations". The Accounting Division of the Department of Accounting and General Services does not verify the accuracy of the report nor does it review the composition of account balances. We suggest that consideration be given to requiring submission of quarterly reports by the University. Reports submitted could be reviewed in detail from time to time by the internal audit staff in order to ascertain the propriety of amounts reported. The report could also be utilized to determine the propriety of cash advance requests from the University to cover Federal grant disbursements in advance of receipts, should advances continue to be required.

It should be noted that the amount of $219,721 appearing on the State General Fund Balance Sheet at June 30, 1968 (page 10 of the financial statements) under cash (Federal funds not required to be deposited in State Treasury) is actually a net amount consisting of many debit and credit balances. The $219,721 as reported is detailed in the University "Federal Fund Report" as follows:

East-West Center	$ 309,903
Peace Corps	17,851
Other Federal funds	(172,357)
Cooperative extension service	15,152
Hawaii experimental station	49,172
	$ 219,721

Although the above amounts represent the balances of Federal fund account classifications, the detail of such amounts consists again of many debit balances (disbursements in excess of receipts) and credit balances (receipts in excess of disbursements).

Transactions relating to Federal funds as reported in the "Federal Fund Report" are reflected in the annual report of the Comptroller within the statement of appropriations, expenditures and encumbrances. It should be noted that such amounts do not accurately reflect transactions relating to Federal funds. The following comments pertain to such accounts:

1. Federal funds reported in the State's fiscal 1967 report differed from final University figures by $22,662.18, which represented corrections made by the University subsequent to submitting their report to central accounting. We suggest that the State be advised of any material changes and that immaterial amounts be shown as subsequent fiscal year entries in the University accounts.

2. The University maintains separate bank accounts for Peace Corps and East-West Center funds. The bulk of other cash receipts and disbursements, including other Federal funds and collections for the General Fund, flows through the University of Hawaii General Account. During fiscal year 1967, $380,000 was advanced from Other Federal Funds (general account) to the Peace Corps account. Since transactions such as this are reflected on a cash basis, Peace Corps appropriated receipts revenue was overstated by $380,000 and Education and Research (Other Federal Funds) appropriated receipts revenue was understated in a like amount.

3. Also during fiscal year 1967, an additional $200,000 was advanced from the University of Hawaii general bank account to the appropriated receipt Peace Corps bank account. This advance was reflected as appropriated receipts revenue in 1967 rather than as a payable to the University of Hawaii. During fiscal 1968, $80,000 was repaid out of Peace Corps receipts, which will reduce the appropriated receipt Peace Corps revenue for fiscal 1968. In addition, the remaining unpaid $120,000 due to the University of Hawaii at June 30, 1968 remains unreported to the State Comptroller.

4. The East-West Center and Peace Corps account transactions are shown separately from other Federal funds; however, the other Federal funds accounts include certain accounts relating to Peace Corps. Therefore, transactions shown as relating to the Peace Corps are not all inclusive.

5. The East-West Center appropriated receipts transactions report maintained at the University reflects receipts and disbursements of funds by the State Department's foreign embassies in various countries. Funds are deposited with the embassies from East-West Center appropriations, and disbursements for travel and related expenses of grantees are made by the embassies'

disbursing officers upon authorization from the East-West Center. Such transactions and unexpended funds are not included in the State's annual report of the Comptroller as the amounts are not included in the "Federal Funds Report" submitted by the University. We suggest that information regarding unexpended amounts and current year receipts and disbursements be reflected in the State report in order to reflect the full revenue and cost relating to the East-West Center.

Care should be taken to ascertain that Federal funds received are not used to finance projects other than those specifically covered in the grants. In most instances, such use of funds would constitute a violation of grant terms and conditions. For example, Article VI contained in the agreement regarding the East-West Center prohibits the lending or advancing of available funds to any other program or project of the University. It was noted that $3,500 was disbursed from receipts via voucher number 6697 on December 29, 1967 as an "advance to the Socio-linguistics project; East-West Center to be reimbursed for this amount". This amount was repaid in May 1968. If it is anticipated that funds will be required for a specific project in advance of receipts, advances should be requested from the Director of Finance in accordance with Section 6, Act 8 (S.L.H. 1966) and Act 54 (S.L.H. 1967). Cash flows should be prepared for all Federally financed projects for which cash will not be received in advance in order to determine the amount required to be advanced by the Director of Finance.

We suggest that consideration be given to an in depth review of the accounting and reporting procedures for Federal funds received and administered by the University. As most Federal grants are quite stringent in regard to records and procedures, it should be determined whether present recording and control functions are adequate to meet grant requirements in order to preclude the possibility of exceptions resulting upon Federal audits.

Fee Statement Control

Although fee statements are prenumbered by the printer, the fact that the statements are available at random to students precludes the use of these preprinted numbers for control purposes, as students may discard statements as errors are made in completing the forms, or statements may never be used. As it does not appear feasible to utilize preprinted numbers for control purposes, we suggest that numerical control be established at a point just prior to cash payments, perhaps by the registration line checkers. A numbering machine could be utilized with predetermined numbers assigned to various registration line checkers. A numerical sequence check could then be utilized to ascertain that all registrants were properly processed and that cash collections have been properly accounted for.

We are advised that a preregistration period is established for the spring semester each year. Although students may register and reserve classes during this period, no fees are required to be paid at this time. In addition, fees which are paid during this period are not matched with the applicable registered student. An excessive amount of University clerical effort is required in order to match a listing of registered students to the alphabetical

file of fee statements to ascertain the amount of delinquent fees. Not only was this a time-consuming process, but the collection of unpaid amounts was considerably delayed. In order to effect a more timely matching process, we suggest that consideration be given to mechanization.

Library Fees, Fines and Penalties

The available change funds for the Graduate and Undergraduate Libraries amount to $45. Due to the small amount, we are advised that approximately $25 belonging to various library employees is being utilized to provide a sufficient change fund. Commingling of personal and State funds should be prohibited in all instances. Provision should be made in advance whenever it is known that there will be additional operating requirements. We suggest that the University ascertain the required amount for change funds and that present amounts be adjusted accordingly.

We are advised that control over the collection of "late return" penalties is difficult to enforce since many students return books late in the drop boxes provided. A list of unpaid late charges is submitted to the admission office and to the Treasurer's office. Collection attempts are made whenever transcripts are requested or upon reregistering. If more stringent collection is desired, consideration could be given to requiring a security deposit upon registration which would be refunded or applied to unpaid obligations upon graduation or withdrawal. The feasibility of requiring such a deposit would, of course, have to be determined by weighing the cost involved in accounting for deposited amounts against the amount of revenue presently being lost.

Sale of Products

The various agricultural research facilities of the University produce agricultural products which may be sold, donated or destroyed (as unfit for human consumption). Product sales are made directly by the research unit involved. We were advised that milk sales, which approximate $2,500 to $3,000 monthly, are made to one buyer who picks the milk up at the farm every other day. Although the driver measures the amount of milk as it is picked up, no record is made by the University to control the amount of milk delivered and to insure subsequent monetary receipt. To insure appropriate control over deliveries and subsequent receipts, we suggest that consideration be given to maintaining a record of deliveries which would be notated upon receipt of cash.

Federal Funds Cash Disbursements

The University of Hawaii maintains three commercial bank accounts for Federal fund disbursements: one account for East-West Center funds only, one account for Peace Corps funds only, and a general account for all other Federal funds. In our examination of cash disbursements, we noted many instances of unused check numbers, duplication of check numbers, and erroneous assignment of East-West Center check numbers to General Account checks. Also, since the check numbers were limited in scope (four digits), the series 1-9999 was repeated several times within a fiscal year.

The unused and duplicate check numbers prevent the accounting department from maintaining adequate control over outstanding checks. Inconsistencies in the check number sequences prevent determining whether missing check numbers represent checks still outstanding, voided checks, or numbers which were never used.

To achieve better control over checks, we recommend that two separate series of numbers be used for each account: one, prenumbered for manually prepared checks; another, numbered by the computer, to be used for machine prepared checks. Furthermore, the computer center should be given the responsibility of issuing all check numbers for machine prepared checks.

We suggest that numerical series (1-9999) of check numbers be expanded to avoid multiple cycles during a fiscal year.

Duplication of Accounts

For several of the large Federal fund projects, we observed that a new account is being used each year for continuing projects. However, some prior fiscal year accounts are kept open in an effort to allow all outstanding encumbrances to be liquidated.

This practice of maintaining duplicate accounts for the same project results in unnecessary time spent in allocating certain large payments between encumbrances for a prior fiscal year and the current year. Additionally, the account ledger is made unduly cumbersome. Though some benefit may be gained for budgetary purposes by accumulating transactions on an annual basis, we feel that this information could be obtained without duplicate accounts, and that the attendant disadvantages and inefficiencies outweigh any advantages. Accordingly, we recommend that the use of duplicate accounts be discontinued. Alternatively, separate fiscal year accounts may be maintained, but the encumbrances and balance of the prior year's account should be transferred to the current account within 30 - 60 days of year end.

Adherence to Purchase Order Procedures

Our examination of purchase order transactions at the University revealed several discrepancies between the prescribed purchase order procedures and the actual procedures being followed.

Excluding proprietary items, Revised Laws of Hawaii 1955, as amended, require formal advertising for sealed bids for purchases of $4,000 and over. Proprietary items are those available for purchase from only a single vendor or those which do not permit competition. These excluded items must have written approval; however, we noted instances where oral rather than written approval was obtained. We recommend stricter adherence to written procedures.

Each Federal fund project has a document on file, "Request for IBM Account Number", which specifies who, in addition to the department's fiscal officer, is authorized to expend funds. We noted, that although the purchasing department employees review purchase orders for signatures, they do not verify the propriety of the signatures. To achieve better control over the authorization of expenditures, we recommend that procedures be adopted to permit purchasing department personnel to effectively verify purchase order authorizations.

Computer Center Billings

In our examination of charges made by the University Computer Center for services rendered to various Federal fund projects, we noted that the billing rate of the Center is not indicative of the actual cost of operation. We were informed that the billings for computer time had been established at a rate which would permit the absorbing of the annual budgets for Federal projects using computer services. Thus the payments made to the Computer Center were not based on actual computer time used but were pro rata portions of the annual amounts budgeted for each project. To compensate for these artificially high rates per hour, the Center makes available additional free time to these projects and other users.

To achieve a more equitable distribution of the costs of the Center over the various users of its services, we recommend that the use of artificially high billing rates accompanied by "free" time be discontinued. Instead, the total costs of the Computer Center should be spread over the total time operated.

Maui Community College

Registration Procedures

At present, there is no control in the registration procedure to assure that all cash collected is transmitted to the business office, and there is no procedure to ascertain that all enrolled students have, in fact, paid.

Regular registration is conducted in the cafeteria and the associated registration fees are paid to a member of the business office. Late registration fees are paid in the counseling office, which is also the department recording the enrollment of students. Prior to registrations, the students are given packets which include prenumbered forms used to determine fees due. One copy of this form is used as the receipt and sent to the business office in support of cash collected, but there is no reconciliation of forms received to those originally issued.

In order to ensure that (1) all money is turned in to the business office for deposit; and (2) only those students paying fees appear on the enrolled roster, we recommend that the registration forms be numbered (with a consecutive number stamp) upon receipt of payment. The stamping of the fee slip would indicate payment and could then be used as the receipt. One copy would be sent to the business office in support of cash collected and another copy would be sent to the registrar's office to support each student's enrollment. The cashiering functions should be performed, however, by someone other than the person who handles the registrar's function.

Hilo Campus

Cash Transmittals to Manoa Campus Business Office

Significant delays were noted between deposits at the Bank of Hawaii - Hilo and the subsequent transmittal of deposit slips to the business office - Manoa Campus. This procedure precludes the business office from maintaining a

current accounting of money received at Hilo. We recommend that treasury deposit slips be prepared and forwarded with the bank deposit slips within one day of the deposit. This will insure a current updating of money received and thus insure that a proper cut-off is made at year end.

Late Registration

Late registrations are processed completely by one person. This procedure presents an internal control problem as the statement of fees is numbered just prior to collection by a hand operated stamp. We recommend that late registration procedures be altered as follows:

1. All collections should be entered into the prenumbered money receipt book.

2. The statements of fees should still be used, but should indicate the money receipt number to which it pertains.

Conclusion

We recommend that the University of Hawaii promulgate formal policies providing for a uniform registration procedure which includes the processing of cash receipts, to be implemented at the various campuses throughout the State. With uniformity in procedures, the State will be able to determine that all revenues are being properly recorded.

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

Accounts Receivable

Copies of invoices indicating amounts due to the department from other State agencies for building maintenance charges, motor pool services rentals, etc., are kept in the "unpaid file" until payments are received or the charges are canceled. Invoices are removed to the "paid file" when payments are received.

A schedule of outstanding accounts receivable, categorized by date of services rendered, is prepared monthly by the posting clerk. Since no accounting control is maintained, the accuracy of this schedule cannot be readily determined.

The existing procedure which relies on paid and unpaid invoices over accountability of outstanding accounts receivable does not provide control over invoices which might be misplaced. Accordingly, the department should consider the use of a control account for total receivables outstanding and subsidiary ledger cards for each agency. A trial balance of the subsidiary ledgers should be taken periodically and reconciled with the control account. The current month's invoices can be used as posting media.

Purchasing

A single clerk in the Purchasing Department processes purchase orders for government forms, prepares statements, receives payment, prepares treasury

deposit slips, makes daily deposits, controls purchasing of inventory and subsequently performs the inventory taking. The same individual also posts the accounts receivable ledger and prepares the monthly statements of collection and deposits. To the extent possible, we recommend the separation of duties among inventory handling, record and report preparation and the collection of money so that all phases of one transaction are not under the control of one person, thereby facilitating possible fictitious transactions.

DEPARTMENT OF AGRICULTURE

Registration and Fees

Remittances accompanying applications for registration and fees collected from importers and/or distributors based upon a set fee multiplied by the number of tons sold, are classified as feed revenues. The assessment is based on tonnage reports which are computed by the individual companies concerned and are sent to the cashier's office with the payment, generally on a quarterly basis. At present, no attempt is made to verify the data submitted. We recommend that periodic audits be made by the Department of Agriculture or the State's internal audit division.

ATTORNEY GENERAL'S OFFICE

Cash Transmittals to State Treasury

Chapter 34, paragraph 21 of the Revised Laws of Hawaii requires that public accountants collecting revenue in Honolulu forward all money to the State Treasury weekly or at other appointed times.

At present, Notary Public fees collected in cash are deposited daily and fees collected by check are deposited monthly. We recommend that all fees collected, cash and checks, be deposited daily or at least weekly in order to comply with the above noted law.

Receipts Control

Receipts issued upon payment of Notary Public fees are not presently prenumbered. In order to establish control over receipts being issued, we recommend that prenumbered receipt forms be used.

DEPARTMENT OF EDUCATION

School Revenue

The Department of Education receives General Fund revenues from various schools throughout the State. Kailua High School was visited to determine the methods used by the schools to record and transmit General Fund revenues to the State Treasury. The result of our test examination is as follows:

1. Library fines are collected and deposited in the School's bank account. The amounts collected are identified in a subsidiary ledger. We were informed that library fines have not been remitted to the State General Fund for over two years, since the bookkeeper was not aware that this was required. At June 30, 1968, Kailua High School was holding approximately $1,810 in library fines. This information was available to the Fiscal Office of the Department of Education in the School's monthly report.

2. The driver training fees of $10 per student are collected and deposited in the School's bank account. These funds were also retained at the School for an unreasonable period of time. At June 30, 1968, the unremitted funds approximated $1,210. This information is also available to the Fiscal Office.

We recommend that a two-step program be initiated to accelerate the remittance of General Fund revenue to the State Treasury. First, a standard format should be designed for the monthly reports submitted by the schools, to quickly identify problem accounts. These reports should be examined monthly to determine that General Fund revenue is remitted promptly. Secondly, a schedule of reporting and remittance dates should be established and enforced by the Fiscal Officer.

Hawaii State Library

The State Library bills the borrowers responsible for lost or overdue materials. These charges are noted on cards when the charges reach a set maximum amount. One invoice is sent for unpaid fines and two invoices are sent for unreturned material. No further effort is made to collect these charges.

We recommend that a permanent record be prepared to identify delinquent borrowers and borrowing privileges be discontinued to delinquent individuals until fines and charges are paid. Although the revenue derived from this source is not significant in relation to total State revenue, we feel this could be accomplished with a minimum additional effort.

Hawaii Public Library

The Kealakekua Branch of the Hawaii Public Library collects fines and lost material charges from the public. No formal record of cash receipt is prepared. Informal notations are kept on a desk calendar of fines collected and unnumbered receipts are issued for lost material charges. We were informed by the librarian that she had not received any instructions relating to the maintenance of financial records. We recommend that the Fiscal Office of the Department of Education study the practices in all branch libraries through the State and establish a standard recordkeeping and reporting procedure.

DEPARTMENT OF SOCIAL SERVICES

Accounts Receivable

Upon commitment by the Family Court to the Hawaii Youth Correctional Facility, a minor's parent is often ordered to provide a portion of the minor's support. The Department of Social Services sets up an account receivable based on the court order, charges the account monthly and relieves the account when cash is collected by the Family Court or the Hawaii Youth Correctional Facility.

At June 30, 1968, numerous accounts were delinquent ($38,930). Certain of these accounts dated back to 1960 and prior. The Department of Social Services has not attempted to collect the delinquent receivables and has not turned any of these accounts over to the Attorney General for collection.

We recommend that the Department of Social Services make all reasonable attempts to collect these delinquent receivables through a series of letters and telephone calls. If these attempts prove unsuccessful, the account should be turned over to the Attorney General for collection as prescribed by State law.

Revenue Control

At present, the Department of Social Services is generating General Fund revenue from four correctional facilities. This revenue is reported to the State by each correctional facility and does not flow through the books of the Department. No control is currently being exercised over these facilities by the Fiscal Office of the Department of Social Services. We recommend that the Fiscal Office establish accounting controls over these correctional facilities and prepare the monthly reports required by the State Comptroller.

Olinda Honor Camp

Dependent upon the raw materials used, the State General Fund is entitled to receive either 5% or 25% of the sales price of craft items produced by inmates. The details of the requirements are presented in Administrator's Directive No. 62 as revised December 2, 1963, issued by the Corrections Division of the Department of Social Services. Olinda Honor Camp follows the practice of depositing a fixed percentage (15%) of craft sales into the General Fund. Therefore, the Honor Camp is not following prescribed procedures. If appropriate, the directive should be revised to reflect current conditions; otherwise compliance with the existing directive is recommended.

DEPARTMENT OF TRANSPORTATION

Harbors Division Accounts Receivable

Fees and charges are generated for various services rendered by the Department's Harbors Division. These include mooring fees, living aboard fees, electricity, use of shower facilities, vessel storage, rental of gear lockers, use permit, processing fees, etc.

At June 30, 1968 receivables outstanding from the aforementioned activities were as follows:

Total	Current	Over 30 days	Over 60 days	Over 90 days
$ 75,968.33	23,137.06	9,691.27	8,193.41	34,946.59

An analysis of the receivables scheduled above indicates that at June 30, 1968, approximately $43,140 representing fifty-seven percent of the Division's accounts receivable was in excess of 60 days in arrears. The lack of an intensive collection effort by the Division is the primary cause for old outstanding receivables.

On May 16, 1968, the Harbors Division published "Harbors Division Instruction 2-68", dealing with procedures relating to the processing of delinquent accounts. The procedures enumerated range from initial correspondence with each delinquent account to the initiation of legal action. We recommend that the procedures set forth in the above named publication be immediately implemented to accelerate the collection of State revenues.

DEPARTMENT OF PLANNING AND ECONOMIC DEVELOPMENT

State Disaster Commercial Loans

Act 6 of the Session Laws of Hawaii 1960 provided funds for disaster commercial loans to rehabilitate businesses and businessmen suffering losses resulting from the tsunami of May 23, 1960. The Director of the Department of Planning and Economic Development was designated as the administrator of this Act.

Our examination of the disaster commercial loan records disclosed in several instances that borrowers were not complying to the provisions of the loan agreement. We understand that the limited number of personnel assigned to the servicing of the loans prohibits compliance with all functions relating thereto. Servicing functions include handling of collections and determining compliance with loan agreement, such as maintenance of fire and hazard insurance, review of financial statements submitted or follow-up on the failure to submit such statements, inspection of collateral, etc.

Our review of contractual payments including principal and interest by borrowers disclosed the following delinquencies at June 30, 1968:

Loan number	Delinquent: Number of contract payments	Delinquent: Amount	Original amount of loan	Unpaid principal balance, June 30, 1968
8	77	$ 7,070.72	5,000.00	4,070.72
13	3	88.77	4,000.00	3,315.53
16*	-	2,766.14	4,200.00	2,766.14
20	3	272.70	15,000.00	11,319.55
38	16	1,557.76	13,000.00	11,278.12
40	48	3,446.88	9,708.00	8,809.32
41	2	303.00	25,000.00	20,012.70
		$ 15,505.97	75,908.00	61,572.08

*Borrower failed to comply with provisions of loan agreement (business sold without proper notification to State authorities). Accordingly, principal balances are due in entirety.

Collection procedures should be adopted which would permit the reduction of such delinquent accounts.

STATE OF HAWAII
GENERAL FUND

SECTION VI

SUMMARY

STATE OF HAWAII
GENERAL FUND

Section VI

Summary

June 30, 1968

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STATE OF HAWAII
GENERAL FUND

Section VI

Summary

The section of the report summarizes the data presented in Sections I - V.

SECTION I - OBJECTIVES

The major objective of our examination was to form an opinion as to the fairness of the representations as to the financial position and results of operations as shown in the financial statements of the General Fund of the State of Hawaii for fiscal year 1968. In accordance with the terms of our contract, certain portions of the General Fund were excluded from our examination. Revenues and expenses relating to areas not audited approximated nine percent and five percent, respectively, of the total General Fund revenue and expenditures.

In addition to performing tests of accounting transactions, and reviewing and evaluating accounting procedures and the adequacy of internal control, the scope of our examination was broadened to include:

1. A review of the adequacy of internal financial reports.
2. A review and evaluation of the Statewide Accounting System.
3. A review of the adequacy of petty cash funds.
4. A review of the present procedures used in the processing of warrant vouchers.

SECTION II - ACCOUNTANTS' REPORT AND FINANCIAL STATEMENTS AND SCHEDULES

The General Fund of the State of Hawaii accounts for all resources of the State of Hawaii, except those accounted for in specific purpose funds, and the disposition of these resources. The annual financial statements portray the financial position as of the end of the year and the results of operations for the year, that is the increase or decrease in resources available for appropriation. The results of operations for the year ended June 30, 1968 are summarized as follows:

Resources available at beginning of year (fund balance)	$ 19,965,716
Revenue	261,414,145
Terminated appropriations	6,714,402
	288,094,263
Less appropriations	262,664,851
Resources available at end of year (fund balance)	$ 25,429,412

In addition to the revenue shown on the preceding page, appropriated receipts (Federal grants-in-aid and receipts from other sources for designated purposes) were received during the year and were either expended or reserved for expenditure as of the end of the year.

The balance sheet included in the financial statements presents the composition of the resources available for expenditure at the end of the year, the remainder of the financial statements present in detail revenues, appropriated receipts, expenditures and encumbrances and the resultant change in fund balance.

Accounting practices in use by the General Fund conform substantially to those recommended by the National Committee of Governmental Accounting except as to the recording of revenue when received in cash. The Committee recommends that revenue be recorded when earned, with an adequate provision for amounts which may prove to be uncollectible. Considering the nature of revenue earned but not received in cash and therefore not recorded, and the probable required provision for uncollectible amounts, this deviation is not considered to have a material effect on the financial position and results of operations of the General Fund.

SECTION III - THE UNIFORM ACCOUNTING SYSTEM

The Uniform Accounting System project has been promulgated by the Department of Accounting and General Services as a solution to present report delays, inaccuracies, and work duplication. The Uniform Accounting System would provide standardized and centralized payroll, revenue and expenditure control system that would support the requirements for all departments. In addition, such an accounting system would provide DAGS with better information upon which to base reports to higher authority.

The Uniform Accounting System has made very little progress, partly due to (1) the size and complexity of the project, (2) the lack of modern project management techniques, and (3) the lack of effective communication between DAGS and the expanding Statewide Information System organization whose equipment must be utilized if the Uniform Accounting System is to function efficiently.

SECTION IV - STATEWIDE INFORMATION SYSTEM

The Statewide Information System has a supporting role in the development of a Uniform Accounting System. It also has a leadership role in promulgating advanced management techniques which are based on information supplied by the accounting system. Neither DAGS or SWIS organizations deeply understand the requirements, goals, or capabilities of the other. This is the quintessence of the problem.

The Governor's Office must more clearly define the authority and responsibilities of both organizations, and then act to assure that their efforts are coordinated if significant progress is ever to be made by either SWIS or DAGS in the accounting and management systems area.

SECTION V - INTERNAL CONTROL AND ACCOUNTING PROCEDURES

Internal Control

A good system of internal control is the principal means by which the assets of an entity are safeguarded and the reliability of accounting data is assured. Under an adequate system of internal control the work is segregated in such a manner that no one individual has control over all phases of a transaction but rather the work of one individual is under the constant scrutiny and surveillance of another. Our report contains our findings and comments regarding significant weaknesses in internal control and accounting records and procedures. The following paragraphs summarize our findings.

General Fund Accounting

Petty Cash

1. The amounts of individual imprest and change funds, for the most part, appear adequate.

2. It is not practicable for the personnel of the Department of Accounting and General Services to personally supervise the activities of individuals responsible for petty cash funds.

   Recommendations:

   a. Require cash fund status reports to be submitted by department fiscal officers at the end of each fiscal year in order to charge reimbursable amounts due in the applicable period of expenditure.

   b. Require department fiscal officers to perform unannounced cash counts, and to retain count sheets for review by internal auditors.

3. Warrants are being prepared for numerous small expenditures which could possibly be paid from increased petty cash funds.

   Recommendation:

   Consideration should be given to such disbursements after the present warrant voucher system is revised.

Employees' Travel Advances

1. In many instances, amounts advanced to employees are reflected in the records as unaccounted for are quite old. Rules and regulations require that a "statement of completed travel" be submitted within fifteen calendar days after returning.

   Recommendation:

   A review should be made of the unaccounted for amounts presently outstanding and remedial action initiated.

Subsidiary Contract Ledgers

1. Contract ledgers which reflect obligations and expenditures under contracts are not balanced to general ledger control accounts.

   Recommendation:

   Subsidiary ledgers should be balanced with control accounts at least quarterly.

Administration of Real Property Tax Assessment

1. Costs of assessing and collecting real property taxes for the City of Honolulu and counties in one year are to be withheld from taxes collected in the following year. Amounts due from Hawaii, Kauai and Maui counties in fiscal year 1968 were not recorded until July 1968 (fiscal year 1969), as reports from district tax collection officers were not transmitted on a timely basis.

   Recommendation:

   Establish deadlines for reports and effective follow-up procedures for reports not submitted on due dates.

Payroll

1. In many instances, it was noted that employees' personnel records are not complete or not up-to-date, which results from original documents being maintained at several locations.

   Recommendation:

   A study should be made to determine the economies and feasibility of centralizing personnel records.

Warrant Voucher System and Purchasing Procedures

1. Expenditure vouchers and vendors' invoices do not bear sufficient indication of having been paid in order to prevent the possibility of duplicate payment.

   Recommendation:

   Each invoice processed for payment should be stamped as paid and initialed indicating required processing functions have been performed.

2. Delay in processing of vendors' invoices

   Valid billings are to be paid no later than sixty calendar days following receipt of billing statements. Approximately eight percent of valid statements were not paid within sixty days.

Recommendation:

Eliminate the present duplication of accounting procedures between the several departments and DAGS. This problem should be alleviated upon implementation of the Statewide Accounting System.

3. Purchases prior to issuance of purchase orders

Numerous purchase orders were noted which were dated subsequent to dates appearing on invoices.

Recommendation:

The present practice should be abolished in order to prevent the possibility of overexpending or overobligating appropriations.

Centralized Purchasing

1. It appears that centralized purchasing would prove economical and expedient.

Recommendation:

Initiate a detailed study to ascertain the feasibility of implementing centralized purchasing.

Department of Taxation

All Districts

1. Real property tax bills for Oahu are forwarded to the Administrative Services and Accounting Division of the Department of Taxation, and those of other districts to their respective collection divisions, before mailing.

Recommendation:

Consider mailing tax bills from the computer center where they are prepared.

2. Taxes receivable relating to general excise, use, fuel, withholding, inheritance and tobacco taxes are not reflected on the General Fund balance sheet. At June 30, 1968 the receivable for such taxes approximated $4,000,000.

Recommendation:

Although the failure to reflect such receivables has no effect on the fund balance, the failure to include the amount due on the balance sheet does not indicate resources available for realization, and is not consistent in that similar types of receivables are reflected.

3. The department had not been subject to audit by internal auditors or independent auditors since 1962.

   Recommendation:

   Consideration should be given to regular annual audits due to the importance of the Department of Taxation in relation to total General Fund revenue.

4. Individual earnings records (HW-2's) filed on Oahu but relating to neighbor island districts are not being forwarded to the neighbor islands, and therefore are not being compared with individual tax returns.

   Recommendation:

   Determine the feasibility of transmitting HW-2 forms to the applicable tax districts in order to match employer reported amounts with individual tax returns on file.

Oahu District

1. From time to time the volume of tax returns prevents the processing of tax payments on a timely basis. At June 30, 1968, a substantial (but indeterminable) amount of revenue was not recorded in the fiscal year of receipt due to the failure to process tax returns on hand.

   Recommendation:

   Consideration should be given to batching tax returns by class, establishing batch controls and recording batch totals on the cash register. Tax returns would be receipted by some method other than a cash register imprint. If the present procedure continues, all unprocessed receipts on hand at the end of the fiscal year should be segregated, registered as soon as practical and recorded "as of June 30" in order to properly reflect revenue in the period realized.

2. Cash and cash items received by mail are accumulated for as long as two weeks by the mail clerk and then entered into a log book, after which the amounts are processed through a cash register.

   Recommendation:

   Cash control should be established immediately upon receipt. Cash received by mail should be logged daily and processed through the cash register. Consideration should be given to stamping checks with an endorsement stamp upon receipt by the mail clerk as a further measure of safety pending the processing function.

3. Checks which are not in agreement with accompanying tax returns, or for which no return is submitted, are forwarded to divisions for investigation. No control over such receipts is established.

   Recommendation:

   Xerox copies of such cash items should be made and forwarded for investigation. The cash items should be processed in the normal manner and recorded in a suspense account pending disposition. A record of amounts (which agrees with the suspense control account) should be prepared monthly and the current status of outstanding items ascertained.

4. We are advised that cashiers' cash box keys are left in unlocked drawers overnight, and the location of all duplicate keys has not been determined.

   Recommendation:

   Cash box keys should be subject to security as unauthorized personnel could obtain imprints from which duplicates could be made. Similar security should be established for all duplicate keys.

5. We were informed that there have been two surprise cash counts of cashiers' funds in the last four years, one of which was performed in July 1968.

   Recommendation:

   Cashiers' funds should be counted each time an employee is on vacation or absent for any reason, and on a surprise basis perhaps each six months. Records of such counts should be dated, signed and placed on file.

6. Although division policy requires the supervising cashier to clear cash registers by the use of an "audit key" kept under the control of the supervisor, we were informed that cashiers may obtain the "audit key" and clear their own registers. In addition, we were advised that cashiers also obtain the "audit key" to make corrections to register tapes.

   Recommendation:

   The supervising cashier should be required to perform these duties in accordance with division policy.

7. The number of delinquent accounts increased from 4,300 to 7,100 over the past two years. Tax revenues during this period have increased 26%, and the amount of delinquent accounts 80% (from $3,000,000 to $5,400,000). There has been no proportionate increase in the personnel assigned to the collection of delinquent taxes.

Recommendation:

Hire additional collectors as requested by the State Tax Collector in the 1969-1970 budget request. The cost of additional personnel would be far less than additional revenue to be realized.

8. Approximately six months elapses before assessment notices are sent to taxpayers who fail to file general excise tax returns. The result is that many businesses no longer exist when collection efforts are initiated.

Recommendation:

Segregate ledger cards by monthly and quarterly taxpayers. As payments are made, remove ledger cards to a "paid" file section. Those cards not transferred to the "paid" section at the due dates should be immediately investigated for noncompliance. Consideration should be given to assessing such taxpayers based on the previous period's tax. In addition, tax bonds should be considered for consistently delinquent taxpayers.

9. Income and assessment division employees spend a great amount of time in verifying the propriety and accuracy of net income tax returns filed. Accordingly, important analytical functions are curtailed.

Recommendation:

Consider the use of electronic data processing to perform routine functions, thereby creating available personnel time for analytical reviews involving human judgment.

10. Net income tax returns are numbered in the order received with a prefix to indicate the type of return. This system does not facilitate cross-referencing requirements.

Recommendation:

Utilize social security numbers (individuals) and general excise tax license numbers (businesses) for cross-referencing purposes.

11. Written audit instructions are issued only to Form N-13 examiners. Audit procedures in regard to other returns vary as to examiner.

Recommendation:

Develop minimum standardized audit procedures for all returns.

12. There appears to be no stated policy in regard to the minimum amount to be assessed or refunded.

Recommendation:

Establish guidelines in order to standardize procedures.

13. We were informed that amended returns are not verified as to propriety in relation to the original return.

Recommendation:

Amended returns should be subject to a review for propriety as to the differences reported.

14. Available data indicates that 105 field audits were initiated during 1967 as a result of information furnished by the Internal Revenue Service which yielded assessments approximating $50,400, as compared to 236 field audits in 1966 yielding $172,800 additional assessments. We were advised that the decrease was primarily attributable to the special assignment (temporary) of the Returns Classifying Officer to the Attorney General's Office.

Recommendation:

Ascertain that indispensable personnel are "backed-up" by a "second" to cover emergency situations and to provide for continuity of operations.

15. We were informed that real property tax appraisers are assigned the same areas for appraisal each year.

Recommendation:

Consider rotation of appraisers to different sections each year and establish policies whereby supervisory personnel are required to test-check a sample of each appraiser's work in order to ascertain that bases and systems used for appraisal are standard throughout.

16. We were advised that changes in assessed values are approved by supervisory personnel after a review for reasonableness.

Recommendation:

Consider in depth reviews from time to time to alert appraisers and staff that adjustments may be subject to a detailed review for propriety.

Maui

1. The Island of Maui has one delinquent tax collector whose effectiveness is limited due to the many duties which he must perform.

Recommendation:

Utilize the collection division clerical staff to the extent possible to free the collector for more important duties.

2. Collection on delinquent receivables received by mail are routed to the delinquent collector prior to cash register processing.

Recommendation:

Route all such receipts to the cashier, after which processed returns may be routed to the collector.

Hilo District

1. The cash register change fund is being utilized as a petty cash fund.

Recommendation:

If a need for a petty cash fund exists, establish the required fund.

2. Cashiers are required to cover shortages out of personal funds, and overages are placed into a "kitty" and divided at the end of the year.

Recommendation:

Such a procedure is not conducive to sound cashiering duties. Overages and shortages should be reported as part of the daily cash reconciliation and reflected as such.

Kauai District

1. No entries to the "State Treasurer's Trust Account" have appeared in the general ledger since 1964, although transactions occur daily. Such transactions are recorded on worksheets.

Recommendation:

The general ledger account should be posted to provide a permanent record.

2. New receivable ledger cards are prepared each year for every account, which is costly and time-consuming.

Recommendation:

Do not prepare new cards until the one in use is fully used.

3. Subsidiary ledger cards for general excise and Hawaii withholding taxes do not reflect cumulative totals for payments made, thereby necessitating additional clerical effort.

Recommendation:

Revise the present system to include cumulative totals.

Kona and Molokai Districts

1. Kona and Molokai tax collectors collect checks for tax payments and forward the checks to Hilo and Wailuku without initiating accounting control.

   Recommendation:

   Require simple records which indicate each amount received, date received, taxpayer and date forwarded to Hilo and Wailuku. Receipts should be requested from Hilo and Wailuku to ascertain that amounts forwarded are acknowledged as having been received.

University of Hawaii

Manoa Campus

1. Delay in transmittal of General Fund revenue

   General Fund revenue collected by the University had not been transmitted to the State Treasury in accordance with the provisions of State Laws.

   Recommendation:

   General Fund revenue should be remitted to the State Treasury within statutory time limitations, and required advances to finance Federal projects should be requested and approved by the Director of Finance as authorized by the legislative body.

2. Cash transmittal reports

   In certain instances, cash transmittal reports prepared by the University did not reflect actual cash receipt dates by that agency.

   Recommendation:

   Cash transmittal reports should indicate dates of actual receipts. The propriety of dates reflected should be investigated by internal audit from time to time.

3. Income from Sand Island

   Sand Island income authorized for transfer to the General Fund in fiscal year 1967 was not transferred until May 1968.

   Recommendation:

   Delays in actions authorized by the Legislature should be brought to the attention of persons who have authority to initate appropriate action.

4. Indirect overhead

No specific policy was in effect for the transfer of the General Fund's share of overhead resulting from Federally funded research and training grants. At June 30, 1968, $610,177 had not been remitted to the State Treasury.

Recommendation:

All General Fund revenue should be remitted to the State Treasury in accordance with statutory requirements.

5. Appropriated receipts

The "Federal Funds Report" submitted to the State Comptroller for inclusion in the annual report is not indicative of the overall status of the detail Federal fund accounts.

Recommendation:

The "Federal Funds Report" should be subjected to review by internal audit as to propriety. A meaningful presentation should be suggested by internal audit after a detailed review of the contents of the report.

6. Fee statement control

Fee statements are not numerically controlled in order to ascertain accountability.

Recommendation:

Establish numerical control as a student enters a registration line for final processing and payment.

7. Library fees, fines and penalties

We were advised that the available change funds of $45 are inadequate. Personal cash was being utilized as a change fund.

Recommendation:

Ascertain the amount of change fund required and increase amounts accordingly.

8. Sale of products

No record is made to ascertain that receipts from milk sales are in accordance with milk deliveries.

Recommendation:

As drivers measure the amount of milk picked up, a record should be kept of the amount to check the propriety of cash received in payment.

9. Federal funds cash disbursements

Many instances of unused check numbers, duplicated check numbers and East-West Center check numbers assigned to University General Fund checks were noted. Check numbers are limited to a four digit series thereby resulting in the same numbers occurring within an operating period.

Recommendation:

A different series of check numbers should be used for each bank account. Consideration should also be given to the use of different check colors and identifying prefix letters, if feasible.

10. Adherence to purchase order procedures

Purchases, other than proprietary items (items which are not competitive as to price or vendors), require formal advertising for sealed bids for purchases of $4,000 and over. Purchases stated to be proprietary items require written approval to be so classified. In many instance, such written approval was not available.

Recommendation:

Strict adherence to purchasing requirements.

Maui Community College

There is no control in the registration procedure to assure that all cash collected is transmitted to the business office; and there is no procedure to ascertain that all enrolled students have paid amounts due.

Recommendation:

Numerically controlled registration forms should be utilized. One copy of the receipted form would support recorded cash receipts, and one copy would be transmitted to the registrar as proof of payment.

Hilo Campus

Significant delays were noted between deposits in the Hilo bank account and the subsequent transmittal of deposit slips to the Manoa Campus business office.

Recommendation:

Treasury deposit slips should be prepared and forwarded with bank deposit slips within one day of deposit.

Department of Accounting and General Services

Accounts Receivable

1. Amounts due from other State agencies are maintained in "open" invoice files. No control account is maintained.

   Recommendation:

   A memo control account should be maintained in order that the total of detail records can be ascertained to be correct. The establishment of subsidiary ledgers should be considered.

Department of Agriculture

Registration and Fees

1. No attempt is made to verify tonnage reports, which is the basis for fee revenue, submitted by applicable companies.

   Recommendation:

   Periodic audits by Agriculture personnel or internal audit should be considered in order to ascertain the propriety of reports and computations.

Attorney General's Office

Cash Transmittals to State Treasury

1. Notary fees received in the form of checks are deposited in the State Treasury monthly.

   Recommendation:

   All receipts should be deposited at least weekly as required by law.

Receipt Control

1. Receipt slips for notary public fees are not numerically controlled.

   Recommendation:

   Receipt slips should be numerically controlled in order to establish control over cash received.

Department of Education

School Revenue

1. General Fund revenue collected by Kailua High School is being retained in the school's bank account.

Recommendation:

The Fiscal Office of the Department of Education should be made aware of the responsibility assumed in the collection of General Fund revenue. Transmittal requirements should be made known to responsible personnel.

Department of Social Services

Accounts Receivable

1. Delinquent accounts of approximately $38,900, relating to 1960 and prior, were outstanding at June 30, 1968.

   Recommendation:

   Effective action, as permitted by law, should be initiated, if amounts due are enforceable; otherwise, uncollectible accounts should be removed from the ledgers.

Revenue Control

1. No control is exercised by the Fiscal Office in regard to General Fund revenue generated by correctional facilities.

   Recommendation:

   If the Fiscal Office is responsible for fiscal operations of the department, then controls over such collections should be established, and reports to the State Comptroller subjected to approval by the Fiscal Office.

Olinda Honor Camp

1. A fixed percentage (15%) of craft sales is transmitted to the General Fund, rather than the 5% or 25% (dependent upon raw materials used) required.

   Recommendation:

   The requirements of the Administrator's directive should be followed, or the directive revised to reflect existing practice.

Department of Transportation

Harbors Division Accounts Receivable

1. At June 30, 1968, outstanding receivables approximated $76,000, of which $43,000 is over sixty days old.

   Recommendation:

   Collection procedures as outlined in Instruction 2-68 should be implemented and enforced to effect collection of amounts due.

Department of Planning and Economic Development

State Disaster Commercial Loans

1. Several instances were noted where borrowers are not complying with loan agreement provisions.

   Recommendation:

   A check list indicating loan requirements should be initiated in order for deviations to be evident and corrective action initiated.

2. Seven loans with an unpaid principal balance of $61,600 at June 30, 1968 were delinquent in the amount of $15,500.

   Recommendation:

   Establish forceful collection procedures which are initiated immediately whenever a delinquency occurs.

STATE OF HAWAII
GENERAL FUND

SECTION VII

COMMENTS OF AFFECTED AGENCIES

INDEX OF RECOMMENDATIONS BY STATE AGENCIES AFFECTED

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A MEMORANDUM ON THE COMMENTS MADE BY AFFECTED AGENCIES

This financial audit report of the general fund of the State of Hawaii was completed in January, 1969, by the certified public accounting firm, Peat, Marwick, Mitchell & Co., whose services were contracted by this office. On January 25, 1969, we distributed copies of the pertinent parts of the report to the various agencies affected by this report,[1] via a transmittal letter, a copy of which is attached as Attachment No. 2.

In our letter, we requested the State comptroller to coordinate the agencies' responses with respect to the findings and recommendations contained in the report. We requested the State comptroller to submit a single combined response to us by February 5. At the comptroller's request, the submission date was extended to February 14. The affected agencies were requested to state the action they have taken or intend to take with respect to the recommendations. Their combined response is attached as Attachment No. 4.

Our office also corresponded directly with the director of the Statewide Information System (SWIS) for his comments on the findings and recommendations on the part of the report (Sections III and IV) pertaining to the statewide accounting system and SWIS (see Attachment No. 3 for our letter). We have received no reply from the director of SWIS.

The agencies that responded were in general agreement with the recommendations made by the contract auditors. They have indicated that they are implementing or will implement most of the changes recommended.

After receiving the replies from the agencies, we requested the contract auditors to submit their comments on the agencies' response. A copy of the contract auditors' reply is attached as Attachment No. 1. The auditors confined their reply to those areas where the agencies had some special comment to make. We concur with the reply made by the contract auditors.

[1] See preceding page for a listing of all affected agencies.

PEAT, MARWICK, MITCHELL & CO.
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BRANCH OFFICES
HILO, HAWAII
LIHUE, HAWAII
AGANA, GUAM

February 19, 1969

Mr. Clinton Tanimura, Auditor
State of Hawaii
Honolulu, Hawaii

Dear Mr. Tanimura:

We have reviewed the responses of the various departments to your request for comments on the findings and recommendations contained in our audit report on the General Fund of the State of Hawaii for the year ended June 30, 1968. We were pleased to note that the departments were in substantial agreement with our observations. In reply, we will confine our remarks to those few areas, in which we feel that our position needs further clarification. You will note that there are certain other areas, primarily relating to accounting procedures rather than internal control, where any differences of opinion which may exist are of minor importance. We do not feel that it would serve a useful purpose to dwell on these areas, as our original comments were primarily directed to alleviating clerical workload rather than improving internal control.

Our comments are arranged in the same sequence as and are indexed to the responses of the various departments.

UNIFORM ACCOUNTING SYSTEM

Problems Encountered in Developing System - Page 2, Attachment A

We note that the section of the response relating to the Uniform Accounting System generally acknowledges the accuracy of our report in identifying problems in the development of this System. However, the reply has taken issue with our criticism of the coordination between DAGS and SWIS in the development of the Statewide Uniform Accounting System.

The Department of Accounting and General Services response correctly states that the responsibility for changes to the existing accounting system (set up by the Commission on Public Accountancy under the laws of 1923 and 1925) is defined in the Revised Laws of Hawaii, Chapter 34, paragraph 17 as amended in 1959:

> "THE COMPTROLLER SHALL enforce the use of such accounting and internal control systems, make such investigations and audits from time to time as may be necessary and MAKE SUCH CHANGES AND MODIFICATIONS IN SUCH SYSTEMS AS FROM TIME TO TIME APPEAR TO BE IN THE BEST INTEREST OF THE STATE AND COUNTIES." (Our capitals)

Thus, the response indicates that there is no confusion concerning responsibilities. The response goes on to state:

> "It may be helpful to add that current duplications (in the accounting system) exist not because of a failure of the present accounting system to function as it was designed to, but simply because the accounting system now in use was designed for detail accounting to be performed on the departmental level, and for control accounting to be performed on the State level. The duplications that now exist are essentially the necessary connecting links between the two levels."

It is acknowledged in the response that this duplication (or summarization) at the State level may be a reason for delay in certain accounting reports:

> "As to the timeliness of the reports, the problem is one that has long been recognized and one that receives continual attention, both under the present accounting system and in the revision of the accounting system."

The Director of SWIS has evidently not contested our report on this same issue, since he has stated that he does not intend to address this issue in his reply (which was not available to us). The Director of SWIS has stated to us that he feels that the statute quoted above does apply to changes and modifications to the present accounting system. However, a completely new concept for the accounting system based on modern management techniques and on the latest information processing equipment may be required by the State. Such a new approach would make obsolete the 1925 accounting concept of duplicate posting for control purposes. (One large computerized accounting file may serve all the needs of the Departments and of the DAGS without requiring duplication of records.) Thus, the Director of SWIS has stated that he feels that the responsibility for the design of a completely new accounting system is NOT covered by the above quoted statute.

The opposing positions of DAGS and SWIS on the interpretation of the intent of the statute is evidence of the confusion that exists as to the accounting responsibilities of these two groups. Further, the confusion and lack of coordination in the exercise of these responsibilities, regardless of where they are vested by law, must be resolved by higher authority if satisfactory progress is to be made in the Statewide Accounting System.

INTERNAL CONTROL AND ACCOUNTING PROCEDURES

General Fund Accounting

Administration of Real Property Tax Assessments - Page 1, Attachment B

Following is the response to our suggestion that costs of assessing real property taxes be withheld from real property tax collections in the year prescribed by law.

> "Although it is recognized that all revenues and expenditures should be recorded in the proper period, it should be also recognized that the books must be closed as rapidly as possible in order that the annual financial statements can be completed and published as soon after the close of the fiscal year as possible. Every effort is made to record all transactions pertaining to a particular fiscal year in that year; however, the books cannot be kept open indefinitely to record amounts that do not materially affect the annual financial statements."

Our comments: We recognize the desirability of closing the books and preparing financial statements as quickly as possible. We would suggest, however, that methods to obtain the required information from the various reporting departments on a timely basis be investigated. If one district tax collection officer can comply with reporting requirements, it would appear that similar arrangements are possible with the other districts.

Warrant Voucher System and Purchasing Procedures - Delay in Processing of Vendors' Invoices for Payment - Page 2, Attachment B

The Department indicated that late payments of vendors' invoices had been reduced to one-half of one percent in late 1968. Our tests indicated that approximately eight percent were not paid within the sixty-day time limitation.

Our comments: We would presume that the discrepancy between the two tests is attributable to the fact that our test covered a representative period during the period under examination. The Department indicated that their latest test was at a later date. The improvement is to be commended.

Department of Taxation

Taxes Receivable - Page 1, Attachment C

The Department replied as follows to our recommendation that it reflect, on its monthly statement of operations, in the same manner as the individual and corporate income, franchise and public service taxes are presently reflected, all unpaid general excise, use, fuel, withholding, inheritance and tobacco taxes which represent amounts due on tax returns filed with no or only partial payment of the amount shown as due and payable on the return or from assessments by the Department.

"PMM recommends that general excise, use, fuel, withholding, inheritance, and tobacco taxes receivable be reflected in the Department's monthly operating statement and on the balance sheet of the General Fund in order to reflect the true status of taxes receivable.

The Tax Department prefers to retain the cash basis of accounting. As stated in Dr. Russell Taussig's report, "Unification of Accounts for the State of Hawaii," the Department agrees that "since most taxes in the General Fund are self-assessed, it is not feasible to accrue them. For instance, the State cannot determine in advance either the amount of business and personal income or the taxes levied on these basis." However, with the present staff it is doubtful whether the posting of accruals could be finished in time so as not to delay the completion of the Department's monthly operating statement."

Our comments: We did not mean to convey the impression that we were recommending a full accrual system of accounting for tax revenue. Rather, we were pointing out the inconsistency of reflecting this type of tax receivable for certain classes of taxes (individual and corporate net income, franchise and public service) and not for the remainder (general excise, use, fuel, withholding, inheritance and tobacco). It is our understanding that the necessary data is accumulated by the Department, but that it is not reflected on the monthly statement of operations. If time considerations are such that it is impractical to reflect this information on the statement of operations each month, we would suggest that the information be conveyed to the Department of Accounting and General Services each June 30th for inclusion in the balance sheet of the General Fund. We feel that the inclusion of only a portion of this type of taxes receivable on the balance sheet is somewhat misleading.

Cash and Collections, Processing of Receipts - Page 2, Attachment C

In response to our suggestion that all tax revenue should be reflected in the financial statements in the year of receipt, the Department of Taxation commented as follows:

"PMM suggests that all unprocessed receipts on hand at the end of the fiscal year be processed through one cash register, deposited in the Treasury of the State of Hawaii, and shown on the statement of collections deposited in the Treasury of the State of Hawaii, enabling the General Fund Accounting Branch to record the revenue in the fiscal year.

The policy of the Department of Taxation since July 1, 1965, requires that the cash registers shall close for the month on the last day of the month and that all unprocessed receipts remaining shall be carried as revenue for the next succeeding month. The

auditor stated that "tax receipts processed during the first five days of July 1968, reflected tax revenues of approximately $7,000,000. Further, it would be logical to assume that substantially all of this revenue represents taxes received in fiscal year 1968 which will be recorded in fiscal year 1969." However, the auditor fails to mention that in keeping with the department's cashiering policy mentioned above, revenue belonging to 1967 was recorded as revenue for fiscal year 1968 in the first five days of fiscal year July 1967. (Total of first five days' collection for July 1968 was $8,113,767.64; first five days' collection for July 1967 was $8,200,812.01.) Although the auditor's recommendation could be carried out through the use of one or more cash registers used for the specific purpose of running the end-of-the-month mail, the procedure would unduly delay the closing of the books and the preparation of the monthly statement of tax operations."

Our comments: It is recognized that under the present system unrecorded revenue at the beginning of the year will minimize the effect on reported revenue resulting from failure to record similar receipts at the end of the year. For that reason, we confined our remarks to the impact on the General Fund balance, which presently is being understated to the extent of unrecorded tax revenues, thereby understating the amount available for appropriation by the Legislature. In our opinion, the inconvenience caused by the delay in closing the books as of June 30, would be more than offset by the more precise presentation of the financial position of the General Fund as of that date.

Cashiers Operations - Page 3, Attachment C

The Department's response indicates that there are duplicate keys to all cash boxes under the custody of the supervisor.

Our comments: We have again reviewed the current internal control procedures relating to the safeguarding of cashiers working funds. We noted that duplicate keys to cashier's cash boxes were secured in a safe within the vault premises and were informed that several individuals in the supervisory capacity have single access to the duplicate keys and related cash boxes. To give maximum protection to cashiers, they should have complete control of their funds at all times. No one should have access to the individual cashier's cash box except in the presence of two officers or employees. Accordingly, we recommend the custody of the duplicate keys be placed under the responsibility of one individual or be placed under dual control procedures.

Search for Delinquent Taxpayers - Page 4, Attachment C

The Department does not concur with our suggestion that consideration should be given to segregating general excise ledger cards by monthly and quarterly taxpayers to expedite the detection of delinquent returns on the basis that

taxpayers on a quarterly basis cannot be prevented from filing monthly returns and in certain cases are required to file monthly returns when their earnings exceed a certain amount.

Our comments: Although, in our opinion, the fact that quarterly taxpayers may at times file a monthly return would not create an insurmountable problem, our suggestion was merely one of several mechanical means of detecting delinquent taxpayers at an early date. Other methods to obtain the same objective would certainly be equally desirable.

Uniformity in Performance of Tax Audits - Page 6, Attachment C

The Department takes exception to our recommendation that all amended net income tax returns be reviewed as to propriety on the basis that it is the standard practice for the supervisors and the division head to perform this review.

Our comments: We understand that it has always been the standard practice to audit all amended returns. However, our test examination disclosed exceptions, which would indicate that at times the procedure is not entirely effective or that the person reviewing the return had not indicated on the return that it had been reviewed.

Appraisal of Real Property - Page 6, Attachment C

We had recommended that appraisers be rotated and assigned to different sections of property each year as a safeguard against any consistent under or overvaluation of properties. The Department of Taxation responded as follows:

> "The requirement of annual rotation of appraisers is not a practical one since appraising work involves analysis of many factors, including economic, social and physical surroundings of each property and requires that the appraiser be familiar with the site, the neighborhood and the community of those particular areas under his jurisdiction."

Our comments: In all situations such as this, cost must be related to the benefits derived. We are not in a position to determine the cost required to adequately orient an appraiser as to the problems involved in appraising a new section, but we feel that such costs should be very carefully weighed against the benefits derived from the assurance of as an entirely equitable appraisal system as is practical to achieve.

Maui District - Delinquent Taxes - Page 8, Attachment C

The Department has pointed out the checks in payment of delinquent taxes are given to the Collection Division for the purpose of computing interest and penalty rather than for updating the memorandum receivable records.

Our comments: It would appear to be possible to furnish the Collection Division with the necessary information to compute interest and penalty from sources other than the checks. Internal control would be strengthened if the checks were transmitted directly to the cashier.

University of Hawaii

Appropriated Receipts - Page 4, Attachment D

The University has indicated that the advance to the Socio-Linguisties project was made from overhead funds rather than from East-West Center funds as we have previously indicated. Therefore, the University was not in violation of grant terms.

Our comments: As the check was drawn on the East-West Center account which accounts for transaction relating for that project, it was presumed that it was an advance from East-West Center funds. It would appear more appropriate to transfer overhead funds to the general account prior to disbursement to avoid the possibility of violating the terms of the grant.

Computer Center Billing - Page 5, Attachment D

The University responded to our comments on billing procedures as follows:

> "There seems to be some misunderstanding of the method used in setting rates for computer use at the University. The method actually used involved estimating total center costs, reducing this cost by estimated general fund support to be received, and dividing the remainder by the estimated number of billable hours. The estimated billable use was 80 hours per week (4,160 hours per year). This method was necessary because the University has no knowledge of computer rental funds available on projects, and it would have been used even if such data were known in order to avoid the effects alleged in the audit report. Furthermore, the rates actually are low at present because billable hours have not amounted to 80 per week in recent months.
>
> The so-called "free" use must be continued regardless of what the rates may be. The University's Computer Center is a major research resource, just as its buildings, faculty, and location are. When use of the computer is necessary to carry out research, it will be provided, whether a specific project can pay the costs or not. It is, of course, to the University's advantage to maximize billable time, but it is our obligation to furnish the service regardless."

Our comments: We feel that our original statement on page 31 of section 5 and the above do not differ significantly. Perhaps the allocation of all

fixed costs to billable time is justified on the basis that "free" time is not increasing the billable charges. However, to the extent that variable expenses are built into the base for determining rates, it would appear that billable time is absorbing costs that it would not otherwise incur.

We appreciate the opportunity to review the comments of the various departments. If you should require any additional information, please call us.

Very truly yours,

Peat, Marwick, Mitchell & Co.

ATTACHMENT NO. 2

CLINTON T. TANIMURA
AUDITOR

THE OFFICE OF THE AUDITOR
STATE OF HAWAII
IOLANI PALACE
HONOLULU, HAWAII 96813

C O P Y

January 25, 1969

The Honorable KeNam Kim, Comptroller
Department of Accounting and
General Services
State of Hawaii
Honolulu, Hawaii

Dear Mr. Kim:

Under a contract with this office, Peat, Marwick, Mitchell & Co., certified public accountants, examined the accounting records and system of internal control of the General Fund of the State of Hawaii for the fiscal year ended June 30, 1968. The examination was conducted pursuant to the duties and powers vested in our office by Article VI, Section 8, of the Constitution of the State of Hawaii and Chapter 2, Part III, of the Revised Laws of Hawaii 1955, as amended.

Enclosed are three copies of the preliminary report of the audit. The expression "preliminary" indicates that the report has not been released for general distribution. However, copies of this report have been forwarded to the Governor and the presiding officers of both Houses of the Fifth State Legislature.

The report contains a number of recommendations for improvement of problem areas. I would appreciate receiving your written remarks on those recommendations which are directed to your department, including comments as to the specific steps you have taken or intend to take with respect to each of them.

The findings and recommendations contained in the report also affect several other agencies. In order that we might receive a single, cohesive and comprehensive commentary, we would like to have you coordinate the agencies' responses. We have sent appropriate sections of the report to the principal agencies affected by the report; namely, the Director of the Department of Taxation and the Acting President of the University of Hawaii, and have requested that they direct their comments to your office.

The audit report also contains recommendations to several other agencies. Attached is a listing of the other agencies. Because of the relatively few recommendations made to each of the agencies, we did not send any part of the report to them. Instead, please discuss the recommendations with them and secure their comments for inclusion with your reply to us. We have also sent Sections III and IV of the report to the Director of SWIS and his comments will be submitted directly to this office.

All comments must be in our hands by February 5, 1969. The report will be finalized and released for general distribution shortly thereafter.

If you wish to discuss the report with us, we will be pleased to meet with you on or before January 31, 1969. We await a call from your office to fix the appointment. A "no call" will be assumed to mean that a meeting is not necessary.

We sincerely appreciate the assistance and cooperation extended by your staff to our contract auditors.

Sincerely yours,

Clinton T. Tanimura

Clinton T. Tanimura
Legislative Auditor

Enclosures

OTHER AFFECTED AGENCIES

Section	Page No.	
V	33	Department of Agriculture
V	33	Office of the Attorney General
V	33	Department of Education
V	35	Department of Social Services
V	35	Department of Transportation
V	36	Department of Planning and Economic Development

ATTACHMENT NO. 3

CLINTON T. TANIMURA
AUDITOR

THE OFFICE OF THE AUDITOR
STATE OF HAWAII
IOLANI PALACE
HONOLULU, HAWAII 96813

C O P Y

January 25, 1969

Mr. Eugene Harrison, Director
Statewide Information System
State of Hawaii
Honolulu, Hawaii

Dear Mr. Harrison:

Under a contract with this office, Peat, Marwick, Mitchell & Co., certified public accountants, examined the accounting records and system of internal control of the General Fund of the State of Hawaii for the fiscal year ended June 30, 1968. The examination was conducted pursuant to the duties and powers vested in our office by Article VI, Section 8, of the Constitution of the State of Hawaii and Chapter 2, Part III, of the Revised Laws of Hawaii 1955, as amended.

As part of the audit, the auditors reviewed the activities of SWIS, primarily as they relate to the development of the statewide accounting system. Enclosed are sections of the preliminary report of the audit which contain findings and recommendations which affect your operations. Copies of the preliminary report have been forwarded to the Governor, presiding officers of both Houses of the Fifth State Legislature and the State comptroller. In addition, appropriate sections of the report have been sent to departments directly affected by the examination.

Kindly submit your comments on the recommendations to our office including information as to the specific actions you have taken or intend to take with respect to each of them. Your comments must be in our hands by February 5, 1969. The report will be finalized and released shortly thereafter.

If you wish to discuss the report with us, we will be pleased to meet with you on or before January 31, 1969. We await a call from your office to fix the appointment. A "no call" will be assumed to mean that a meeting is not necessary.

We are deeply thankful for the assistance and cooperation extended by you and your staff to the representatives from Peat, Marwick, Mitchell & Co.

Sincerely,

Clinton Tanimura

Clinton T. Tanimura
Legislative Auditor

Enclosure

ATTACHMENT NO. 4

JOHN A. BURNS
GOVERNOR

KENAM KIM
COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
HONOLULU, HAWAII 96810

February 13, 1969

Mr. Clinton T. Tanimura
Legislative Auditor
State of Hawaii
Honolulu, Hawaii 96813

Dear Mr. Tanimura:

This letter is in response to your letter of January 25, 1969, requesting me to submit a combined response on the findings and recommendations of Peat, Marwick, Mitchell & Co. relative to their examination of the General Fund of the State of Hawaii for the fiscal year ended June 30, 1968.

Because the comments contained in the report affected several agencies, and because you desired a single answer, you requested that we coordinate the various agencies' responses. When we found that such coordination would require more time than that initially allowed for reply, we requested an extension of time in which to submit our combined response. We would like to thank you for granting us this extension of time.

As requested, we have compiled the various agencies' responses, except those of the Department of Taxation and the University of Hawaii. Copies of their responses are attached. We have not redone or added any comments to their remarks since we are in agreement with them.

Our reply is organized, for ease of reference, into sections that are parallel to those in the auditors' report:

Attachment A - Uniform Accounting System

Attachment B - Internal Control and Accounting Procedures - All Agencies, Except Department of Taxation and University of Hawaii

Attachment C - Internal Control and Accounting Procedures - Department of Taxation

Attachment D - Internal Control and Accounting Procedures - University of Hawaii.

We hope the responses represented by the attachments are adequate in view of the short period of time available for reply. If any elaboration of the attached comments is desired, please let me know.

Very truly yours,

KENAM KIM
State Comptroller

Att.

cc: The Honorable John A. Burns
Governor, State of Hawaii

SECTION III -- Uniform Accounting System

Introduction

As a result of their review of progress in revising the State's accounting system, the auditors summarize their findings by stating that there has been an "almost complete lack of normal project management controls, such as clearly defined responsibilities, documented project goals, work schedules, and expenditure budgets" and that "the lack of these controls has obviously played a large role in causing the past problems in both Statewide Information System (SWIS) and Statewide Accounting System (SWAS)." Central to our comments in response to all of Section III is our opinion that there is no basis for confusion as to the accounting responsibilities of the Comptroller of the State of Hawaii or for any related confusion as to the relationship between those accounting responsibilities and the data processing responsibilities of SWIS. Because we believe our accounting responsibilities have been and continue to be clearly defined, we do not believe that a need to define those responsibilities is a cause for lack of progress in revising the State's accounting system. Our general statements in this paragraph are further discussed under the appropriate category below.

Background

In their discussion of the inadequacies of the State's present accounting system, the auditors properly point to the substantial clerical effort required in processing accounting transactions on both the departmental and the State level, and to the partial duplication of effort between the two. We agree with the auditors' statement that there appears to be no alternative to the current duplication of effort (and to other of the inadequacies discussed) except through revision of the system itself. It may be helpful to add that current duplications exist not because of a failure of the present accounting system to function as it was designed to, but simply because the accounting system now in use was designed for detail accounting to be performed on the departmental level, and for control accounting to be performed on the State level. The duplications that exist are essentially the necessary connecting links between the two levels.

With regard to the auditors' comments relating to financial reports, it should be understood, again, that the reports required of the Comptroller under the present accounting system are control-oriented reports, and that accounting reports of further detail must be drawn from the detail accounting records on the departmental level. As to the timeliness of the reports, the problem is one that has long been recognized and one that receives continual attention, both under the present accounting system and in the revision of the accounting system.

Original Concept of Uniform Accounting System

We are in agreement with the content of the auditors' report under this category.

Problems Encountered in Developing System

We stated in our introduction to this section (Section III) that we do not believe a lack of defined responsibilities can properly be used as a reason for lack of progress in revising the State's accounting system. In their discussion of the problems encountered in the revision program, the auditors include that reason, first mentioned in their introduction to Section III, and two other reasons. Our comments on all three problems named by the auditors follow.

The auditors state that "there exists a variety of opinions on where the authority and responsibility for systems development rests," and "systems development" is then discussed in two parts -- "concept" and "definition and specification." In defining the responsibility for accounting concepts, it is necessary only to refer to Chapter 34, Revised Laws of Hawaii 1955, as amended, to determine that the responsibility is the Comptroller's. In defining the responsibility for any matter relating to data processing, reference need be made only to the Governor's Administrative Directive No. 6, dated August 29, 1963, and Administrative Directive No. 6a, dated February 24, 1964, both of which place full authority and responsibility for data processing matters in SWIS. The "definition and specification" part of systems development as referred to in the auditors' report is the documentation required down to the level needed by computer programmers, and, in the context of authority and responsibility as assigned in the State, such documentation is of a data processing nature, as opposed to an accounting nature. In the program for revising the State's accounting system with the intention of making optimum use of data processing capabilities, it is obvious that the accounting function and the data processing function are going to be mutually dependent upon one another for the ultimate success of each; this fact, however, should not be allowed to obscure the respective responsibilities involved.

The auditors make reference to our "Recommendations for Revisions in the Accounting System of the State of Hawaii," a document encompassing our analysis and study under the revision project through October 1967. The work represented by the document had benefited from advisory participation of SWIS personnel, but it was intended primarily to be an accounting document on which SWIS would subsequently begin a more active participation, including the computer systems design, and the various levels of flow-charting and specification-writing prerequisite to ultimate programming and implementation. It was recognized that data processing considerations might well indicate changes in certain aspects of the recommendations. In anticipation of such changes, the document was published in draft form and was transmitted formally in November 1967 to SWIS, where the recommendations were needed for computer specifications being written to upgrade the data processing hardware in the computer center that was then to serve the accounting system.

Shortly afterwards, in early 1968, SWIS moved from its plan to maintain several computer centers, as then existing, to a plan for a single computer center; the auditors list this plan for a central computer as the second reason for delay of progress in revising the State's accounting system. Inasmuch as the decision to make the change was within the authority and responsibility of SWIS, we were not involved in the determination of the relative merits of the two alternatives.

The third reason cited by the auditors for lack of progress in revising the State's accounting system is what the auditors refer to as "competing approaches to computer design." The auditors characterize the SWIS approach as a "total systems approach" and our approach as "subsystems upgrading ... around the existing integrating structure." The difference between the two, as discussed by the auditors, is recognized by us, but we believe that, in terms of practical results, the difference may be more apparent than real. As stated by the auditors, our approach would have provided more immediate improvements, whereas the SWIS approach is calculated to provide, eventually, a superior system "with related savings that will offset the delays incumbent in the approach." Under either approach, a successfully completed revision program should have the same accounting result, since there is general agreement among everyone affected as to the results desired from a revised accounting system. While it is obvious that a difference in approach exists, it has not resulted in the impasse that the auditors seem to suggest. Both SWIS and we are currently working together on the payroll subsystem of the revised accounting system (our approach), but with care not to block progress under a total systems concept (the SWIS approach). It is agreed, however, that we would also like to be at work under the same team arrangement on other of the accounting subsystems.

System Development Considerations

In their discussion of some of the basic considerations in developing a uniform accounting system, the auditors first mention "chart of accounts," which is a subject that has already received substantial attention in our program to revise the State's accounting system. In the 1963 Cresap, McCormick and Paget report on its information study, a need for uniform accounting classifications was recognized as essential to implementation of the report's recommendations, and notice was taken of the project then underway to develop a uniform accounting code. As a result of that project, a uniform code was put into effect July 1, 1963. Although some departments have not consistently used those portions of the code that were primarily for departmental accounting use, all departments have conformed to the portions of the code required for control accounting on the State level.

In our study that resulted in the recommendations for revision issued in 1967, an additional field of four digits was added to the uniform accounting code for functional designation, and that additional field brought the code to its present twenty-five digits as mentioned by the auditors. While we agree with the auditors as to the primary importance of uniform codes in a uniform accounting system, we believe that subjecting the State's present uniform accounting code to another

round of studies would add further delay in achieving a revised accounting system, and that there is no reason to believe such a delay would result in a superior code. The code as it now exists has been developed with consideration for all the elements mentioned by the auditors, and it has been reviewed and found adequate by the group presently engaged in developing the State's program planning and budgeting system.

We have no particular comments to make on the remainder of the considerations listed by the auditors as pertinent to system development, except to point out that each has been a consideration in our revising program and will, of course, continue to be. To be sure that the auditors' comments are not construed to suggest a lack of coordination between our revision program and the Central Analysis Group, or between our revision program and the Comptroller's Audit Division, it should be noted that there has been appropriate coordination to this point and that we look forward to continuing those relationships as the revision program progresses.

Timetable for Conversion of Accounting Functions to EDP

The auditors disclose in this category the lack of a schedule for revising and implementing the accounting system. Although portions of our work to date have been performed under separate timetables, the lack of a timetable for the over-all project has been recognized by all parties involved, and it is our desire to commit the project to a timetable as soon as possible. Some of the problems previously mentioned in this section have required resolution before a meaningful timetable could be established.

SECTION V - Internal Control and Accounting Procedures

General Fund Accounting

Accounting for Imprest and Change Funds

We are aware of the need for the proper administration and accountability of imprest funds. Our Uniform Accounting and Reporting Branch maintains a general ledger control account for all imprest funds from which a detailed list is prepared annually showing the location of all funds. The records maintained by the Branch indicate the custodians to whom the imprest funds were issued and whom we hold responsible.

As prescribed by Section 34-16 of the Revised Laws of Hawaii 1955, as amended, the establishment of a petty cash fund must be first approved by the Comptroller. With respect to this requirement, procedures were instituted on August 2, 1968 under which this department's Audit Division investigates all requests for the establishment or change in imprest funds before such requests are approved and processed.

As part of each department's routine business, imprest funds are replenished throughout the year as often as necessary. As such, any unreimbursed amounts at June 30 would be, in our opinion, nominal in amount and would not materially distort the annual financial statements.

In our continuing efforts to improve the internal checks and controls over imprest funds, we have currently under study proposed rules and regulations for the administration and accountability of petty cash funds. We believe the procedures outlined in these proposed rules and regulations will provide adequate administration and accountability of petty cash funds.

Employees' Travel Advances

We have been aware of this problem. The suggestion of the auditors to review these old outstanding amounts is being followed in our Pre-Audit Branch. We will take whatever additional action is necessary to clear these travel advances as rapidly as possible.

Subsidiary Contract Ledgers

Again, this problem is one that we have been aware of; the reconciliation of these subsidiary ledgers to their control accounts has been a continuing assigned duty. In the past year, of approximately one hundred thirty (130) formal contract encumbrance subsidiaries, less than twenty (20) subsidiaries are currently unreconciled. It is required that all subsidiaries be reconciled before the records are closed.

Administration of Real Property Tax Assessment

Although it is recognized that all revenues and expenditures should be recorded in the proper period, it should be also recognized that the books must be closed

as rapidly as possible in order that the annual financial statements can be completed and published as soon after the close of the fiscal year as possible. Every effort is made to record all transactions pertaining to a particular fiscal year in that year; however, the books cannot be kept open indefinitely to record amounts that do not materially affect the annual financial statements.

Payroll

At the present time employees' compensation records are centrally filed in the Pre-Audit Branch. Generally, employees' personnel records are kept by each department's personnel office and the Department of Personnel Services.

The Statewide payroll system is presently undergoing revision, and care has been taken to insure that all payroll support documents will be maintained in the most appropriate location.

Warrant Voucher System and Purchasing Procedures

1. Cancellation of Supporting Documents

The auditors' recommendations have considerable merit, especially if they can be implemented on a Statewide, uniform basis. We plan to pursue this matter to determine the feasibility of such implementation.

2. Delay in Processing of Vendors' Invoices for Payment

Considerable improvement has already been made in this sensitive area. During the past year, the Pre-Audit Branch conducted three surveys during widely separated test periods to determine the extent of late payments. These surveys indicated that late payments have been reduced from approximately ten percent in early 1968 to one-half of one percent in late 1968. Continuing efforts will be made to further reduce late payments.

3. Purchases Prior to Issuance of Purchase Orders

Departments, out of practical necessity, have permitted employees to telephone orders in and issue purchase orders subsequently to cover these purchases in order that the goods or services could be received as rapidly as possible. The danger of overexpending or overobligating appropriations is not as great as it would appear from the auditors' comments.

As pointed out in another section of this report, all vouchers are submitted to this department for preparation of warrants. The Pre-Audit Branch would disapprove any voucher for payment if it exceeded the appropriated funds available.

3. Purchases Prior to Issuance of Purchase Orders (contd.)

Moreover, Section 9-6 of the Revised Laws of Hawaii 1955, as amended, contains penalty provisions against "any public officer or employee who falsely certifies or approves for payment any bill or voucher, or any claim against the State or any county, or who causes or authorizes the purchase of any materials or supplies or the performance of any service or labor on behalf or for the benefit of the State or any county, in the absence of any appropriations, or in excess of any appropriations made for such purposes, with the intent that the materials or supplies so purchased or the services or labor so performed shall be paid for by the State or county ..."

Although to the best of our knowledge this provision has never been invoked, it nevertheless serves as an effective deterrent against indiscriminate purchasing by State employees.

4. Purchase Order Preparation

This matter has already received substantial attention from this office. Circular No. 188 dated September 11, 1967 requires the use of a combination purchase order-requisition form in those cases where formal requisitions were prepared. Exceptions have been allowed only in circumstances where the costs that would be incurred in converting to this combination form would exceed the benefits gained.

5. Future Considerations

Centralized purchasing has been the subject of numerous studies both in the past and the present. The earliest on record dates back to 1933; the most recent was a detailed analysis and proposed plan of operation that was formulated in conjunction with the 1968-1969 Program Evaluation and Budget Request Summary.

The centralized purchasing concept has been and is being implemented on a progressive basis as personnel and funds have been authorized and made available. The present volume of centralized purchases is estimated to be between twenty and twenty-five percent of the commodities and services that may be bought by the State on a competitive basis. This percentage compares favorably with that obtained in states that have a much longer history of centralized purchasing than we.

Plans for further centralization are under study and will be implemented as rapidly as practicable.

Department of Accounting and General Services

Accounts Receivable

The department's Administrative Services Office presently maintains receivables for building maintenance charges, motor pool services, etc., on an open-invoice file basis with monthly trial balances of outstanding accounts reconciled on an informal basis.

We believe the present subsidiary records maintained for these receivables are adequate and provide the necessary controls in view of the type of inter-agency charges that constitute the receivables and the single-entry system of accounting in use.

However, effective February 1, 1969, we will begin the use of a more formal ledger-type control account for these receivables.

Purchasing

We have reviewed the auditors' comments regarding the single clerk and the need to improve internal controls in this area. Effective February 1, 1969, we will effect changes to provide the separation of duties as recommended.

Department of Agriculture

Registration and Fees

The department concurs with the auditors' recommendation that periodic audits be made of the feed tonnage data submitted by importers and/or distributors of commercial feed.

The Audit Division will assist in training one of the department's employees to conduct these audits immediately upon her return from a leave of absence on July 1, 1969. Upon completion of training, this employee will be qualified to conduct these audits with minimal guidance from the Audit Division.

Attorney General's Office

Cash Transmittals to State Treasury

Hereafter, deposits of all collections will be made daily or at least weekly.

Attorney General's Office (contd.)

Receipts Control

The receipts referred to by the auditors are old receipts that were being used until the supply was depleted. If the remaining supply is too large to consume in a relatively short period, it will be disposed of and new receipt forms ordered. New receipt forms will be prenumbered.

Department of Education

School Revenue and Hawaii Public Library

The Department of Education developed a directive relating to remittances of General Fund revenue to the State Treasury in March 1966. However, the findings of the auditors point out a need to further develop procedures to correct the situation. This will be done.

Hawaii State Library

The recommendation made relating to the Hawaii State Library concerns a complex problem. The department has been studying this problem in the past and has not been able to resolve it because of the possible legal implications. However, in light of the auditors' findings the department will again pursue this matter.

Department of Social Services

Accounts Receivable

As recommended by the auditors, the department will pursue the collection of the delinquent accounts. However, the account balances as reflected in the department's records must first be checked to make sure that they are correct. After the balances have been verified, delinquency letters will be sent. If this proves unsuccessful, the accounts will be turned over to the Attorney General's Office for collection.

Revenue Control

The department's fiscal office has issued a directive dated September 5, 1968 requiring all correctional facilities to submit to the fiscal office a copy of the schedule of collections and deposits submitted monthly to the Department of Accounting and General Services. The fiscal office will verify the accuracy of the monthly reports with the actual deposits made by the various correctional facilities.

Department of Social Services (contd.)

Olinda Honor Camp

The department's Corrections Division has issued a directive dated January 31, 1969 instructing all correctional facilities to comply with the procedures prescribed in Administrator's Directive No. 62. As of February 3, 1969, Olinda Honor Camp is following the prescribed procedures.

Department of Transportation

Harbors Division Accounts Receivable

The Harbors Division has been vigorously pursuing the collection of the delinquent accounts and has been getting results. Continued efforts will be made to accelerate the collection of these receivables.

Department of Planning and Economic Development

State Disaster Commercial Loans

As indicated by the auditors, a lack of adequate staffing is the basic reason for not servicing the loan accounts periodically. Another loan officer is needed to adequately service the Hawaii Capital Loan Program, the Disaster Loan Program, and the Depressed Area Loans.

The following steps were initiated in November 1968 to improve collection procedures:

1. Ledgers are reviewed monthly by the loan officer, and those accounts that have omitted payments are sent notices.

2. If no payments are received for two consecutive months, a letter is sent requesting payment or to notify the loan officer within ten days for a mutually satisfactory arrangement.

3. Failure to respond results in a personal call to the customer's place of business for a definite repayment plan. This also gives the loan officer an opportunity to discuss the problems encountered by the businessman, and to inspect his operation and the security on the loan.

In the past few months, the loan officer has had success in his collections; however, adequate servicing is not possible with the present level of staffing.

Attachment C

JOHN A. BURNS
GOVERNOR

RECEIVED
FEB 14 1969
OFFICE OF THE AUDITOR
TIME

Ralph W. Kondo
DIRECTOR OF TAXATION

DEPARTMENT OF TAXATION
STATE OF HAWAII

Honolulu, Hawaii
February 7, 1969

Mr. KeNam Kim
Comptroller
State of Hawaii
State Office Building
Honolulu, Hawaii 96813

Dear Mr. Kim:

In response to Mr. Clinton Tanimura's letter of January 25, 1969 asking that I submit to you comments on the suggestions and recommendations made by Peat, Marwick, Mitchell & Co. relating to the Department of Taxation in connection with their General Fund audit for the fiscal year ending June 30, 1968, I submit the attached comments. Page numbers appearing therein refer to the Peat, Marwick, Mitchell & Co. audit report.

Some of the deficiencies and problems enumerated in the Peat, Marwick & Mitchell audit report have already been implemented; whereas, others are presently under study for implementation. As to the latter, in some cases their completion is contingent upon receiving additional funds for manpower and equipment.

I trust that the attached comments will be sufficient for your reply to Mr. Clinton Tanimura, Legislative Auditor.

Sincerely,

Ralph W. Kondo

RALPH W. KONDO
Director of Taxation

Attach.

FEB 10 '69

PEAT, MARWICK, MITCHELL & CO. AUDIT OF
DEPARTMENT OF TAXATION

ALL DISTRICTS

Processing of Real Property Tax Bills--page 7

PMM suggests that all real property tax bills be mailed from the computer center where they are prepared.

Although the recommendation is acceptable, the present EDP programming does not provide for sorting notices and bills according to ZIP codes. The limited staff at the computer center can only render computer service but not mailing service.

Taxes Receivable--page 8

PMM recommends that general excise, use, fuel, withholding, inheritance, and tobacco taxes receivable be reflected in the Department's monthly operating statement and on the balance sheet of the General Fund in order to reflect the true status of taxes receivable.

The Tax Department prefers to retain the cash basis of accounting. As stated in Dr. Russell Taussig's report, "Unification of Accounts for the State of Hawaii," the Department agrees that "since most taxes in the General Fund are self-assessed, it is not feasible to accrue them. For instance, the State cannot determine in advance either the amount of business and personal income or the taxes levied on these basis." However, with the present staff it is doubtful whether the posting of accruals could be finished in time so as not to delay the completion of the Department's monthly operating statement.

Uniform Accounting Procedures--page 9

PMM recommends a chart of accounts, which describes in sufficient detail the contents of each account, be prepared and utilized on a statewide basis.

Recommendation acceptable. This will be done.

Internal Audit--page 9

PMM recommends that the Department being the major collection agency in the State should be audited on an annual basis.

The Department is in favor of an annual audit conducted either by the State Audit Division or by a certified public accounting firm.

Net Income Taxes--page 9

PMM recommends that the Department conduct a study to determine the feasibility of transmitting HW-2's to appropriate district offices for tax audit purposes.

The auditor's statement is correct only to the extent that it covers cases where the employer does not segregate his HW-2's according to island districts. When the employer segregates the returns, the Oahu District Office forwards the HW-2's to the neighbor island district offices. In cases where the HW-2's are co-mingled, the cost of manually sorting these HW-2's by the Oahu District Office must be weighed in the light of the overall benefits to be received by the State.

OAHU DISTRICT

Cash and Collections, Processing of Receipts--page 9

PMM recommends that consideration be given to using alternative procedures for processing returns and related check remittances. This could be done by batching the returns by classes, establishing control totals over these batches, and entering only the batch totals in the cash register.

To insure proper control, batching of returns would require closer review than the present system and as such would need the attention of the auditor at more frequent intervals than that which is presently provided. Records of the Tax Department show that the bulk of the monthly returns are received through the mail on the last couple of days of the month and during the first couple of days of the succeeding month. Although batching will speed up processing, it will not entirely solve the problem of recording all receipts in the month for which returns are due.

PMM suggests that all unprocessed receipts on hand at the end of the fiscal year be processed through one cash register, deposited in the Treasury of the State of Hawaii, and shown on the statement of collections deposited in the Treasury of the State of Hawaii, enabling the General Fund Accounting Branch to record the revenue in the fiscal year.

The policy of the Department of Taxation since July 1, 1965, requires that the cash registers shall close for the month on the last day of the month and that all unprocessed receipts remaining shall be carried as revenue for the next succeeding month. The auditor stated that "tax receipts processed during the first five days of July 1968, reflected tax revenues of approximately $7,000,000. Further, it would be logical to assume that substantially all of this revenue represents taxes received in fiscal year 1968 which will be recorded in fiscal year 1969." However, the auditor fails to mention that in keeping with the department's cashiering policy mentioned above, revenue belonging to 1967 was recorded as revenue for fiscal year 1968 in the first five days of fiscal year July 1967. (Total of first five days' collection for July 1968 was $8,113,767.64; first five days' collection for July 1967 was $8,200,812.01.) Although the auditor's recommendation could be carried out through the use of one or more cash registers used for the specific purpose of running the end-of-the-month mail, the procedure would unduly delay the closing of the books and the preparation of the monthly statement of tax operations.

Control Over Mail Receipts--page 10

PMM recommends that cash be recorded immediately at the point of origin in order to preclude the unauthorized use of funds and the items processed daily. PMM also recommends that a periodic test-check be made by a responsible official to determine that items in the log book have in fact been processed by mail processing personnel and assure the timely recordation of General Fund revenue.

Recommendations acceptable.

PMM suggests that checks and returns should be locked up prior to processing.

The Department agrees with the suggestion. However, to do this a second auxiliary door to the vault is needed.

PMM recommends that Xerox copies be made of checks received through the mail unaccompanied by tax returns and that the checks be deposited in the bank, the offsetting credit would be to a suspense account.

The Department finds acceptable the procedure recommended by the auditor of making Xerox copies of checks received unaccompanied by bills or returns and the routing of these Xerox copies throughout the office, but it finds unacceptable, for the present at least, the suggestion that checks be deposited before the account can be located and bills prepared. Whereas the processing through the register of a payment accompanied by a bill or a return is a simple process, the handling of a payment of an undetermined tax by crediting it to a suspense account calls for a great deal of paperwork, for which the necessary manpower is not available.

Cashiers Operations--page 11

PMM suggests that duplicate keys be obtained for all cash boxes and that custody of these duplicate keys be assigned to a responsible official in the Collections Division.

PMM's suggestion is not based on fact. Duplicate keys are on hand under the custody of the supervisor and are located in the vault where only the supervisor has knowledge as to the combination.

PMM recommends that the cashier's fund be counted when the cashier goes on vacation or within a reasonable time when a cashier is absent on account of illness.

Recommendation acceptable.

PMM recommends that unannounced cash counts be made by supervisory personnel on a systematic basis.

Recommendation acceptable.

PMM recommends that to maintain effective internal control, the division policy for the supervising cashier to clear the cash registers and print out accumulated totals on "cash register reading - detail report" should be adhered to.

Recommendation acceptable.

PMM suggests that register tapes be corrected in the presence of supervisory personnel to verify correction and indicate approval by initialing.

Suggestion acceptable.

Taxes Receivable

General Excise and Hawaii Withholding Taxes--page 12

PMM recommends the inclusion of a column on the ledger card which would permit the accumulation of totals as payments are posted and accordingly simplify the checking of annual returns.

Recommendation is not feasible at the present time for reason that the present equipment does not have sufficient capacity to handle both the general excise and withholding tax postings if totals of each tax are to be accumulated separately.

Delinquent Taxes

Collection of Delinquent Taxes--page 13

PMM recommends the hiring of additional delinquent tax collectors as requested by the State Tax Collector in his budget request for the fiscal year 1969-70.

Recommendation acceptable. Budget request for 1969-70 asks for five additional Delinquent Tax Collection Assistants.

Search for Delinquent Taxpayers--page 13

PMM suggests that the division should consider segregating the ledger cards by monthly and quarterly taxpayers.

Suggestion is not practical since taxpayers on a quarterly basis cannot be prevented from filing monthly returns and in certain cases are required to file monthly returns when their earnings exceed a certain amount.

PMM suggests that the general excise tax compliance section consider methods of speeding up the investigation and assessment process so that delinquent taxpayers can be referred to the Collections Division on a more timely basis.

Recommendation is feasible if sufficient manpower could be obtained or a faster recording system could be installed so that ledger postings be kept up to date at all times.

PMM suggests that timely referrals could be accomplished by automatically assessing taxpayers one month after a return is due in an amount equal to that shown on the most recent return filed.

Although the suggestion has merit, it has been tried in the past but due to legal problems, its use was discontinued on advice of legal counsel.

PMM suggests that consideration should be given to requesting legislation which would require businesses filing delinquent general excise returns, on a consistent basis, to post a tax bond with the State.

Recommendation acceptable. This matter has been under consideration by the Department's Legislative Committee.

Accounting for Delinquent Taxes--page 14

PMM suggests that additional clerical assistance be obtained to enable the detail cards to be balanced to the memorandum control on a regular basis.

Recommendation acceptable. Budget request for 1969-70 includes both a Clerk III and a Stenographer II positions.

Maintenance of Accounting Records--page 14

PMM recommends that consideration be given to programming the computer to produce for the Collections Division the various reports that would be required in order that the division's real property tax memorandum records could be eliminated.

Recommendation acceptable. Implementation began as of January 1, 1968. However, case histories must still be maintained.

Writeoff of Delinquent Taxes--page 15

PMM recommends that supervisory personnel review the files of a limited number of cases to insure that the writeoff is proper.

Recommendation acceptable.

Net Income Taxes--page 15

Automation of Tax Audits

PMM suggests that a study be made to determine the feasibility of implementing tax audits by use of computers.

Recommendation acceptable. Implementation is dependent upon the readiness of Computer Center II to accept additional programs.

Use of Identification Numbers--page 15

PMM suggests that social security numbers and general excise license numbers be used for individual identification numbers and for corporate taxpayer identification numbers, respectively.

Recommendation acceptable.

Uniformity in Performance of Tax Audits--page 16

PMM recommends that the Department should prepare an audit manual for examiners for each type of net income tax return which clearly defines the objectives of the audit and standards of performance and procedures.

Recommendation acceptable. Additional audit manuals will be prepared.

PMM recommends that the Department's policy relating to refunds be disseminated to all employees.

Although a policy is in effect, additional steps will be taken to insure proper dissemination of information to all employees.

PMM recommends that all amendments involving significant changes in taxable income be reviewed by the examiner to determine the propriety of such changes.

Recommendation is without basis as it has always been standard practice for the supervisors and the division head to check the propriety of changes on amended returns.

PMM recommends that the examiners initial the returns audited in order to establish responsibility for the work performed.

Recommendation acceptable. Examiners are supposed to initial returns upon completion of the audit, but more care will be exercised by the supervisor in the future to see that this is done.

PMM suggests that the department should review the present procedures to determine measures required to provide better assurance of quality audits.

Recommendation acceptable. Changes in office audit procedure instituted on January 1, 1969, should improve the quality of audits.

Real Property Taxes

Appraisal of Properties--page 17

PMM suggests that supervisory personnel test-check a sample of each appraiser's work to ascertain that appraisals are being made correctly and in accordance with division policies.

Although no test-checks, per se, are made of the appraiser's work, close supervision is exercised by supervisors in the more difficult and complex appraisals.

PMM also suggests that appraisers be rotated and assigned to a different section of property each year as a safeguard against any consistent under or overvaluation of properties.

The requirement of annual rotation of appraisers is not a practical one since appraising work involves analysis of many factors, including economic, social and physical surroundings of each property and requires that the appraiser be familiar with the site, the neighborhood and the community of those particular areas under his jurisdiction.

Adjustment of Assessed Values--page 17

PMM recommends that supervisory personnel verify the propriety, on a test basis, of adjustments made to field books, exemption files, and other pertinent data.

Recommendation is not too significant for reason that the only type of adjustment which an appraiser can lawfully make has to do with voiding duplicate assessments and correcting clerical errors, such as transposition in figures, typographical errors, and errors in calculations.

General Excise Tax--page 17

PMM suggests that the face of the annual return be rubber-stamped for the examiner's initials upon completion of audit.

Recommendation acceptable.

Penalty and Interest

Real Property Tax--page 18

PMM recommends that rechecking procedures be instituted on computations of real property penalties and interest.

Recommendation acceptable. More emphasis will be placed on this detail in the future.

General Excise Tax--page 18

PMM recommends that consideration should be given to the use of tax returns which clearly distinguish monthly and quarterly returns.

Recommendation acceptable. Tax form will be redesigned to achieve clarity.

Net Income Taxes--page 19

PMM suggests that all returns be date stamped.

Recommendation acceptable. However, manpower limitation poses a problem.

Filing of Tax Returns--page 19

PMM suggests that the importance of each individual's responsibility to sign for all returns taken out of files should be emphasized.

Recommendation acceptable. Necessity of complying with the procedure will be called to the attention of all employees involved.

MAUI DISTRICT

Delinquent Taxes--page 19

PMM suggests that the memorandum record be maintained by Collections Division clerical staff to enable the delinquent collector to concentrate on contacting delinquent taxpayers.

Recommendation acceptable. Study presently underway to eliminate non-essential clerical duties to enable the collector to concentrate on collection activities.

PMM suggests that control should be established over the collections by processing the payments through the cash register and only the return need be given to the delinquent collector for updating purposes.

There seems to be some misunderstanding on the part of the auditor concerning the procedure followed by the Collections Division of the Maui District Office. Payments received through the mail on delinquent bills paid after the demand date are routed to the delinquent unit only for the purpose of determining additional interest charges. The law requires that payments received must be applied first to interest, then to penalty and lastly to principal.

Real Property Tax--page 19

PMM suggests that supervisory personnel test-check a sample of each appraiser's work to ascertain that appraisals are being made correctly and in accordance with division policies.

Refer to the same subject as it relates to the Oahu District Office.

General Excise and Withholding Taxes--page 20

PMM suggests that control be established over the credits by maintaining the ledger control on a net basis.

Recommendation acceptable. Implemention is now underway.

HAWAII DISTRICT

Petty Cash and Change Fund--page 20

PMM recommends the establishment of a petty cash fund with the custody of such fund placed under the control of an individual not involved with the cashiering function.

Recommendation acceptable.

Cashiering Procedures--page 20

PMM recommends that the cash differences be recorded on ledger cards by cashier showing daily overages and shortages and the review and approval of such variances by the fiscal officer.

Recommendation acceptable.

KAUAI DISTRICT

Accounting Records--page 20

PMM recommends that accounting transactions be posted to the general ledger accounts in order to establish a more permanent record.

Recommendation acceptable.

Accounts Receivable--page 21

PMM suggests that new ledger cards be prepared only when the existing page is completely filled.

Recommendation acceptable.

PMM recommends that the general excise and Hawaii withholding ledger cards be revised to provide for a payment to date column.

Recommendation is not acceptable due to limited capacity of present equipment.

KONA AND MOLOKAI SUBDISTRICTS

Cash Collections--page 21

PMM recommends that all collections in these offices be recorded and deposited by them.

Recommendation acceptable. However, additional manpower is needed for the Kona office. Request for clerical help included in 1969-70 budget.

Attachment D

RECEIVED
JAN 1 3 1969
OFFICE OF THE AUDITOR
TIME

RECEIVED
FEB 4 1969
COMPTROLLER
STATE OF HAWAII

UNIVERSITY OF HAWAII • HONOLULU, HAWAII 96822

THE PRESIDENT

January 31, 1969

Mr. KeNam Kim
Comptroller, State of Hawaii
State Office Building
Honolulu, Hawaii 96813

This letter is written pursuant to a letter of January 25, 1969, from Mr. Clinton Tanimura, Legislative Auditor, to me which asks that we submit our comments to you on the recommendations made by Peat, Marwick, Mitchell & Co., in connection with their General Fund Audit of the fiscal year ended June 30, 1968.

As you are aware, we have already taken steps to improve our system of accounting and controls. The University has grown tremendously in both size and complexity of its operations. This includes a doubling of its enrollment in the past six years, addition of a rapidly developing community college system, and a fivefold increase in extramural (mostly Federal) funds for research and other operational programs. In 1968 the University, with the concurrence of Mr. Val Marciel, then State Comptroller, engaged Public Administration Service to develop a new accounting system which is adequate to handle the accounting, reporting, disbursing, purchasing, and treasury operations of a major university. Public Administration Service is still engaged in the design and installation of the new double-entry, modified accrual accounting system for the University. This, together with a number of ancillary procedural changes recommended by P.A.S., will basically be installed on July 1, 1969.

Many of the problems and deficiencies noted in the Peat, Marwick, Mitchell, management letter have already been resolved or corrected, and others are underway. Unfortunately, some of them cannot be resolved until the University receives authority to increase its staff in the Business Affairs Division.

The following comments refer to the pages indicated in the draft:

Pages 3 and 4 -- Employees Travel Advances

The University has already initiated improved follow up procedures to secure final reports on advances. Some of the delays may continue until more personnel can be obtained for the Disbursing Section.

Pages 5 and 6 -- Delay in Processing Vendor Invoices for Payment

Steps being taken by the University include the installation of new encumbrance and liquidation procedures designed by P.A.S. This will include weekly reports to departmental fiscal officers requesting information and follow up on past due encumbrances not yet liquidated. This system cannot be installed without additional personnel already requested.

Page 6 -- Purchases Prior to Issuance of Purchase Orders

Training programs for fiscal officers of the several colleges and divisions should eliminate this except for emergencies.

Pages 21 to 24 -- Delay in Transmittal of General Fund Revenue to State Treasury

The University was able to correct this problem at the beginning of the new fiscal year, on July 1, 1968. All cash transmittals are now current. This was accomplished by the installation of a letter of credit system and by additional cash pools obtained from the Federal Government. Should Federal cost reimbursables increase to the point of need for State funds, we shall once again ask the State Department of Budget and Finance for an advance as recommended. It should be noted that transmittals from neighbor island campuses to the Manoa campus may result in a delay of a few days in making further transmittal to the State Comptroller.

Page 24 -- Cash Transmittal Reports

Changes in University procedures were made some time ago, and this problem no longer exists. However, it should be noted that the heavy volume of tuition payments during registration periods will result in receipt dates being one or two days later than the day when actual payment was received.

Page 24 -- Earnings from Funds on Deposit

A study of the proper distribution of this interest income, as recommended, is nearly completed, and the interest will be distributed according to an agreed-upon formula.

Pages 24 and 25 -- Income from Sand Island

Any delay by the Department of Land and Natural Resources in transferring funds authorized by the Legislature will hereafter be referred to the State Comptroller, as recommended by the Auditor.

Pages 25 and 26 -- Indirect Overhead

The balance due General Fund of $610,177 was remitted to the State Comptroller in August, 1968. This item is related to the section of the report on "Delay in Transmittal of General Fund Revenue to the State Treasury." As explained earlier, the Director of Finance had been requested to provide an advance to the University in order to make the transfer possible. This will not be a problem during the current fiscal year as the appropriations act specifies that the University shall retain all indirect overhead funds.

Pages 26 to 28 -- Appropriated Receipts

With regard to paragraphs 3 and 4 here, it should be noted that the offset to the negative balance ($172,357) ... other Federal funds were in the general U.H. account and not in the other Federal accounts as the report implies. With regard to this and the following paragraph, it should be noted that the pool basis for handling Federal resources is the common method of operation recommended by the Federal Government. Such method inevitably results in debit and credit balances in the various detailed accounts for these cost reimbursable items.

The following numbers relate to subsections of this paragraph: (Page 27)

1. In the future we will advise the State Comptroller of any changes in our Federal Fund Report. We must point out, however, that we cannot know this until an audit is completed.

2. and 3. Because of our present single entry accounting system, the advances to Peace Corps operations were indicated as revenue instead of as payables which they were in reality. Contra-wise the repayment resulted in an apparent reduction in appropriated receipts instead of a debit to the payables. All this is an excellent reason for our new double-entry, modified accrual accounting system.

4. We cannot accept this as a valid criticism. The smaller Peace Corps research projects often have no connection with the major (training) program. More important, we must keep research projects separate from training projects.

5. Transactions for the use of foreign currencies are recorded and monthly reports are prepared by the East-West Center. It will be no problem to submit receipts, disbursements, and unexpended balance figures for the inclusion in the State's Annual Report of the Comptroller.

Of course, it is not University policy to finance a project from funds dedicated under contract to other projects. In the case of the Socio-Linguistics project mentioned, this was not done. The advance was made from overhead funds. Thus, this is not a valid criticism.

We agree with the suggestion on preparation of cash flows, but must add that the University simply does not have enough staff to accomplish it.

With regard to the last paragraph, the Defense Contract Audit Agency maintains a resident auditor at the University. He is regularly consulted on accounting and reporting procedures.

Pages 28 and 29 -- Fee Statement Control

First Paragraph -- This control feature was instituted with the beginning of the present fiscal year.

Second Paragraph -- This onerous task is no longer a problem as there is no more pre-registration.

Page 29 -- Library Fees, Fines, and Penalties

First Paragraph -- This problem was taken care of some time ago. The library is now adequately supplied with change.

Second Paragraph -- The University has considered this recommendation, and we believe that accounting would cost more than any possible losses of late return penalties.

Page 29 -- Sale of Products

The payment to the University for milk is based upon the butterfat content of the milk. This (butterfat weight) must be analyzed by the dairy. Thus, receipts cannot be based upon measurement of the milk. However, we shall investigate the situation to determine whether or not practical controls can be achieved.

Pages 29 and 30 -- Federal Cash Funds Disbursements

We feel this is a valid comment. Steps are being taken to correct the carelessness indicated, and we shall study several alternatives for a new system. The expansion of the check numbering system from 4 to 5 digits is already being designed into the new accounting system.

Page 30 -- Duplication of Accounts

We cannot accept this as a valid criticism. Some granting agencies require a separation of accounting by year. We believe this duplication is practiced only where required.

Page 30 -- Adherence to Purchase Order Procedures

First Paragraph -- The University does have a prescribed procedure for obtaining written approval for proprietary buys. This has been strengthened and enforced among the various buying divisions since the advent of the present fiscal year.

Second Paragraph -- Verification of the propriety of the many signatures has been in effect for some time. Procedures have been strengthened this fiscal year.

Page 31 -- Computer Center Billing

There seems to be some misunderstanding of the method used in setting rates for computer use at the University. The method actually used involved estimating total center costs, reducing this cost by estimated general fund support to be received, and dividing the remainder by the estimated number of billable hours. The estimated billable use was 80 hours per week (4160 hours per year). This method was necessary because the University has no knowledge of computer rental funds available on projects, and it would have been used even if such data were known in order to avoid the effects alleged in the audit report. Furthermore, the rates actually are low at present because billable hours have not amounted to 80 per week in recent months.

The so-called "free" use must be continued regardless of what the rates may be. The University's Computer Center is a major research resource, just as its buildings, faculty, and location are. When use of the computer is necessary to carry out research, it will be provided, whether a specific project can pay the costs or not. It is, of course, to the University's advantage to maximize billable time, but it is our obligation to furnish the service regardless.

Page 31 -- Maui Community College Registration Procedures

These two suggested procedures (1) use of consecutive number stamp, and (2) separation of duties, have been in effect at the Manoa campus for some time, as indicated previously. We shall take steps to see that the procedures are installed at Maui.

Pages 31 and 32 -- Hilo Campus Cash Transmittals to Manoa Campus Business Office

New procedures were initiated at the Hilo campus several months ago, which included this suggestion.

Page 32 -- Hilo Campus Late Registration

If Hilo campus is unable to separate this process by using two persons, we shall take appropriate steps.

Page 32 -- Conclusion

Uniform Treasury Deposit Receipts and procedures are now in use at the several campuses.

We trust that the foregoing will be sufficient for your reply to the Legislative Auditor.

Robert W. Hiatt
Acting President

hh

cc: Clinton Tanimura
Richard Takasaki