
Financial Audit of the University of Hawaii at Manoa Summer Session Program

A Report to the
Governor
and the
Legislature of
the State of
Hawaii

Report No. 99-19
April 1999

THE AUDITOR
STATE OF HAWAII

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Governor
and the
Legislature of
the State of
Hawaii

Conducted by

The Auditor
State of Hawaii
and
Nishihama &
Kishida, CPA's, Inc.

Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 99-19
April 1999

Foreword

This is a report of the financial audit of the University of Hawaii at Manoa Summer Session Program for the fiscal year July 1, 1997 to June 30, 1998. The audit was conducted pursuant to Section 23-4, Hawaii Revised Statutes, which requires the State Auditor to conduct postaudits of all departments, offices, and agencies of the State and its political subdivisions. The audit was conducted by the Office of the Auditor and the certified public accounting firm of Nishihama & Kishida, CPA's, Inc.

We wish to express our appreciation for the cooperation and assistance extended by officials and staff of the summer session program and administration of the University of Hawaii at Manoa.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

This is a report of our financial audit of the University of Hawaii at Manoa Summer Session Program (Summer Session) conducted by the Office of the Auditor and the independent certified public accounting firm of Nishihama & Kishida, CPA's, Inc. The audit was conducted pursuant to Section 23-4 of the Hawaii Revised Statutes which requires the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

Background

The primary goal of the Summer Session is to bring variety and flexibility to the instructional programs of the university. The Summer Session also helps students accelerate their progress toward degrees or certificates, provides continued guided research at the graduate level, and contributes to the intellectual and cultural life of the community with public lectures, symposia, concerts, recitals, and exhibitions.

The Summer Session is divided into two six-week terms running from late May to early August. Institutes, workshops, and special courses as well as credit courses are also offered during the regular university fall and spring semesters. In addition, the Summer Session offers year-round noncredit programs. Over 1,100 undergraduate and graduate courses are offered ranging from Hawaiian archaeology to zoology.

Approximately 6,000 and 5,500 students were enrolled in credit courses for the second summer session of 1997 and first summer session of 1998, respectively. The Summer Session earned approximately \$5 million in tuition fees and expended approximately the same amount during FY1996-97.

The Summer Session's operation is funded primarily by a special revenue revolving fund that allows the Summer Session to operate fairly autonomously within the university. This autonomy fostered innovations such as the PA'E (phone-assisted enrollment) system developed by Summer Session personnel and student hires. PA'E allows the student to register for classes by telephone, eliminating the historical lengthy queues in which the student must obtain course cards and pay in person at a designated time. The system also enables the student to change classes, review grades, and review other class-related information. The Summer Session turned over the PA'E system to the university, without reimbursement for development costs, to benefit all university students throughout the year.

The summer instructional program at the University of Hawaii at Manoa was administered by the Office of the Dean of the Summer Session until May 31, 1998. On June 1, 1998, the Summer Session program ceased to exist when it merged with the College of Continuing Education and Community Services (CCECS) to form the Outreach College. Its accounting records, however, continued to be maintained separately from those of CCECS. Programs and activities formerly administered by the Summer Session are now administered by the Office of the Dean of the Outreach College.

Organization of the Summer Session Prior to June 1, 1998

Prior to the merger, the Summer Session dean reported to the Office of the Senior Vice President and Executive Vice Chancellor, University of Hawaii at Manoa. The Summer Session program was supported by public services programs staff as well as administrative and fiscal personnel. The programs staff determined, developed, and facilitated the delivery of the courses offered. They also provided administrative support to instructors, monitored courses, and facilitated and promoted the use of distance technology. Administrative and fiscal personnel provided financial management, planning and marketing of the programs, registration management, and academic advising.

Objectives of the Audit

1. To assess the adequacy, effectiveness, and efficiency of the systems and procedures for the financial accounting, internal control, and financial reporting of the University of Hawaii at Manoa Summer Session; to recommend improvements to such systems, procedures, and reports; and to report on the financial statements of the Summer Session.
 2. To ascertain whether expenditures and other disbursements have been made and all revenues and other receipts have been collected and accounted for in accordance with federal and state laws, rules and regulations, and policies and procedures.
 3. To make recommendations as appropriate.
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Scope and Methodology

Our contract with Nishihama & Kishida, CPA's, Inc. required an audit of the financial records and transactions and a review of the related systems of accounting and internal controls of the Summer Session for the fiscal year ended June 30, 1998. Included in the scope of the work were all fund types except the plant fund. The contract also provided for a review of the Summer Session's transactions, systems, and procedures for compliance with applicable laws and regulations.

Work was conducted from July 1998 through February 1999 in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants and standards for financial audits set forth in the U.S. General Accounting Office's *Government Auditing Standards* (1994 Revision). Because the Summer Session ceased to exist as a financial reporting entity after May 31, 1998, Nishihama & Kishida, CPA's, Inc. were unable to express an opinion as to the fairness of the financial information presented in Chapter 3 which was reported as of and for the fiscal year ended June 30, 1998.

To the extent possible, we examined the Summer Session's accounting, reporting and internal controls for the period of July 1, 1997 through May 31, 1998, and a portion of the Outreach College's accounting forms and records for the month of June 1998 as they relate to operations previously handled by the Summer Session.

Chapter 2

Internal Control Practices

Internal controls are steps instituted by management to ensure that objectives are met and resources are safeguarded. This chapter presents our findings and recommendations on the financial accounting and internal control practices and procedures of the University of Hawaii at Manoa Summer Session Program (Summer Session).

Summary of Findings

We found three deficiencies in the financial accounting and internal control practices. One deficiency was serious enough that the certified public accounting firm of Nishihama & Kishida, CPA's, Inc. was unable to audit and express an opinion on the Summer Session's financial statements. The findings are summarized below:

1. Pro rata assessments amounting to \$813,000 imposed by the University of Hawaii at Manoa's administration on the Summer Session Special Fund apparently violated Sections 37-53 and 36-30, Hawaii Revised Statutes (HRS).
2. Financial statements provided by the Summer Session for the FY1997-98 were incorrectly reported. Consequently, Nishihama & Kishida, CPA's, Inc. could not audit the financial statements.
3. Approximately \$4,000,000 of special fund transfers from the Summer Session used for the renovation of the university's Krauss Hall Complex violated the fund's intent and purpose.

Pro Rata Assessment Apparently Violated State Laws

Pro rata assessments on the University of Hawaii at Manoa's Summer Session Special Fund helped to pay for library and general operating expenses of the university system. An assessment of \$500,000 in FY1996-97 for library expenses and a second assessment of \$313,000 in FY1994-95 for university general fund expenses apparently violated Sections 37-53 and 36-30, HRS.

Assessment for library expenses apparently violated section 37-53, HRS

The university authorized the expenditure of \$500,000 from the Summer Session Special Fund to pay for a portion of the university libraries' operating costs and apparently did not obtain the required governor's approval in accordance with Section 37-53, HRS. The university performed this complicated series of events described in Exhibit 2.1:

Exhibit 2.1
Series of Events for the \$500,000 Assessment on the Summer Session Special Fund

Date	Description
November 1995	University officials discuss possible \$1.5 million annual assessment of the special fund for university overhead.
May 1996	A university official identifies \$750,000 and \$1 million for FY1996-97 and FY1997-98 respectively to be assessed to the Summer Session Special Fund for university general fund costs.
January 1997	A university official instructs Summer Session to transfer \$400,000 in FY1996-97 for library books as part of the general fund costs. The remaining \$350,000 of the \$750,000 is to be evaluated later.
	The \$1 million for FY1997-98 is deferred after determining the impact of tuition increases on revenue.
February 1997	A university official instructs the Summer Session to transfer the \$400,000 for library books by April 15, 1997; however, a summer session official questions the legality of the transfer.
March 1997	A university official instructs Summer Session to charge the \$400,000 to the Summer Session Special Fund directly because a transfer is not the appropriate procedure. The summer session does not charge its special fund for the \$400,000.
April 1997	\$1.2 million authorized by the Legislature in 1993 for the Krauss Hall renovation, which lapsed July 1, 1996, is returned to the university at its request. The funds are deposited into a new library services subaccount of the Summer Session Special Fund.
June 1997	\$500,000 out of the \$1.2 million (instead of the \$400,000) is used to purchase library books.
September 1997	The remaining \$700,000 of the \$1.2 million, including interest of \$20,000, is transferred to the Department of Accounting and General Services for the Krauss Hall renovation upon reauthorization by the Legislature.

To deal with budget difficulties during FY1995-96, university officials considered assessing university special funds for university overhead. Although the initial assessment to the Summer Session was computed at \$1.5 million, university officials adjusted the assessment figure several times before finally deciding on the \$500,000 amount.

The moneys originally came from summer session special funds initially authorized by the Legislature in 1993 for the renovation of the Krauss Hall Complex, and which lapsed on July 1, 1996. The \$1.2 million went back to the university after a request was approved by the director of finance to liquidate investments of \$1.2 million, and return the funds for “purposes critical to the university.” University officials established a library services subaccount within the accounting system of the Summer Session Special Fund, and credited the \$1.2 million to the subaccount. We were informed that university officials, and not the Summer Session, were authorized to expend or transfer funds to and from this subaccount.

By using Summer Session Special Fund moneys, the university effectively made a special fund transfer to meet library operating requirements historically financed by general funds. Such transfers are allowable when amounts transferred are determined to be in excess of a program’s needs and are approved by the governor (or the director of finance if so delegated by the governor) in accordance with Section 37-53, HRS. The university apparently violated this statute, as it could not provide us with documents to indicate approval by the governor or the director of finance. Even if the transfer were approved, the transfer was still a violation of the statute since the \$500,000 was not excess funds, as it was earmarked for the Krauss Hall renovation. In addition, the lack of governor or director of finance approval for the transfer is inconsistent with the university’s handling of the summer session funds used for the Krauss Hall renovation. The university sought and received legislative approval for the use of university special funds for the renovation.

Assessment for library expenses apparently violated section 36-30, HRS

Section 36-30, HRS, states that each special fund is responsible for its pro rata share of the administrative expenses incurred by its department. Administrative expenses include, but are not limited to, salaries, maintenance of buildings and grounds, utilities, and general office expenses. Section 36-30, HRS, specifically excludes the Summer Session Special Fund from this assessment. However, we found that the university appears to have labeled a \$500,000 assessment on the Summer Session Special Fund as “academic support” in order to avoid violating the statute.

In May 1996, university officials informed the Summer Session of its intent to transfer \$750,000 of the university's general fund costs to the Summer Session. General fund costs include administrative costs; therefore, academic support is simply another name the university used for administrative costs. In January 1997, some university officials identified part of the general fund cost to be the purchase of library books.

Although library books may provide academic support, the original intent of the assessment was for administrative costs. In addition, the library serves the public as well as students, bringing the "academic support" label into further question. To justify the amount of the assessment to the Summer Session, the university did the following computation: FY1996-97 estimated expenditures for library services (including salaries, equipment, and other current expenses and excluding library books) multiplied by 24.7 percent (representing the prorated operating hours of the library during the summer session). The inclusion of administrative costs, such as salaries of the library administrative staff, apparently violated Section 36-30, HRS.

As described earlier, the assessment to the Summer Session was originally computed at \$1.5 million and later reduced to \$500,000 based on the Summer Session's ability to bear this adjusted cost. The \$500,000 was then expended directly from the Summer Session account for library books—an item originally excluded as a library administrative expense.

Special funds transferred for university general operating expenses apparently violated sections 37-53 and 36-30, HRS

The university also apparently violated Sections 37-53 and 36-30, HRS, by assessing the Summer Session Special Fund for a pro rata share of administrative or general fund costs amounting to \$313,000 during FY1994-95.

In February 1995, the governor directed the university to plan for a reduction of approximately \$36 million in general funds over a three-year period from July 1, 1994, to June 30, 1997, with a target reduction of approximately \$7 million for the fiscal year ended June 30, 1995. In response, the university offset the amount of reduction in budgeted general fund expenditures by transferring certain amounts from its special funds to the state treasury. The funds affected and the amount transferred were centrally determined based on the ending fund balances as of June 30, 1994. Funds in excess of \$100,000 were assessed a differential rate of 20 percent. The summer session fund was assessed 20 percent. On May 19, 1995, the Board of Regents approved the transfer of \$313,000 from the Summer Session Special Fund to the State as part of the planned general fund expenditure reduction.

The university was unable to locate the required approval document to effect the transfer of Summer Session funds to the State. It appears that Section 37-53, HRS, that requires the approval of the governor or the

director of finance to make a special funds transfer was violated. In addition, the transfer was applied to the reduction of the university's general operating expenses in total, which includes administrative costs. By assessing the Summer Session for administrative costs, it appears the university also violated Section 36-30, HRS. As described earlier, this section states that each special fund is responsible for its pro rata share of administrative expenses incurred by a department but specifically excludes the Summer Session from this assessment.

Recommendation

The Outreach College (formerly Summer Session and Continuing Education programs) and the university should comply with the statutes.

Summer Session's Financial Report is Deficient

The Summer Session's financial reporting system generated an incomplete and inaccurate report. We requested financial statements for the Summer Session's last reporting period and received financial statements as of and for the fiscal year ended June 30, 1998. However, the Summer Session ceased to exist as a reporting entity on May 31, 1998, when it merged with the College of Continuing Education and Community Services (CCECS) to form the Outreach College.

However, accounting records for the Summer Session continued to be maintained separately from CCECS and financial activities were recorded in the respective accounts as if there were no change to the entities. Also, the Summer Session financial statements were incomplete and inaccurate, lacking tuition revenue amounting to approximately \$2 million for the first session beginning in May 1998 and incorrectly including financial activities of the Outreach College for June 1998.

The purpose of financial statements is to provide reports on the financial position, financial activities, and changes in fund balances of the reporting entity. Also, financial reports are important in providing management with the tools to make prudent operating decisions. The lack of complete, timely, and accurate information places the program at risk.

The reporting period for the Summer Session's financial statements should have ended on May 31, 1998, the last day of the session's operations. Thus, there should have been no financial statements as of and for any period ended June 30, 1998 because the Summer Session did not exist as a reporting entity. The balance sheet reported account balances for an entity that did not exist and the statement of current funds, revenues, expenditures and other changes incorrectly included financial activities for a portion of the Outreach College for the month of June

1998. Consequently, the auditors were unable to report an opinion on the financial statements. This deficiency rarely exists and is a significant reporting weakness recognized in the auditing industry.

Recommendation

The Outreach College should exercise care in accurately and timely presenting financial statements.

The Special Fund Transfer For The Krauss Hall Renovation Violated the Fund's Intent and Purpose

Act 296, SLH 1991, authorized the governor's request to transfer \$1.535 million of university special funds for the Krauss Hall renovation. The Legislature also authorized for the renovation \$2.873 million and \$1.45 million of university special funds by Act 289, SLH 1993, and Act 328, SLH 1997, respectively. Use of the University of Hawaii Summer Session Special Fund for the renovation of the Krauss Hall Complex violated the intent and purpose of the fund.

Krauss Hall is one of the university buildings included in a campus historic district that is listed on the National Register of Historic Places. In 1990, an architectural firm studied the possibility of renovating the building. The renovated building was intended to be used for general offices and some classrooms with the primary tenant being the Summer Session. In 1991, the Legislature approved the renovation of Krauss Hall using special funds.

Also in 1991, artist John Young offered to donate his art collection to the university. The collection was originally to be housed in the planned School of Hawaiian Asian Pacific Studies (SHAPS) building. However, when the likelihood of constructing the SHAPS building became improbable, the then university president proposed that the collection and curator's office be housed in Krauss Hall after the proposed renovation.

The gallery houses John Young's collection from around the world, his personal research library, and a garden decorated with Asian sculptures from Mr. Young's personal garden. The gallery benefits the university and general community as well as students and researchers of art, archaeology, Asian and Pacific studies, and history. In addition, the collection may be of potential use to graduate students' research in ancient artifacts. All regularly enrolled University of Hawaii at Manoa students will have free access to the gallery, although an admission fee may be charged to others, including the general public. However, this fee would not be used to reimburse the Summer Session, thus violating the intent and purpose of the Summer Session Special Fund.

Because the art gallery's primary purpose is to benefit the university and the public in general, its purpose does not provide a direct link with summer session students. The benefits gained by the summer session students from the art gallery are incidental.

From the time the university considered renovating the building until its renovation completion in September 1998, the entire building, including the art gallery, remained university property. Krauss Hall is not and never was the property of the Summer Session. Although the Summer Session was intended to be the primary tenant of Krauss Hall, occupancy cannot be predicted for a length of period that would justify the use of the Summer Session Special Fund to finance the renovation. This is illustrated by the merger of the Summer Session Office with the College of Continuing Education and Community Services on June 1, 1998. As part of the merger, some of the Summer Session's fiscal and administrative support personnel moved to another location in September 1998. Although their vacated space at Krauss Hall can be used for classes and activities formerly administered by the Summer Session, the use of summer session funds for building renovations cannot be justified based upon anticipated but not guaranteed use of the building.

Section 37-62, HRS, defines special funds as those "dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds." At the time of the special fund's establishment in 1985, Section 304-8, HRS, stated in part that, "Income from fees for tuition and similar charges against students and income derived from sale of goods or services shall be deposited to the credit of the general fund of the State; . . . and provided further that upon the recommendation of the director of finance, the comptroller may establish such other separate accounts or special funds for other designated revenues as may be deemed in the best interest of the university and the State. . . ." The program's special fund was administratively established by the university in August 1985 with the approval of the Department of Budget and Finance. However, at that time, only the name of the fund was identified. Its purpose or nature was not established.

Although there is no legal definition of the specified purpose, nature, or use of this special fund, these elements may be implied by its name and historical use. Thus it can be derived that the fund is for the purpose of depositing revenues generated by the operations of the program. Also, the fund should be expended for program operations which benefit program-paying participants. This concept is validated by Act 240, SLH 1990, which authorized the State Auditor to evaluate special and revolving funds existing on or prior to July 1, 1990. Funds should be continued, modified, or repealed based on at least two criteria:

1. The fund continues to serve the purpose for which it was originally created; and

2. The fund reflects a clear link between the benefit sought and the charges made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support which is removed from the normal budget and appropriations process.

Section 2 of the same act established a requirement that these criteria also be used in creating new special and revolving funds.

In addition to state laws, the Summer Session is subject to the requirements of the *Audits of Colleges and Universities* written by the American Institute of Certified Public Accountants. The Summer Session used current unrestricted funds to finance the renovation of Krauss Hall. *Audits of Colleges and Universities* defines unrestricted funds as “those economic resources of the institution which are expendable for any purpose in performing the primary objectives of the institution . . . which have not been designated by the governing board for other purposes.”

The Summer Session’s purpose is to help students accelerate their progress toward degrees or certificates, provide continued guided research at the graduate level, and contribute to the intellectual and cultural life of the community. The purpose of the Summer Session does not include the construction of capital projects. Renovation of Krauss Hall does not contribute directly toward the goals of the Summer Session.

Approximately \$4 million expended by or transferred from the Summer Session for the renovation of Krauss Hall was not a direct cost of the program. These expenditures do not directly benefit the population of students in Summer Session. It appears that the university used Summer Session special funds for the Krauss Hall renovation and to later fulfill a bequest of the John Young Estate and not for the purpose of benefiting the summer session students.

Recommendation

We recommend that the university use special funds for the purpose for which the funds were established.

Chapter 3

Financial Audit

This chapter normally would present the results of the financial audit of the University of Hawaii at Manoa Summer Session Program (Summer Session) as of and for the fiscal year ended June 30, 1998. However, due to the incorrect financial statements provided to us as stated in Chapter 2, we were unable to perform a financial audit of the Summer Session. As a result, there is no independent auditors' report and report on compliance and internal control over financial reporting as they relate to the Summer Session.

For informational purposes, however, this chapter displays the financial statements provided by the Outreach College for the Summer Session (which no longer existed as a reporting entity) as of and for the fiscal year ended June 30, 1998.

Summary of Findings

Because the Summer Session ceased to exist as a reporting entity as of May 31, 1998, financial information of its operations should have been prepared for the period from July 1, 1997 through May 31, 1998. Instead, a balance sheet was provided as of June 30, 1998, and statements of current revenues, expenditures, and other changes and changes in fund balances and statement of changes in plant fund balance were provided for the period July 1, 1997 through June 30, 1998. No financial information was provided as of May 31, 1998 and for the eleven month period of the Summer Session's existence.

Independent Auditors' Report

The firm of Nishihama & Kishida, CPA's, Inc. was unable to express any opinion on the financial information provided by the Outreach College since the information was as of a date on which the Summer Session did not exist as a reporting entity. Refer to Chapter 2 for details.

The following financial information was provided by the Outreach College to the auditors and is unaudited.

Balance Sheet - June 30, 1998 (Exhibit A);

Statement of Current Fund Revenues, Expenditures, Other Changes and Changes in Fund Balance - fiscal year ended June 30, 1998 (Exhibit B);

Statement of Changes in Plant Fund – fiscal year ended June 30, 1998 (Exhibit C).

University of Hawaii at Manoa - Summer Session
BALANCE SHEET
June 30, 1998

	Current Funds			Endowment Funds	Plant Fund
	Unrestricted	Restricted	Total		
ASSETS					
Cash	\$ 79,739	\$ 185,925	\$ 265,664	\$ --	\$ --
Imprest checking	15,600	--	15,600	--	--
Time certificates of deposit	1,323,470	--	1,323,470	--	--
Investments	--	--	--	28,148	--
Accounts receivable, less allowance for doubtful accounts of \$6,876	89,981	--	89,981	--	--
Receivable from grantors	--	2,900	2,900	--	--
Accrued interest receivable	3,039	437	3,476	--	--
Prepaid expense	27,673	--	27,673	--	--
Equipment	--	--	--	--	744,105
	<u>\$ 1,539,502</u>	<u>\$ 189,262</u>	<u>\$ 1,728,764</u>	<u>\$ 28,148</u>	<u>\$ 744,105</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ 52,679	\$ --	\$ 52,679	\$ --	\$ --
Deposits payable	--	227	227	--	--
Accrued payroll	740,121	--	740,121	--	--
Advance from sponsor	3,000	--	3,000	--	--
Accrued vacation	199,284	--	199,284	--	--
Other accrued liabilities	236,643	--	236,643	--	--
Due to State	5,600	--	5,600	--	--
Deferred revenue	226,296	--	226,296	--	--
Total liabilities	<u>1,463,623</u>	<u>227</u>	<u>1,463,850</u>	<u>--</u>	<u>--</u>
Fund balances					
Reserved for encumbrances	241,350	--	241,350	--	--
Undesignated	(165,471)	189,035	23,564	--	--
Endowment	--	--	--	28,148	--
Investment in plant	--	--	--	--	744,105
Total fund balances	<u>75,879</u>	<u>189,035</u>	<u>264,914</u>	<u>28,148</u>	<u>744,105</u>
	<u>\$ 1,539,502</u>	<u>\$ 189,262</u>	<u>\$ 1,728,764</u>	<u>\$ 28,148</u>	<u>\$ 744,105</u>

University of Hawaii at Manoa - Summer Session
STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES, OTHER CHANGES
AND CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 1998

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
REVENUES			
Tuition and fees, including grants-in-aid of \$101,329	\$ 4,349,427	\$ --	\$ 4,349,427
Contracts and grants	--	7,763	7,763
Ticket sales	72,351	--	72,351
Interest income	80,266	5,486	85,752
Other income	38,923	4,143	43,066
	<u>4,540,967</u>	<u>17,392</u>	<u>4,558,359</u>
Total revenues			
EXPENDITURES			
Compensation			
Instructional	1,214,429	--	1,214,429
Administrative	3,482,553	--	3,482,553
Student help	283,090	983	284,073
Supplies	269,074	608	269,682
Service fees	356,096	8,973	365,069
Rent of program facilities	4,912	--	4,912
Printing	109,193	3,950	113,143
Travel and transportation	65,394	3,400	68,794
Postage and freight	68,008	--	68,008
Utilities	68,370	--	68,370
Advertising	74,882	1,000	75,882
Equipment purchases	125,993	--	125,993
Rent of equipment	51,649	--	51,649
Repairs and maintenance	12,901	--	12,901
Computer software	29,489	--	29,489
Grants-in-aids	101,329	--	101,329
Dues and subscriptions	10,461	--	10,461
Other current expenditures	71,698	240	71,938
	<u>6,399,521</u>	<u>19,154</u>	<u>6,418,675</u>
Total expenditures			
Transfers in			
Operating funds	1,355,000	--	1,355,000
	<u>1,355,000</u>	<u>--</u>	<u>1,355,000</u>
NET DECREASE IN FUND BALANCE	(503,554)	(1,762)	(505,316)
FUND BALANCE AT BEGINNING OF FISCAL YEAR	579,433	190,797	770,230
	<u>579,433</u>	<u>190,797</u>	<u>770,230</u>
FUND BALANCE AT END OF FISCAL YEAR	\$ 75,879	\$ 189,035	\$ 264,914
	<u>\$ 75,879</u>	<u>\$ 189,035</u>	<u>\$ 264,914</u>

University of Hawaii at Manoa - Summer Session
STATEMENT OF CHANGES IN PLANT FUND BALANCE
Fiscal Year Ended June 30, 1998

Plant fund balance at beginning of fiscal year	\$ 759,762
Acquisitions	125,993
Dispositions	<u>(141,650)</u>
Plant fund balance at end of fiscal year	\$ <u>744,105</u>

Response of the Affected Agency

Comments on Agency Response

We transmitted a draft of this report to the University of Hawaii at Manoa on April 8, 1999. A copy of the transmittal letter to the university is included as Attachment 1. The university's response is included as Attachment 2.

The university generally disagrees with our findings and recommendations. Its attached material and arguments, however, were already reviewed and considered not only by the contract auditors but also by legal counsel engaged by our office. Additional materials from the university's files that were not included in the university's response were also considered by us in arriving at our findings and recommendations. Moreover, our finding on the Summer Session's financial statements was validated by the American Institute of Certified Public Accountants.

We stand on our report, except for a few editorial changes made to our draft report for the purposes of clarity, consistency, and style.

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

April 8, 1999

COPY

The Honorable Kenneth P. Mortimer
President
University of Hawaii
Bachman Hall
2444 Dole Street
Honolulu, Hawaii 96822

Dear Dr. Mortimer:

Enclosed for your information are three copies, numbered 6 to 8 of our draft report, *Financial Audit of the University of Hawaii at Manoa Summer Session Program*. We ask that you telephone us by Monday, April 12, 1999, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Friday, April 16, 1999.

The Governor and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa
State Auditor

Enclosures



UNIVERSITY OF HAWAII

April 15, 1999

PRESIDENT, UNIVERSITY OF HAWAII
AND CHANCELLOR, UNIVERSITY OF HAWAII AT MĀNOA

Ms. Marion Higa
State Auditor, Office of the Auditor
465 South King Street, Room 500
Honolulu, HI 96813

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OFF. OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

Thank you for the opportunity to respond to the draft of the report, Financial Audit of the University of Hawai'i at Mānoa Summer Session Program.

Our response focuses upon the three findings on internal control practices and is found in the following section.

It should be mentioned that the University takes exception to the finding regarding the use of Summer Session special funds for library expenses. The University obtained a formal opinion from the Attorney General validating that library services inure to the benefit of students enrolled in summer courses and therefore, funding such services with Summer Session special funds is not illegal. A copy of that opinion is included in our response.

Again, thank you for the opportunity to respond. My staff and I would be happy to further clarify matters as necessary.

Sincerely,

for 

Kenneth P. Mortimer
President, University of Hawai'i and
Chancellor, University of Hawai'i at Mānoa

Attachments

Finding:

“Pro Rata Assessments Apparently Violated State Laws”

The University strongly disagrees with the finding that, *“Pro rata assessments amounting to \$813,000...violated Sections 37-53 and 36-30, Hawai‘i Revised Statutes (HRS).”* The basis for the reported findings we believe is the result of a lack of understanding by investigators of: the Summer Session program at Mānoa in the context of the total instructional program of the campus; the appropriate means of financing the program; authority over Summer Session special funds within the University; and what constitutes the functional categories used for budgeting and accounting by the University of Hawai‘i.

Also, the University is disturbed at the tone of the report’s findings in this section particularly with respect the allegations that laws have been violated or deliberately circumvented by the University administration. The investigators have assumed erroneously that the expenditures for library services made with Summer Session special funds have no relationship to the Summer Session program and therefore such expenditures were made with moneys excessive to the requirements of the program even though they were given a copy of an opinion by the State Attorney General validating the relationship of those expenditures to the Summer Session Program. Also, they have erroneously and unilaterally redefined such expenditures as transfers to the State general fund in alleging that HRS, Section 37-53 was violated. Your investigators have also unilaterally redefined expenditures for library services as administrative expenditures and furthermore have confused legal responsibility of the State Director of Finance with that of the University with respect to the financing of departmental administrative expenses as the basis for alleging that HRS, Section 36-30 was violated.

More specific comments follow.

“Assessment for Library Expenses Apparently Violated Section 37-53, HRS”

The report states, *“The University authorized the expenditure of \$500,000 ... and apparently did not obtain the required governor’s approval in accordance with Section 37-53 HRS.”* Section 37-53 states that *“...any department may, with the approval of the governor or the director of finance..., transfer from any special fund...to the general revenues of the State all or any portion of moneys determined to be in excess of fiscal year requirements...”*

We do not believe Section 37-53 applies to the actions taken by the University with respect to the expenditures made for library services. The \$500,000 expenditure was not from *“moneys determined to be in excess of fiscal year requirements”* but rather for requirements necessary to the teaching of students enrolled in summer courses. Furthermore, no moneys were transferred to the general revenues of the State as implied in the report.

The University has long believed that by allowing the transfer of special fund *“moneys in excess of fiscal year requirements”* to the general revenues of the State, HRS 37-

53 effectively authorizes the use of such moneys for purposes completely unrelated to the intended purposes for which charges generating the moneys were authorized and made. Indeed, by transferring these moneys to the State general fund, the identification of those moneys with the originating special fund disappears. This was not the University's intent when the expenditure of Summer Session special funds for library services was made. Clearly, as validated by a legal opinion on the appropriateness of using Summer Session special funds for library services (copy attached), the University's intent was to use these funds for purposes which support and in fact are essential to effective summer instruction.

We also would like to point out factual errors in the report. The statement on the top of page 7 reads, *"To deal with budget difficulties during FY 1995-96, University officials considered assessing all special funds for University overhead. Although the initial assessment to the Summer Session was targeted at \$1.5 million....finally deciding on the \$500,000 amount."* The University did not consider assessing all special funds for University overhead to deal with budget difficulties in FY 1995-96. Furthermore, the \$500,000 expenditure was made in FY 1996-97. To deal with the Governor's directive to restrict general funds in FY 1994-95, the University did transfer excess fund balances to general fund revenues, however, this was not for the purpose of offsetting University overhead.

We note that at the bottom of the third paragraph on page 7, your report states that under Section 304-4, University officials and not the Summer Session can expend or transfer funds from the Summer Session sub-account established for moneys returned from DAGS, only if the special fund sub-account was used for property or equipment related purposes. We do not interpret any part of Section 304-4 as limiting the use of any sub-account for any special fund by any University official, to property or equipment related purposes and therefor disagree with your office's findings in this regard.

We note that at the end of the third paragraph on page 7 that it is stated, *"Even if the transfer were approved, the transfer was still a violation of the statue since the \$500,000...was earmarked for the Krauss Hall renovation."* At the time that the \$500,000 expenditure was made in FY 1997, the appropriation for the Krauss Hall renovation had lapsed. No funds were authorized by the Legislature for the Krauss Hall renovation during that period and we strongly disagree with the statement that these funds were earmarked at the time that they were used for library expenditures.

We note also in the same paragraph the statement that, *"... the lack of governor or director of finance approval for the transfer is inconsistent with the University's handling of the Summer Session funds used for the Krauss Hall renovation. The University sought and received legislative approval for the use of university special funds for the renovation."* Your office assumes that the expenditure of Summer Session special funds for library services and for the renovation of Krauss Hall both were with funds determined to be in excess of fiscal year requirements to operate the Summer Session instructional programs. This assumption is erroneous. Moneys expended for library services were not in excess of FY 1996-97 requirements for Summer Session but in fact were part of those requirements, as explained earlier and, therefore, should not be treated the same as the expenditures for the Krauss Hall

renovations. Furthermore, even with this distinction, the University did include the planned use of Summer Session special funds for library services in the operating budget request for FY 1996-97. The budget request was reviewed by the Director of Finance and approved by the Governor through the inclusion of this item in the executive budget. Subsequently, this item approved by the Legislature as part of the special fund appropriations for the University for FY 1996-97. The auditor was provided with legislative worksheets validating the Legislature's action.

“ Assessment for Library Services Apparently Violated Section 36-30, HRS”

Section 36-30, HRS excludes the Summer Session special fund from assessments of special funds by the State Director of Finance for departmental administrative expenses. These assessments are accomplished by transferring special fund moneys into the State general fund.

The long-standing practice of the University as with other colleges and universities throughout the United States is to budget and account for library expenditures under the functional category *academic support*. Library service expenditures are very distinct from departmental administrative expenditures which include items supporting such functions as accounting, budgeting, personnel management, procurement, disbursing, and executive management. These categories fall under the functional category *institutional support*. We do not believe that administrative expenses as intended under Section 36-30, HRS, include library services, and there was no attempt to circumvent the law as implied in the last sentence of the last paragraph on page 7.

Also, we should point out that the exclusions under Section 36-30, HRS, refer to the assessment made by the State Director of Finance for deposit in the State general fund. We believe that the section does not prohibit departments such as the University from directly charging a special fund an appropriate amount for administrative costs incurred in support of the program funded by that fund. Furthermore, you may recall that an earlier study conducted by the Office of the State Auditor validated the concept that administrative costs incurred on behalf of special funds should be borne by those funds without exception. Even if library services are considered administrative expenses, we do not believe internally charging the Summer Session special fund would be in violation of Section 36-30 and also would be sound fiscal policy consistent with the findings of the Auditor's Office in its earlier study.

“Special Funds Transferred for University General Operating Expenses Apparently Violated Sections 37-53 and 36-30, HRS”

To meet the restrictions on State general funds directed by the Governor for FY 1994-95, the University evaluated the fund balances of its various special funds to determine whether there would be balances in excess of each fund's requirements for the fiscal year. The University identified the amounts to be transferred to the State general fund as documented by the approval of the University Board of Regents (see copy of memorandum attached) and submitted the proposed transfers to the State Director of Finance (see copy of memorandum

attached). The State Director of Finance did not reject, question or otherwise change the University's proposal. The State Comptroller subsequently approved a state journal voucher transferring the \$313,000 from the Summer Session special fund to the State Treasury (see copy of memorandum attached). We believe these actions constituted tacit approval of the transfer by the State Director of Finance, and there was no violation of Section 37-53. Copies of all documents referred to herein were provided the auditors (see copy of memorandum attached).

Your findings also assume that the transfer of the \$313,000 was an assessment for departmental administrative expenses and therefore was in violation for of Section 36-30. The transfer was made under authority of Section 37-53 as discussed above and the purpose and penultimate result of the transfer was to increase the available general funds in the State Treasury. The University did not expend any of these funds for departmental administrative expenses of the University. Furthermore, at no time was it ever the University's intent nor was there any indication made which would lead to any assumption that the \$313,000 was an assessment for administrative expenses. We do not believe there was any violation, apparent or not, of Section 36-30; and we question seriously the basis for the assumption made in the report.

Finding:

"Summer Session Financial Report is Deficient"

Although the Summer Session as a separate reporting entity ceased to exist after May 31, 1998, its constituent programs were preserved in the reorganization that resulted in its merger on June 1, 1998 with the College of Continuing Education and Community Service (CCECS). Thus, for proper internal management, each of the constituent programs of the former units required continued management with fiscal statements maintained in order to provide fiscal accountability for each of the constituent programs of both former CCECS and Summer Session. Thus, fiscal year reports for each constituent program for Outreach College continued to be important to the new consolidated operations. Internally, it was important to track revenues and expenditures ascribing them to the appropriation sub-program in order to make prudent and timely decisions on the transactions involved in managing each of the constituent programs. The Interim Dean of the Outreach College, therefore, saw no need to present financial statements at the closure of the Summer Session as a separate unit because, more importantly, each of its constituent programs would not undergo major accounting changes in the 30 days left in FY 98 after the merger. This point was discussed at the entry meeting with the auditors.

Another important consideration is that the Summer Session credit program (a major constituent program of the former Summer Session and the single major revenue source for Outreach College) from a programming viewpoint covers three fiscal years, expenditures of funds and revenues collected in one program (e.g., the Summer Session of 1998) extend into three fiscal years, since FY 1998 includes revenues collected in FY 1997, FY 1998, and FY 1999, FY 1998 and FY 1999 includes expenditures incurred in summer 1998. In other words, the funds to start up summer 1997 are collected partly in summer 1996, while summer 1998

provides start-up funds for summer 1999. It is thus important the proper internal management of Summer Session credit programs be adjusted more to the duration of programs, than sole reliance on current FY reporting that may work for units based on fixed resource models of financing. It is important for a unit like Outreach College to have its academic programs be based on flexible programming in order to serve its student and other clientele, and so fiscal year reporting is not fully congruent with program fiscal needs for Summer Session credit programs. The solution, therefore, has been to maintain at least two sets of fiscal reporting data – one for use by the University for official purposes and the other for proper internal management of the Summer Session credit program.

It should be mentioned that auditors did not request financial reports that extended only to May 31, 1998; all requests indicated June 30, 1998 as the closing date. Had reports as of May 31, 1998 been requested, the University would have complied.

Finding:

“The Special Fund Transfer for the Krauss Hall Renovation Violated the Funds’ Intent and Purpose”

The draft report alleges:

1. Financing of the art gallery provides incidental benefits to Summer Session students;
2. The renovation of Krauss Hall was not the responsibility of Summer Session, since Krauss Hall is not the property of Summer Session; and,
3. The purpose of the fund is not for capital projects.

It is important to note that the draft report identifies that all necessary approvals were granted by the Governor and Legislature for the renovation of Krauss Hall. The University informed the Executive and Legislative Branches of our intent to utilize special funds for the renovation project. Additionally, the University received three separate authorizations to expend special funds for the renovation of Krauss Hall. Each authorization was a culmination of efforts on behalf of the University Administration, Board of Regents, the Department of Budget and Finance, the Governor, and the Legislature. Project implementation was reviewed and approved by the Department of Accounting and General Services, the Department of Budget and Finance, and the Governor.

Regardless, the following is the University’s response to the three points identified under this finding.

“Financing of the Art Gallery Provides Incidental Benefits to Summer Session Students”

The draft report notes:

“The gallery benefits the university and general community as well as students and researchers of art, archaeology, Asian and Pacific studies, and history. In addition, the collection may be of potential use to graduate students’ research in ancient artifacts. All regularly enrolled University of Hawai‘i at Mānoa students will have free access to the gallery, although an admission fee may be charged to others, including the general public. However, this fee would not be used to reimburse the Summer Session, thus violating the intent and purpose of the Summer Session Special Fund.”

Because the art gallery’s primary purpose is to benefit the University and the public in general, its purpose does not provide a direct link with summer session students. The benefits gained by the summer session students from the art gallery are incidental.”

We agree with the State Auditor that the financing of the art gallery, as a part of the renovation of Krauss Hall, benefits the University and general community. However, we disagree that the benefits gained by Summer Session students are incidental. The draft report notes that Summer Session’s purpose is to “help students accelerate their progress toward degrees or certificates.” In fact, 76 percent of students enrolled in Summer Session 1998 courses were classified University of Hawai‘i at Mānoa students. The draft report also notes that the gallery benefits students and researchers. Therefore, a Summer Session student enrolled in a course that utilizes the art gallery will be a direct beneficiary of the art gallery.

Furthermore, it is also noted in the draft report that Summer Session’s purpose is to “contribute to the intellectual and cultural life of the community.” It is important to note that the art gallery houses John Young’s personal art collection from around the world. The collection was donated to the University for public display and the renovation of Krauss Hall provided the venue.

Having identified the purpose of Summer Session, the University maintains that the art gallery has a direct and indirect benefit to Summer Session students and researchers, as well as contributes “to the intellectual and cultural life of the community.”

“The Renovation of Krauss Hall Was Not the Responsibility of Summer Session, Since Krauss Hall Is Not the Property of Summer Session”

The report notes:

“From the time the university considered renovating the building until its renovation completion in September 1998, the entire building, including the art

gallery, remained university property. Krauss Hall is not and never was the property of the Summer Session. Although the Summer Session was intended to be the primary tenant of Krauss Hall, occupancy cannot be predicted for a length of period that would justify the use of the Summer Session Special Fund to finance the renovation."

The report also notes:

"Although there is not legal definition of the specified purpose, nature, or use of this special fund, these elements may be implied by its name and historical use. Thus it can be derived that the fund is for the purpose of depositing revenues generated by the operations of the program. Also, the fund should be expended for program operations which benefit program-paying participants."

The University agrees with the draft report that Krauss Hall is not owned by Summer Session. However, every facility in the University of Hawai'i System, be it instructional, research, public service, or athletic, is owned by the University and not by the individual program situated in it. Ultimate responsibility of University facilities is vested with the Board of Regents. Therefore, although the University cannot guarantee the perpetual location of Summer Session in Krauss Hall, the University does not have any plans to relocate the program into another facility.

It is important to note that prior to its renovation, the majority of floor space of Krauss Hall was condemned and unfit for occupancy. The renovation project, financed with Summer Session Special Funds, not only brought the facility up to occupancy standards, but improved and expanded space for the Summer Session program. Therefore, the Summer Session program realized a direct benefit of the expenditure of its special funds.

"The Purpose of the Fund Is Not for Capital Projects"

The draft report notes:

"The Summer Session's purpose is to help students accelerate their progress toward degrees or certificates, provide continued guided research at the graduate level, and contribute to the intellectual and cultural life of the community. The purpose of the Summer Session does not include the construction of capital projects. Renovation of Krauss Hall does not contribute directly toward the goals of the Summer Session."

As previously discussed, the University disagrees with the report as we believe the renovation of Krauss Hall meets the purposes of the fund. It is interesting to note that the report mentions Act 240, Session Laws of Hawai'i 1990, legislation which authorized an audit which included the Summer Session Special Fund. However, the report fails to further discuss its findings in 1992 and subsequent Legislative action.

In 1992, the State Auditor issued a report entitled *Review of Special and Revolving Funds of the University of Hawaii*. The intent of the report was “to evaluate the appropriateness of existing special and revolving funds” and “recommend whether the existing special and revolving funds should be continued, modified, or repealed.” The finding in the report stated that the Mānoa Summer Session Special Fund should be continued, however, unnecessary cash balances should be lapsed into the general fund. It is important to note that this report and findings were presented to the 1993 Legislature in the form of a bill (House Bills 628 and 1429).

The 1993 Legislature did not adopt the State Auditor’s recommendation to lapse Summer Session Special Fund cash balances into the general fund. The University testified before the 1993 Legislature and explicitly stated that a Summer Session Special Fund reserve is necessary for “repairs and maintenance, equipment replacement, [and] renovation to its facilities...” Neither the Department of Budget and Finance, Governor, nor Legislature—all proponents of the renovation of Krauss Hall (which resulted in the Act 289, Session Laws of Hawai‘i 1993 authorization to renovate Krauss Hall with special funds)—deemed the project as inappropriate.

Therefore, the University respectfully disagrees with the audit conclusions regarding the inappropriateness of utilizing Summer Session Special Funds for the renovation of Krauss Hall.

September 2, 1998

MEMORANDUM

TO: Darin Hajime
FROM: Bob Nagao
SUBJECT: AUDITORS QUESTIONS

In response to your memo of August 31, 1998, the following is being provided:

- Item #1. There was no authorized statewide sweep of non-general funds. The decision to utilize non-general fund balances was a UH decision in response to the budget reductions imposed by the Governor. The use of fund balances was a part of the University's overall plan to meet the total reduction of \$7.1M. The total Mānoa fund balances applied to the reduction was \$1.8M.
- Item #2. A copy of the plan transmitted to the BOR and Board minutes indicating approval of the plan is attached. Also attached is the memo to Budget and Finance notifying them of the BOR approved plan.
- Item #3. Determination of the funds to be swept and the amount was determined centrally. It was based upon the FY 1994 ending balances. A differential percentage was applied depending upon the size of the balance. Funds with a balance in excess of \$100,000 were assessed 20%. The Summer Session balance fell into this category.
- Item #4. A copy of the JV transferring the funds to the State is attached.
- Item #6. A copy of the memo from SVPA Imai to the Comptroller and JV transferring the funds to the University is attached. Please note that the memo does not refer the transfer as a loan that would be repaid after reauthorization for Krauss Hall was passed.
- Item #10. A copy of the appropriate page of the Legislative worksheet is attached.

In addition to the information specifically requested, also attached is a memo from the Comptroller regarding the investment of the cash and the interest income. The memo states that there was no penalty for cancellation of the investments and that interest would be paid up to the date of cancellation.

Also attached is a legal opinion from the Attorney Generals Office which states that the charging of academic support to the Summer Session special fund is authorized and does not violate Section 36-30, HRS.

If you require further information or have any questions on the attached, please contact me at your convenience.

Attachments

c: Alex Uyeda
Carol Lee, Nishihama and Kishida



UNIV OF HAWAII
U H BUDGET OFFICE

MAY 4 9 05 AM '95
UNIVERSITY OF HAWAII

May 2, 1995

PRESIDENT, UNIVERSITY OF HAWAII
AND CHANCELLOR, UNIVERSITY OF HAWAII AT MANOA

MEMORANDUM

TO: Roy Y. Takeyama
Chairperson, Board of Regents

FROM: Kenneth P. Mortimer *Kenneth P. Mortimer*
President, University of Hawai'i and
Chancellor, University of Hawai'i at Mānoa

SUBJECT: BUDGET REDUCTIONS FOR FY 1994-95

SPECIFIC ACTION REQUESTED

The Board of Regents is asked to approve the plan to meet the target budget reduction of \$7,139,424 for FY 1994-95 imposed by Governor Cayetano.

RECOMMENDED EFFECTIVE DATE

Upon Board approval.

SPECIFIC ISSUE AND PURPOSE

In February 1995, the University was directed by Governor Cayetano to plan for a reduction of approximately \$54 million in general funds from the current fiscal year to the end of FY 1996-97. In March, the Governor reduced the target to approximately \$36 million to be spread among each fiscal year as follows:

FY 1994-95	\$ 7,139,424
FY 1995-96	14,384,540
FY 1996-97	<u>14,384,540</u>
	\$35,908,504

The purpose of the recommended plan is to meet the target reduction of \$7,139,424 for FY 1994-95.

BACKGROUND AND CONSEQUENCES

After discussing this matter with the UEC, a strategy, largely driven by what could be cut late in the fiscal year, was developed. The strategy called for the following:

1. Immediately freeze the filling of all vacant positions. It was estimated at that time that approximately \$2,500,000 could be saved by not filling positions vacant as of February 1995.
2. Lapse unrequired balances from University special and revolving funds into the state treasury to offset reductions in expenditure. The projected fund balance at June 30, 1995 for all special and revolving funds was \$38.2 million (see Attachment B).
3. Immediately freeze out-of-state travel. Approximately \$300,000 in potential savings could be generated.
4. As a last option, reduce planned expenditures for repairs and maintenance and the replacement of equipment. Approximately \$5,200,000 in potential savings could be generated.

Each vice president and chancellor was asked to recommend a plan to meet the target reductions following the above strategy. Based upon their recommendations, the following reductions are proposed:

1.	Freeze Positions	\$2,254,459
2.	Lapse Special/Revolving Fund Balances	2,154,558
3.	Freeze Out-of-State Travel	248,772
4.	Reduce Repairs and Maintenance	1,243,098
5.	Reduce Equipment Replacement	915,534
6.	Other	323,003
	TOTAL	7,139,424

Roy Takeyama
May 2, 1995
Page 3

Campus summaries can be found in Attachment A and a listing of special and revolving funds from which balances will be lapsed can be found in Attachment B.

The Governor has indicated that any unmet portion of the \$7.1 million target will be assigned again to the University next fiscal year.

ACTION RECOMMENDED

Approval of the plan to meet the target reduction of \$7,139,424 as summarized above.

Attachments

c: Board Secretary Shiramizu
University Executive Council

ATTACHMENT A

FY94-RED

UNIVERSITY OF HAWAII AT MANOA
 FY 1994-95 BUDGET REDUCTION
 CATEGORY OF REDUCTIONS

Description	Budget Reduction
1. Special/Revolving Fund Balance	1,787,588
2. Vacancies	1,578,630
3. Out-Of-State Travel	100,764
4. Repairs & Maintenance *	1,120,098
5. Equipment	0
6. Other	0
Total	4,587,080

** Note: Includes Equipment*

FY94-RED

UNIVERSITY OF HAWAII AT HILO
FY 1994-95 BUDGET REDUCTION
CATEGORY OF REDUCTIONS

Description	Budget Reduction
1. Special/Revolving Fund Balance	110,000
2. Vacancies	76,870
3. Out-Of-State Travel	55,000
4. Repairs & Maintenance	123,000
5. Equipment	66,351
6. Other	0
Total	431,221

FY94-RED

COMMUNITY COLLEGES
 FY 1994-95 BUDGET REDUCTION
 CATEGORY OF REDUCTIONS

Description	Budget Reduction
1. Special/Revolving Fund Balance	256,970
2. Vacancies	341,391
3. Out-Of-State Travel	67,598
4. Repairs & Maintenance	0
5. Equipment	849,183
6. Other	104,079
Total	1,619,221

FY94-RED

UNIVERSITY OF HAWAII SYSTEMWIDE SUPPORT
 FY 1994-95 BUDGET REDUCTION
 CATEGORY OF REDUCTIONS

Description	Budget Reduction
1. Special/Revolving Fund Balance	0
2. Vacancies	257,568
3. Out-Of-State Travel	25,410
4. Repairs & Maintenance	0
5. Equipment	0
6. Other	218,924
Total	501,902

ATTACHMENT B

UNIVERSITY OF HAWAII
 FY 1994 - 95 BUDGET REDUCTION
 SPECIAL & REVOLVING FUND BALANCES

LEVEL III PROGRAM	ACCOUNT CODE	FUND TITLE	AMOUNT TO BE LAPSED
UH MANOA	S-311-F-013	Theatre Group Special Fund	10,000
	S-306-F-392	CCECS Special Fund - Credit	117,600
	S-308-F-392	CCECS Special Fund - Non Credit	44,386
	S-306-F-378	Summer Session Special Fund	313,600
	S-304-F-955	Aquarium Special Fund	92,400
	S-311-F-883	Transportation Services Special Fund	164,400
	VARIOUS	Other Special Fund Accounts	14,300
UH HILO	S-316-F-787	Food Service Special Fund	110,000
HONOLULU CC	VARIOUS	Other Special Fund Accounts	15,000
KAPIOLANI CC	S-319-F-884	Vending Operations	49,701
LEEWARD CC	S-335-F-620	Community College Special Fund	71,184
WINDWARD CC	VARIOUS	Other Special Fund Accounts	10,000
MAUI CC	S-341-F-702	Library Special Fund	400
KAUAI CC	S-328-F-884	Vending Special Fund	4,000
Sub-total Special Funds			1,016,971
UH MANOA	S-386-F	Conference Center Revolving Fund	27,402
	S-366-F	UH Press Revolving Fund	653,400
	S-369-F	Transcript & Diploma Revolving Fund	22,400
	S-396-F	Intercollegiate Athletics Revolving Fund	312,200
	VARIOUS	Other Revolving Fund Accounts	15,500
HONOLULU CC	R-833-F-763	Transcript & Diploma Revolving Fund	42,541
WINDWARD CC	R-918-F-753	Student Activities Revolving Fund	7,346
HAWAII CC	R-859-F-075	Vocational Technical Training Revolving Fund	23,923
MAUI CC	R-856-F-075	Vocational Technical Training Revolving Fund	10,086
KAUAI CC	R-857-F-056	Vocational Technical Training Revolving Fund	7,789
SYSTEMWIDE CC	R-849-F-884	Parking Revolving Fund	15,000
Sub-total Revolving Funds			1,137,567
TOTAL NON - GENERAL FUND BALANCE			2,154,558

UNIVERSITY OF HAWAII
SPECIAL & REVOLVING FUND
SUMMARY - REVENUES & EXPENDITURES
FISCAL YEAR 1994-95

Program	Campus	Fund S/R	6/30/94 Balance	FY 1995 Revenues	FY 1995 Exp & Enc	FY 1995 End Balance
Bookstore System	UHSW	R	6,861,777	34,185,224	33,885,559	7,161,442
Student Housing	UHM	R	5,144,245	8,767,400	10,110,947	3,800,698
Housing Assistance	UHSW	R	3,540,491	1,367,973	1,699,661	3,208,803
Parking Operations	UHM	R	2,954,095	3,618,319	3,616,543	2,955,871
Discoveries & Inventions	UHSW	R	3,397,727	1,027,277	1,750,000	2,675,004
Summer Session	UHM	S	1,507,560	7,331,482	7,271,180	1,567,862
Intercollegiate Athletics	UHM	R	1,671,286	8,446,580	8,557,063	1,560,803
Faculty Housing	UHM	R	1,367,659	607,060	604,248	1,370,471
Telecommunication Services	UHM	R	1,195,522	4,291,643	4,291,065	1,196,100
Student Services/Food Services	UHM	S	1,118,779	504,087	503,825	1,119,041
Federal School Malpractice	UHM	S	1,704,788	50,000	687,000	1,067,788
UHH Revenue Undertaking	UHH	R	928,654	2,326,000	2,282,062	972,592
Campus Center Operations	UHM	R	844,141	2,317,375	2,304,754	856,762
Transportation Services	UHM	S	821,659	1,378,105	1,377,676	822,088
CECS	UHM	S	968,909	1,500,000	1,854,909	614,000
HRUF - Central Admin	UHM	R	666,857	16,600	152,735	530,722
Research & Training	UHM	R	508,344	5,018,500	5,018,500	508,344
Halekiki Aquarium	UHM	S	340,157	1,503,258	1,381,185	462,230
University of Hawaii Press	UHM	R	503,821	4,299,750	4,387,339	416,232
Conference Center	UHM	R	414,950	400,000	400,000	414,950
Auxiliary Special Fund	HON	S	329,021	71,265	71,265	329,021
Summer Session	UHH	S	310,785	299,175	294,134	315,826
Summer Session	LEE	S	163,968	450,000	313,968	300,000
Board of Publications	UHM	R	409,044	947,230	1,097,156	259,118
Food Services	UHH	S	240,235	140,000	136,452	243,783
CECS	UHH	S	241,081	1,782,575	1,782,047	241,609
Intercollegiate Athletics	UHH	R	170,388	222,500	196,121	196,767
Parking	UHH	R	134,424	120,100	100,000	154,524
Missions & Records	UHM	R	171,961	174,972	197,375	149,558
Parking Revolving Fund	HON	R	153,631	144,478	151,478	146,631
Student Activities	EAP	R	118,372	140,868	126,783	132,457
Continental & Technical Training	UHH	S	121,203	200,600	195,591	126,212
Continental & Technical Training	HAW	R	117,598	373,447	373,447	117,598
Continental/Technical Training	HON	R	182,237	845,783	912,893	115,127

Program	Campus	Fund S/R	6/30/94 Balance	FY 1995 Revenues	FY 1995 Exp & Enc	FY 1995 Eod Balance
Student Activities	UHH	R	95,012	302,400	292,364	105,048
Auxiliary Services	UHH	S	104,487	63,700	63,548	104,639
Vocational/Technical Training	EAP	R	104,702	1,000,000	1,000,633	104,069
Employment Training Office	CCSW	S	412,534	760,000	1,070,872	101,662
Broadcast Communications Auth	UHM	R	126,153	122,000	149,657	98,496
UH Manoa Theatre Group	UHM	S	129,892	170,000	202,000	97,892
Laboratory School Student Activity	UHM		97,279	120,000	125,000	92,279
Agricultural Diagnostic Service Ctr	UHM	R	69,395	84,546	62,140	91,801
Community College Special Fund	HON	S	157,288	1,566,056	1,631,672	91,672
Student Activities Revolving Fund	WIN	R	87,482	50,000	50,413	87,069
Child Care Program	UHM	R	84,246	387,000	387,000	84,246
Community College Special Fund	WIN	S	87,594	467,000	475,331	79,263
Student Activities	HAW	R	70,449	120,000	120,000	70,449
Public Service	KAU	S	69,608	783,910	783,910	69,608
Waialea Livestock Revolving Fund	UHM	R	67,996	528,067	537,658	58,405
Summer Session	UHWO	S	58,296	86,590	86,590	58,296
Associated Students of the UH	UHM	R	57,385	224,025	223,912	57,498
Stud Activity Prgm & Fee Board	UHM	R	54,906	95,454	95,769	54,591
Library Services	UHM	S	200,834	535,000	685,000	50,834
Non-Credit & Community Svc	UHM	S	182,205	1,650,000	1,782,205	50,000
Food Service	EAP	R	52,987	30,672	34,128	49,531
Arts & Sciences Performing Arts	UHH	S	41,897	27,000	20,379	48,518
Vocational Technology Training	EAU		45,275	283,001	283,001	45,275
Transcript & Diploma	HON	R	49,281	9,770	15,321	43,730
Student Activities	HON	R	62,446	92,292	113,588	41,150
Laboratory School Summer Prgm	UHM		59,233	250,000	275,000	34,233
Seed Revolving Fund	UHM	R	37,668	64,444	68,264	33,848
Campus Center Board	UHM	R	67,008	189,100	224,910	31,198
Public Service	HAW	S	29,947	480,000	480,000	29,947
Student Health Service	UHM	R	29,539	94,100	95,145	28,494
Parking Operations	EAP	R	33,230	5,000	9,820	28,410
CCECS	EAP	S	100,447	1,800,000	1,880,000	20,447
Graduate Student Organization	UHM	R	59,038	46,318	87,380	17,976
Student Activities	UHWO		17,855	15,000	15,000	17,855
Transcript & Diploma	UHH	R	5,758	28,100	18,903	14,955
Transcript & Diploma	EAP	R	25,332	10,800	23,787	12,345
Diploma & Transcript	UHWO	R	11,506	10,000	10,000	11,506
Community Voc Counseling Svc	UHM	S	16,492	15,000	20,830	10,662
Library Special Fund	HON	S	15,092	65,681	70,773	10,000
Employment Training Office	CCSW	R	22,745	137,200	149,950	9,995

Program	Campus	Fund S/R	6/30/94 Balance	FY 1995 Revenues	FY 1995 Exp & Inc	FY 1995 End Balance
Student Activities	EAU	R	6,468	31,300	31,300	6,468
Library	EAP		7,354	21,885	22,815	6,424
Library	EAU	S	5,970	25,816	25,816	5,970
Diploma & Transcripts	WIN	R	5,957	5,000	5,225	5,732
Library Special Fund	WIN	S	5,665	10,000	10,000	5,665
Transcript & Diploma	EAU	R	5,523	6,000	6,000	5,523
Vending	EAU	S	5,272	33,663	33,663	5,272
Transcript & Diploma	HAW	R	4,809	10,000	10,000	4,809
Systemwide Computer Consortium	UHSW		8,846	81,768	89,614	1,000
Auxiliary Services Administration	UHM	S	342	266,000	265,732	610
Vending Special Fund	MAU	S	1,511	56,852	58,363	0
Vocational Education	LEE	R	75,321	540,000	615,321	0
Library Special Fund	LEE	S	6,736	8,264	15,000	0
Transcript & Diploma	LEE	R	1,642	12,700	14,342	0
Vocational/Technical Training	WIN	R	1,791	27,401	29,192	0
Conference Center	WIN	R	0	0	0	0
Library Special Fund	MAU	S	4,946	20,462	25,408	0
Student Activities/BOSP	LEE	R	41,110	95,759	136,869	0
Conference Center	MAU	R	0	0	0	0
Vocational & Technical Training	MAU	R	14,915	368,179	383,094	0
Conference Center	EAU	R	0	0	0	0
Public Service - Conferencing	UHH	R	0	0	0	0
Library	UHWO	S	0	5,000	5,000	0
Parking	MAU	R	0	0	0	0
Special Programs & Activities	MAU	S	94,363	1,071,609	1,165,972	0
Conference Center	HON	R	0	0	0	0
U H Student Activities	MAU	R	27,902	49,098	77,000	0
Conference Center	LEE	R	0	0	0	0
Vending Account	LEE	R	9,565	61,000	70,565	0
Transcript & Diploma	MAU	R	1,494	13,506	15,000	0
Univ Revenue - Undertaking	MAU		13,869	170,690	184,559	0
Non-Credit Programs, Theatre	LEE		83,562	770,000	853,562	0
Small Business Management	UHM	S	9,049	145,000	155,000	(951)
Laboratory Animal Service	UHM	S	8,525	217,000	230,000	(4,175)
Total - University of Hawaii			42,878,694	111,762,804	116,341,226	38,300,272

Chancellor for Community Colleges, as presented in President's Memorandum No. 25 (Agenda), Item A-2, dated May 19, 1995. Regent Cazimero seconded the motion which was carried unanimously.

Budget Reductions
Fiscal Year 1994-95

Director Sakaguchi said that in February of this year the University of Hawaii was directed by the State Executive to plan for a budget reduction of \$54 million in general funds from the current fiscal year to the end of FY 1996-97. In March, however, the Governor reduced the targeted amount to approximately \$36 million to be spread among each fiscal year with \$7,139,424 committed for FY 1994-95, and \$14,384,540 committed for each of the subsequent fiscal years, for a total of \$35,908,504.

He said to meet the targeted reduction of \$7,139,424 for FY 1994-95, a plan was developed based largely on what could be cut this late into the fiscal year. The plan called for the following: (1) immediately freeze the filling of all vacant positions for an approximate savings of \$2,500,000 as of February 1995; (2) lapsing unrequired balances from University special and revolving funds into the state treasury to offset reductions in expenditure; (3) freeze out-of-state travel for a potential savings of \$300,000; and, as a last option, (4) reduce planned expenditures for repairs and maintenance and the replacement of equipment.

Each vice president and chancellor was asked to recommend a plan to meet the target reductions following the developed plan. Based upon their recommendations, the following reductions were proposed:

1. Freeze positions	2,254,459
2. Lapse Special/Revolving Fund Balances	2,154,558
3. Freeze out-of-state travel	248,772
4. Reduce repairs and maintenance	354,459
5. Reduce equipment replacement	1,804,173
6. Other	<u>323,003</u>
TOTAL	\$7,139,424

Director Sakaguchi said that Governor has indicated that any unmet portion of the \$7.1 million target will be assigned again to the University next fiscal year.

Regent Stephenson moved that the Board approve the proposed plan to meet the targeted \$7.1 million budget reduction for fiscal year 1994-95, as presented in President's Memorandum No. 25 (Agenda), Item A-3, dated May 19, 1995. Regent Blanco seconded the motion which was carried unanimously.

Grants, and Contracts

Interim Director Garrod reported on gifts, grants and contracts received by the University of Hawaii for the month of April 1995. There were 42 research awards for \$5,264,531, 32 training and special project awards for \$3,120,554 for a total of \$8,385,085. This brings the annual total for FY 95 to \$116,919,803, a record high for funds received in the first ten months of the fiscal year. This figure exceeds last year's numbers by some \$2.9 million.

Interim Director Garrod then reported on the following grants.

1) An award of \$1.25 million from the Office of Naval Research to Dr. Paul Lucey of Planetary Geosciences in SOEST to reduce to practice a device to find buried objects using an infrared sensor. The instrument is called "Spatially Modulated Imaging Fourier Transform Spectrometer" otherwise known as SMIFTS. Such a device could be used for buried ordnance on the island of Kahoolawe.

2) An award of \$284,327 from the Department of the Navy to Dr. George Losey of HIMB to provide training to students, both undergraduate and graduate, in the basic hearing and echolocation capabilities of dolphins and small whales. The students will come from a variety of disciplines including: computer science, zoology, oceanography, psychology, electrical engineering and physiology. The training will take place on Coconut Island.

3) An award of \$3,500 from the National Science Foundation to Dr. M. E. Bitterman. This is a supplemental award to a larger award on Learning in Invertebrates to support a minority undergraduate student.

Regent Yao moved that the Board accept with thanks the gifts and grants and ratify the actions of the administration in



UNIV OF HAWAII
UH BUDGET OFFICE

MAY 24 11 05 AM '95

UNIVERSITY OF HAWAII

May 23, 1995

PRESIDENT, UNIVERSITY OF HAWAII
AND CHANCELLOR, UNIVERSITY OF HAWAII AT MANOA

MEMORANDUM

TO: Earl Anzai
Director, Department of Budget and Finance

FROM: Kenneth P. Mortimer *Kenneth P. Mortimer*
President, University of Hawai'i and
Chancellor, University of Hawai'i at Mānoa

SUBJECT: BUDGET REDUCTIONS FOR FY 1994-95

On May 19, 1995, the University of Hawai'i Board of Regents formally approved the plan to meet the target budget reduction of \$7,139,424 for FY 1994-95.

The plan includes reducing the general fund expenditure on repairs and maintenance, equipment replacement, and the savings generated on positions held vacant and the freeze on out-of-state travel.

The remaining balance of the targeted amount will be made up by the lapsing of unrequired balances from University special and revolving funds. A listing by fund title and their respective balances is attached for your information.

The reduction in general funds will be accomplished through the Request for Allotment (Form A-19) and the lapsing of special and revolving fund balances will be implemented through state journal vouchers.

If you have any questions regarding this matter, please call on me or my staff for assistance.

Attachment

c: Senior Vice President Horii
Associate Vice President Ah San
bc: Director Rodney Sakaguchi

UNIVERSITY OF HAWAII
 FY 1994 - 95 BUDGET REDUCTION
 SPECIAL & REVOLVING FUND BALANCES

LEVEL III PROGRAM	ACCOUNT CODE	FUND TITLE	AMOUNT TO BE LAPSED
UH MANOA	S-311-F	Theatre Group Special Fund	10,000
	S-306-F	CCECS Special Fund - Credit	117,600
	S-308-F	CCECS Special Fund - Non Credit	44,386
	S-306-F	Summer Session Special Fund	313,600
	S-304-F	Aquarium Special Fund	92,400
	S-311-F	Transportation Services Special Fund	164,400
	S-309-F	Library Services Special Fund	5,100
	S-308-F	AG Diagnostic Services Special Fund	9,200
UH HILO	S-316-F	Food Service Special Fund	110,000
HONOLULU CC	S-329-F	Community College Special Fund	3,000
	S-329-F	Community College Special Fund	7,000
	S-320-F	Library Special Fund	5,000
KAPIOLANI CC	S-319-F	Vending Operations Special Fund	49,701
LEEWARD CC	S-335-F	Community College Special Fund	71,184
WINDWARD CC	S-333-F	Community College Special Fund	5,000
	S-333-F	Community College Special Fund	5,000
MAUI CC	S-341-F	Library Special Fund	400
KAUAI CC	S-328-F	Vending Special Fund	4,000
Sub-total Special Funds			1,016,971
UH MANOA	S-386-F	Conference Center Revolving Fund	27,402
	S-351-F	UH Press Revolving Fund	653,400
	S-383-F	Transcript & Diploma Revolving Fund	22,400
	S-396-F	Intercollegiate Athletics Revolving Fund	312,200
	S-906-F	Lab School Summer Program	1,600
	S-385-F	Seed Revolving Fund	1,700
	S-384-F	Waialeale Livestock Revolving Fund	5,800
	S-382-F	Student Health Services Revolving Fund	1,400
	S-399-F	Child Care Revolving Fund	5,000
HONOLULU CC	S-383-F	Transcript & Diploma Revolving Fund	42,541
WINDWARD CC	S-392-F	Student Activities Revolving Fund	7,346
HAWAII CC	S-353-F	Vocational Technical Training Revolving Fund	23,923
MAUI CC	S-353-F	Vocational Technical Training Revolving Fund	10,086
KAUAI CC	S-353-F	Vocational Technical Training Revolving Fund	7,789
SYSTEMWIDE CC	S-330-F	Parking Revolving Fund	15,000
Sub-total Revolving Funds			1,137,587
TOTAL NON - GENERAL FUND BALANCE			2,154,558

5-88 (Revised)

DOCUMENT NUMBER (J, JP)
 Fill in one of the following:
 J N 3301
 JP _____
 DOCUMENT DATE (7-12)
 7-27-95

UNIVERSITY OF HAWAII

JOURNAL VOUCHER — GENERAL PURPOSE

ACCOUNT CODE (15-28)	APP. CODE (29-30)	OBJECT/SOURCE SYMBOL (31-34)	VARIABLE DATA Social Security Number/ Vendor Code (35-49)	CHECK NUMBER (57-62)	AMOUNT Plus \$ XX,XXX.XX Minus \$(XX,XXX.XX) (70-79)
S 96 306 F 378 B 001	41	9991	F3984		100,000.00
S 96 306 F 378 B 504	41	9991	F3984		13,600.00
S 96 308 F 379 B 551	41	9991	F3984		25,000.00
S 96 308 F 379 B 555	41	9991	F3984		50,000.00
S 96 308 F 379 B 601	41	9991	F3984		25,000.00
S 96 309 F 376 B 511	41	9991	F3984		100,000.00
G 00 000 F 000 0 000	76	1992			313,600.00
To transfer Summer Session Special Funds to the State Treasury for FY 1994-95 cc: C. Chang Budget Office					

CARD COUNT
7 627,200.00

INSTRUCTIONS:

- 1) DOCUMENT NUMBER: Use 'JP' for UHGA Check Cancellation
Use 'JN' for transaction already recorded at DAGS
Use 'J' otherwise
- 2) CHECK NUMBER: Fill in check number for check cancellation
- 3) DESCRIPTION: Fully describe each journal entry
- 4) TRANSFER OF EXPENDITURE: Indicate reasons; for F and P funds, P.I.'s approval required
- 5) REVERSAL: Indicate entry reversal with brackets around
- 6) SUPPORT: Attach supporting data (e.g. checks, receipts, transaction documents, E & E, Cash Reports)
- 7) DISTRIBUTION: Submit in duplicate to Central Accounting Office,
1404 Lower Campus Rd., Bldg. 171, Rm. 16

David S. Tamanaha	7-27-95
PREPARED BY	DATE
<i>David S. Tamanaha</i>	7/27/95
David S. Tamanaha	
DEPT. APPROVAL P.I. [] OTHER [x] DATE	
CENTRAL ACCOUNTING OFFICE USE ONLY	
<i>J. Jomari</i>	7/28/95
CAO APPROVAL	DATE
State J.V.: Yes [] No [] Warrant Canc. []	Validated: AUG -8 1995
Barc Control Number: 837	J.V. Number: JN 3301



UNIV OF HAWAII
UH BUDGET OFFICE

MAR 14 7 03 AM '97

UNIVERSITY OF HAWAII

SENIOR VICE PRESIDENT FOR ADMINISTRATION

March 13, 1997

MEMORANDUM

TO: Sam Callejo
State Comptroller

ATTENTION: Steve Miwa
Branch Chief

FROM: Eugene S. Imai 
Senior Vice President for Administration

SUBJECT: REQUEST TO TRANSFER FUNDS FOR DAGS PROJECT 1231-14016,
KRAUSS HALL ADDITIONAL RENOVATION FROM DAGS TO THE
UNIVERSITY OF HAWAII

This is to request your assistance in transferring back to the University of Hawaii currently unencumbered cash balances for the above referenced project. We understand that these balances total approximately \$1,136,000.

As you know, the project requires additional appropriations. Although an appropriation request is pending before the current Legislature, the University would like to retain the funds until appropriations are finalized and encumbrances are ready to be made. I would appreciate it if your staff could prepare the appropriate state journal voucher. The University account to which the funds should be transferred is S97-306F.

We request that the transfer be made as soon as possible. Please contact the University Budget Director, Rodney Sakaguchi, if there are any questions.

Thank you for your attention to this matter.

c: President/Chancellor Mortimer
Associate Vice President Ah San
Rodney Sakaguchi
Russell Miyake
Donald Lau
Burt Okihara
Clyde Akita

UNIVERSITY OF HAWAII
JOURNAL VOUCHER - GENERAL

APR 17 3 23 PM '97
DATE: 04/17/97
(MM/DD/YY)

(See reverse side for instructions)

BANK 040	DOCUMENT NO. J036527
TRANSACTION TYPE: 03_ CASH RECEIPT 04_ CASH DISBURSEMENT 06_ JOURNAL ENTRY	

DESCRIPTION: Return of Funds to UHM from DAGS

ID No: _____

NO.	DEBIT		REF NO. 1	AMOUNT	P/F	CREDIT		REF NO. 3	DEBIT CC	CREDIT CC
	ACCOUNT	SUB				ACCOUNT	SUB			
1				1,208,274.48		015342	4620			
2										
3										
4										
5										
6										
7										
8										
9										
10										
TOTAL (All pages):				1,208,274.48						

A complete and clear explanation of why the adjustment is necessary: To return cash to the University Summer Session for Library Services from DAGS - Public Works (See attached memo). State JV#JS5012 dated 4/11/97.

cc: Russell Miyake
Rodney Sakaguchi
David Tamanaha (33)
John Awakuni (24)

YES NO Does this adjustment involve moving funds into or from sponsored agreements? If so, answer remaining question.

YES NO Does this transfer occur more than 90 days after the original transaction? If so, sufficient explanation for why the transfer was not made on a timely basis is required.

PREPARED BY: Donald Lau GALC X68278 04/17/97
Print Name and Initial Department Phone Date

APPROVED BY: _____
Print Name and Sign Department Phone Date

CENTRAL OFFICE USE ONLY

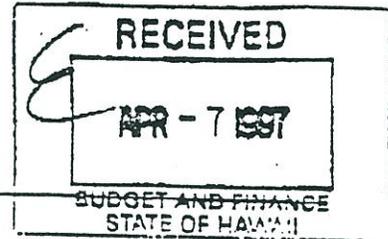
APPROVED BY: [Signature] _____
Print Name and Sign Office Phone Date

APR 17 1997

040 J036527

Revision Date: 10/15/96

COPY



UNIVERSITY OF HAWAII

SENIOR VICE PRESIDENT FOR ADMINISTRATION

March 31, 1997

MEMORANDUM

TO: Earl Anzal
Director, Department of Budget and Finance

FROM: Eugene S. Imai *E. Imai*
Senior Vice President for Administration

SUBJECT: CANCELLATION OF INVESTMENTS OF UH SUMMER SESSION
SPECIAL FUNDS FOR KRAUSS HALL RENOVATIONS

APR 8 8 42 AM '97
FINANCIAL
ADMINISTRATION DIV
BUDGET AND FINANCE
STATE OF HAWAII

Please cancel the following investments of UH summer session special funds effective April 7, 1997 or as soon as possible thereafter.

Bank	CD#	Maturity Date	Amount
Bank of Hawai'i	9010136	12/12/97	100,000
City Bank	3032	11/14/97	300,000
Bank of Hawai'i	9009815	10/27/97	350,000
Bank of Hawai'i	9009728	09/29/97	200,000
Central Pacific Bank	949398	07/28/97	200,000
Territorial Savings & Loan	2151165	05/19/97	150,000

2/10/97 5.48
4/29 5.20
12/17/96 5.56
4/19/96 5.43
10/23/96 5.40
9/17/96 5.46

*cancel to
Best Admin*

1,300,000

The appropriations for the project have lapsed and the funds are required at this time for purposes critical to the University.

Thank you for your cooperation on this matter. Please call me or have your staff call Rodney Sakaguchi, University Budget Director, if there are any questions.

156-8209

Program ID: UOH100 00 UNIVERSITY OF HAWAII, MANOA
 Structure #: 070301000000
 Subject Committee: HE HIGHER EDUCATION, CULTURE, & THE ARTS

SEQ #	EXPLANATION	FIRST FY	SECOND FY	WORK AREA
26	<p>SUPPLEMENTAL REQUEST: CONVERT MEANS OF FINANCING FOR (2) POSITIONS FOR CCECS CONFERENCE CENTER REVOLVING FUND FOR PUBLIC SERVICE-MANOA (UOH-100/AC). (-2.0/OA) (2.0/101,111W) *****</p> <p>LEG CONCURS: THE CEILING INCREASE WILL BE USED TO OFFSET GENERAL FUND REDUCTIONS. THE GENERAL FUNDS ASSOCIATED WITH THE CONVERTED POSITIONS WERE NOT DELETED FROM THE UNIVERSITY. THE FOLLOWING POSITIONS WERE CONVERTED: SECRETARY II 15637 \$32,532 ED SPEC II 80697 \$42,924 FRINGE 33.63% \$25,375.85 ----- \$100,831.85</p>	0.00 * A	2.00 * A	
		0.00 * W	2.00 * 101,111 W	
27	<p>SUPPLEMENTAL REQUEST: ADD FUNDS FOR OTHER CURRENT EXPENSES TO REFLECT INCREASE IN CEILING AUTHORI- ZATION FOR GRADUATE APPLICATION FEE REVOLVING FUND FOR ORGANIZED RESEARCH- MANOA (UOH-100/AH). (0.0/210,000W) *****</p> <p>LEG CONCURS: THIS FUND WAS APPROVED BY THE 1995 LEGISLATURE BUT WAS NOT GIVEN A CEILING. REVENUES ARE GENERATED FROM GRADUATE APPLICATION FEES OF \$25 FOR US CITIZENS AND PERMANENT RESIDENT ALIENS AND \$50 FOR NON-US CITIZENS. PROJECTED REVENUES ARE \$203,150. FUNDS WILL BE USED FOR OTHER CURRENT EXPENSES TO OFFSET THE COSTS OF PROCESSING GRADUATE APPLICATIONS.</p>	0.00 * W	0.00 * 210,000 W	210 000
28	<p>SUPPLEMENTAL REQUEST: ADD FUNDS FOR PERSONAL SERVICES TO REFLECT INCREASE IN CEILING AUTHORIZA- TION FOR UH MANOA SUMMER SESSION SPECIAL FUND FOR ACADEMIC SUPPORT- MANOA (UOH-100/AD). (0.0/1,613,274B) *****</p> <p>LEG DOES NOT CONCUR:</p>	0.00 * B	0.00 * 750,000 B	



STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
P. O. BOX 119, HONOLULU, HAWAII 96810

xc: Rodney Sakaguchi
Kalvin Kashimoto/Clyde Aki

SAM CALLEJO
COMPTROLLER

UNIV OF HAWAII
UH BUDGET OFFICE
PATRICIA WATERHOUSE
DEPUTY COMPTROLLER

APR 3 10 23 AM '97

S-185.7

LETTER NO

MAR 27 1997

MAR 2 1997

TO: Mr. Eugene S. Imai, Senior Vice President for
Administration
University of Hawaii

SUBJECT: Krauss Hall, Additional Renovation
D.A.G.S. Job No. 12-31-4016
Request to Transfer Funds

Your request to transfer currently unencumbered cash balances back to the University of Hawaii has been reviewed. Our respective staffs have been discussing the matter and will develop a plan for the timely return of the cash. Therefore, this is a follow up to inform you of pertinent details.

1. The cash has been invested and the certificates have different maturing dates. Attached for your files are copies of the Application for Investments. According to B&F, no penalty will be incurred for early cancellation. Interest will be paid up to the date of cancellation.
2. The total cash over and above encumbrances (both claims and contracts) is \$1,208,274.48.
3. The total amount of uninvested cash is \$33,695.48.
4. The total outstanding contract encumbrances is \$65,758.80.

We understand that you want the return of the cash before the end of the fiscal year. However, as discussed with your staff, we need a balance to cover payments for the existing contract encumbrances. Therefore, we will return the total cash over and above existing encumbrances.

Mr. Eugene S. Imai
Letter No. S-185.7
Page Two

Should you or your staff have any questions, or if further information is required, please contact Mr. Stephen Miwa of the Public Works Division at 586-0510.


SAM CALLEJO
State Comptroller

Attachment
c: Project Control
Admin. Services Office

APPLICATION FOR INVESTMENTS

DAGS - C. Toyofuk.

TYPE OR PRINT	FOR B & F USE ONLY: <input type="checkbox"/> CORRECTION	
1. REQUESTING AGENCY - DEPT. Dept. of Acctg. & General Services - ASO	2. REQUESTING AGENCY - DIVISION U.H. Krauss Hall	3. REQUEST DATE MM DD YY 02 03 97

4. AMOUNT OF PURCHASE 1 0 0 0 0 0 0 0	5. INVESTMENT PERIOD MM DD YY FROM 02 10 97 TO 12 12 97
---	---

6A. APPROPRIATION TO BE CHARGED U.H. Krauss Hall	6B. ACCOUNT CODE TO BE CHARGED												
	SFX	TC	F	YR	APP	D	ALLOT CAT	COST CENTER	PROJECT NUMBER	PH	DEPT ACT	SUBSIDIARY LEDGER A/C	AMOUNT
	XX	XXX	X	XX	XXX	XX	XX	XXXX	XXXXXX	XX	XXX	XXXXXX	XXXXXXXXXX XX
	01	471	S	93	496	M						040002	100,000 00

7A. INTEREST TO BE CREDITED	7B. ACCOUNT CODE TO BE CREDITED												
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A NEW APPLICATION WILL BE FILED WITH THE DIRECTOR OF FINANCE PRIOR TO THE MATURITY DATE OF THE INVESTMENT. OTHERWISE IT IS AGREED THAT THE PRINCIPAL AND INTEREST WILL BE DEPOSITED IN A COMMERCIAL ACCOUNT.

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SIGNATURE: FISCAL OFFICER _____ DATE _____

FOR DIRECTOR OF FINANCE USE ONLY

9. KIND OF PURCHASE (Check One Only)	10. NUMBER	11. INTEREST RATE
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13. REMARKS	16. COMPTROLLER			
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14. EXECUTED AS APPLIED FOR	15. DATE OF ACTION			58478
SIGNATURE: DEPUTY DIRECTOR OF FINANCE _____	MM	DD	YY	
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APPLICATION FOR INVESTMENTS

DAGS - C. Toyofuku

TYPE OR PRINT		FOR B & F USE ONLY: <input type="checkbox"/> CORRECTION																																																																				
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APPLICATION FOR INVESTMENTS

DAGS - C. Toy66irku

TYPE OR PRINT	FOR B & F USE ONLY: <input type="checkbox"/> CORRECTION
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1. REQUESTING AGENCY - DEPT. Dept. of Acctg. & General Services - ASO	2. REQUESTING AGENCY - DIVISION U.H. Krauss Hall	3. REQUEST DATE MM DD YY 5
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4. AMOUNT OF PURCHASE 3 5 0 0 0 0 0 0	5. INVESTMENT PERIOD MM DD YY TO MM DD YY FROM 12 17 96 TO 10 27 97
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6A. APPROPRIATION TO BE CHARGED U.H. Krauss Hall	6B. ACCOUNT CODE TO BE CHARGED													
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	01	471	3	93	496	M						040002	350,000	00

7A. INTEREST TO BE CREDITED	7B. ACCOUNT CODE TO BE CREDITED													
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A NEW APPLICATION WILL BE FILED WITH THE DIRECTOR OF FINANCE PRIOR TO THE MATURITY DATE OF THE INVESTMENT; OTHERWISE IT IS AGREED THAT THE PRINCIPAL AND INTEREST WILL BE DEPOSITED IN A COMMERCIAL ACCOUNT.

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SIGNATURE: FISCAL OFFICER _____ DATE _____

FOR DIRECTOR OF FINANCE USE ONLY

9. KIND OF PURCHASE (Check One Only)	10. NUMBER	11. INTEREST RATE
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4 <input type="checkbox"/> OTHER		

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13. REMARKS	16. COMPTROLLER			
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14. EXECUTED AS APPLIED FOR	15. DATE OF ACTION	16. COMPTROLLER NUMBER
SIGNATURE: DEPUTY DIRECTOR OF FINANCE _____	MM DD YY 12 17 96	57862

APPLICATION FOR INVESTMENTS

DAGS - C. Toyofuku

TYPE OR PRINT			FOR B & F USE ONLY: <input type="checkbox"/> CORRECTION												
1. REQUESTING AGENCY - DEPT. Dept. of Acctg. & General Services - ASO		2. REQUESTING AGENCY - DIVISION J.H. Krauss Hall			3. REQUEST DATE MM DD YY 09 29 97										
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SIGNATURE: FISCAL OFFICER												DATE			
FOR DIRECTOR OF FINANCE USE ONLY															
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13. REMARKS										16. COMPTRROLLER					
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14. EXECUTED AS APPLIED FOR										15. DATE OF ACTION			57613		
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SIGNATURE: DEPUTY DIRECTOR OF FINANCE										11	19	96			

APPLICATION FOR INVESTMENTS

DAGS - C. Toyofuku

TYPE OR PRINT	FOR B & F USE ONLY: <input type="checkbox"/> CORRECTION
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1. REQUESTING AGENCY - DEPT. Dept. of Acctg. & General Services - ASO	2. REQUESTING AGENCY - DIVISION U.H. Krauss Hall	3. REQUEST DATE MM DD YY 09 09 96
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4. AMOUNT OF PURCHASE 2 0 0 0 0 0 0 0	5. INVESTMENT PERIOD FROM MM DD YY TO MM DD YY 10 23 96 07 28 97
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6A. APPROPRIATION TO BE CHARGED	6B. ACCOUNT CODE TO BE CHARGED													
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	01	471	S	93	496	M						040001	200,000	00

7A. INTEREST TO BE CREDITED	7B. ACCOUNT CODE TO BE CREDITED													
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SIGNATURE: FISCAL OFFICER

DATE

FOR DIRECTOR OF FINANCE USE ONLY

9. KIND OF PURCHASE (Check One Only)	10. NUMBER	11. INTEREST RATE
1 <input type="checkbox"/> TIME CERTIFICATE OF DEPOSIT	9 4 9 3 9 8	5 4 0 0 %
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29 <input type="checkbox"/> FINANCE FACTORS, LIMITED
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13. REMARKS	16. COMPTROLLER
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14. EXECUTED AS APPLIED FOR	15. DATE OF ACTION	16. COMPTROLLER
	MM DD YY	
_____ SIGNATURE: DEPUTY DIRECTOR OF FINANCE	10 23 96	57337

APPLICATION FOR INVESTMENTS

DAGS-C. Toyofuku

TYPE OR PRINT	FOR B & F USE ONLY: <input type="checkbox"/> CORRECTION	3. REQUEST DATE		
QUESTING AGENCY - DEPT. St. Of Acctg. & General Services - ASO	2. REQUESTING AGENCY - DIVISION U.H. Krauss Hall	MM 09	DD 09	YY 96

AMOUNT OF PURCHASE 1 5 0 0 0 0 0 0	5. INVESTMENT PERIOD			3. REQUEST DATE		
	MM	DD	YY	MM	DD	YY
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APPROPRIATION TO BE CHARGED U.H. Krauss Hall	6B. ACCOUNT CODE TO BE CHARGED										PROJECT	DEPT ACT	SUBSIDIARY LEDGER A/C	AMOUNT
	SFX	TC	F	YR	APP	D	ALLOT CAT	COST CENTER	NUMBER	PH				
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	01	471	S	93	496	M					040001	150,000	00	

INTEREST TO BE CREDITED	7B. ACCOUNT CODE TO BE CREDITED									
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FOR DIRECTOR OF FINANCE USE ONLY

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STATE OF HAWAII
DEPARTMENT OF THE ATTORNEY GENERAL
425 QUEEN STREET
HONOLULU, HAWAII 96813
(808) 586-1500

February 19, 1998

Mr. Eugene S. Imai
Senior Vice President for Administration
University of Hawai'i
Bachman Hall, Room 201
2444 Dole Street
Honolulu, Hawai'i 96822

Dear Mr. Imai:

Re: April 4, 1997, Request for Legal Review of
Letter Regarding the Summer Session Special Fund

At your request, we have reviewed Jonathan Ezer, Esq.'s March 19, 1997, letter to Dr. Carol Eastman, Manoa Executive Vice Chancellor, asserting that charging the Summer Session special fund for academic support services is illegal.

In our opinion, the University Administration has the legal authority to expend moneys from the Summer Session special fund to pay for costs of academic support programs, such as the Manoa libraries, that inure to the benefit of the Summer Session program.

At the outset, we note that the Summer Session special fund was not legislatively established. Rather, it was administratively established in August 1985 by the State Comptroller at the request of the State Director of Finance pursuant to Hawai'i Revised Statutes § 304-8¹ and in response

¹ In 1985 Hawai'i Revised Statutes § 304-8 provided in pertinent part:

Appropriations; accounts; reports. Moneys appropriated by the legislature for the university shall be payable by the director of finance, upon vouchers approved by the board of regents or by any officer elected or appointed by the board under section 304-4 and

(continued...)

Mr. Eugene S. Imai
February 19, 1998
Page 2

to an external audit review of the non-general fund structure of the University of Hawai'i.² In establishing the Summer Session special fund, the Comptroller did not define the scope or nature of the fund, and did not stipulate that the University program covered by the fund must be self-supporting or self-sufficient.

Under the laws, rules, policies, procedures, and practices discussed below, University of Hawai'i at Manoa's Executive Vice Chancellor has the responsibility and authority over the financial management of the administration and operations of the Manoa campus, including the Manoa Summer Session special fund.³

The Constitution of the State of Hawai'i and Hawai'i Revised Statutes,⁴ vest in the Board of Regents of the University of

(...continued)

authorized by the board to approve such vouchers on behalf of the board. All moneys received by or on behalf of the board of the university shall be deposited with the director of finance, except Income from fees for tuition and similar charges against students and income derived from sale of goods or services shall be deposited to the credit of the general fund of the State; provided that . . . ; and provided further that upon the recommendation of the director of finance, the comptroller may establish such other separate accounts or special funds for other designated revenues as may be deemed in the best interests of the university and the State.

The underscored language was repealed by Act 23, 1993 Hawai'i Session Laws (originated as S.B. No. 240).

² Peat, Marwick, Mitchell & Co.'s report entitled REVIEW OF THE NON-GENERAL FUND STRUCTURE OF THE UNIVERSITY OF HAWAII, JUNE 30, 1983, prepared for the State Comptroller, noted that the summer session accounts on the Manoa campus are not legally authorized, and recommended that the accounts be legally mandated by the State Director of Finance. The study was conducted for the State Comptroller to determine whether the University's non-General Fund accounts were in compliance with the established laws, rules and/or regulations.

³ University of Hawai'i Administrative Procedures Manual A8.025, section 4.

⁴ Constitution of the State of Hawai'i, Art. X, section 6; Hawai'i Revised Statutes § 304-4(a).

Mr. Eugene S. Imai
February 19, 1998
Page 3

Hawai'i ("BOR") responsibility and authority over the management and control of the general affairs of the University, and exclusive jurisdiction over the internal organization and management of the University. Pursuant to constitutional mandate, the BOR exercises control over the University through its executive officer, the President of the University.

The BOR Bylaws and Policies describe the duties, responsibilities, and authority of the President, including the authority to delegate the administration and operation of the Manoa Campus to the Executive Vice Chancellor.⁵ In pertinent part the Board of Regents Bylaws and Policies state:

In carrying out any policy established by the Board, except in so far as the method shall be defined by the Board, the method of execution shall be within the discretion of the President.

BOR BYLAWS AND POLICIES, Section 1-2, a. (2).

The implementation of billing special-funded programs for academic support stems in part from an action of the BOR. On November 17, 1995, when the University faced a \$27.8 million restriction on its general fund budget for fiscal years 1996, and an additional \$14 million dollar restriction in fiscal year 1997, the BOR adopted a Resolution that stated in pertinent part:

WHEREAS, the University's response to these restrictions, after taking into consideration increases in tuition revenues and the adequate provision of student tuition assistance, will require strong administrative actions such as the reallocation of resources, the reorganization of academic or administrative structures, or the termination of programs; now therefore,

⁵ BOR BYLAWS AND POLICIES, Section 2-2, b. (5), provides in part:

The President shall . . .

- (5) Delegate the administration and operation of each respective campus to the Executive Vice Chancellor of the University of Hawai'i at Manoa

Mr. Eugene S. Imai
February 19, 1998
Page 4

BE IT RESOLVED that the Board of Regents of the University of Hawai'i directs the President of the University of Hawai'i to initiate any and all necessary actions, including layoffs or retrenchment, to sustain the vitality and viability of the University of Hawai'i, within the restricted levels of the General Fund budget set by the Governor; and

BE IT FURTHER RESOLVED that the Board directs the President to formulate and bring forward to the Board, recommendations for administrative action, which shall include but not be limited to, the reallocation of resources, the reorganization of academic or administrative structures, or the termination of programs.

By this Resolution, the BOR granted to the President broad authority to act to maintain the viability of the University within current budgetary constraints.

Pursuant to and in conformity with the foregoing delegations, the University Administration sought to have special-funded and revolving-funded programs, such as the Summer Session program, pay for academic support, such as libraries, which, in general, previously had been funded from the general fund appropriations to the University. The Legislature approved and authorized the University Administration's approach by approving increases in special fund appropriations to accommodate the additional resources needed by special fund programs to pay for academic support. For example, with regard to the Summer Session special fund, the legislative worksheets for the 1996 supplemental budget act (Act 287, 1996 Session Laws of Hawai'i) reflect a \$750,000 increase in the special fund appropriation to pay for academic support-Manoa. We are informed that the Legislature has consistently appropriated moneys for library services under academic support.

By an April 8, 1996, memorandum, the Manoa Executive Vice Chancellor issued a directive covering, among other things, implementation of billing special-funded and revolving-funded programs, including the Manoa Summer Session program, the costs for academic support, such as libraries. This directive is consistent with established practice at the University of Hawai'i. For example, in calculating indirect costs recovery from the federal government for federally funded research and training contracts and grants, the University includes library costs in the calculation of indirect costs. By this established

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practice, non-general funded University programs have been required to share in academic support costs such as library services.

We have been advised that in assessing the appropriateness of billing costs of academic support to special-funded and revolving-funded programs, the University Administration considers whether the amount to be billed reflects a clear link between the benefit sought and charges made upon the users or beneficiaries of the program. The Summer Session is in the nature of a "Third Semester" with varied course offerings for credit and not-for-credit. Both the faculty and students of Manoa's Summer Session program benefit from Manoa's academic support, including, but not limited to, library services. We see a clear link between Manoa library services and the Summer Session program. Use of monies in the Summer Session special fund (which includes tuition) to offset part of the cost of the Manoa libraries is reasonable.

Academic support is not an "administrative expense," as defined in Hawai'i Revised Statutes § 36-30, from which the Summer Session special fund is specifically excluded. "Administrative expenses" of a department are defined as "salaries, maintenance of buildings and grounds, utilities, and general office expenses." Academic support, such as the libraries, assists the program in delivering its academic service to its constituents. Thus, in our view, the costs of academic support can be charged to the Summer Session special fund without violating the prohibition contained in Hawai'i Revised Statutes § 36-30.

Based upon the foregoing, in our opinion the University Administration's decision to charge \$750,000 for academic support costs, heretofore subsidized by the general fund, to the Summer Session special fund is authorized.

In closing, we note that an argument could be made that when Act 23 repealed the § 304-8 authorization language underscored above, the special funds and accounts, such as the Summer Session special fund, that were established administratively pursuant to that authority were also repealed. It is our opinion, however, that based upon the legislative history of Act 23 and other legislative action in the 1993 legislative session, the Legislature intended to allow the Summer Session special fund to

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continue.⁶ However, to obviate any uncertainty regarding the status of administratively established special funds, we

⁶ In interpreting and applying statutes, the primary duty is to ascertain and give effect to the legislature's intention to the fullest degree. National Union Fire Insurance Co. v. Ferreira, 71 Haw. 341, 790 P.2d 910 (1990). Courts "may resort to extrinsic aids in determining legislative intent . . . one avenue is the use of legislative history as an interpretation tool." Housing Finance and Development Corp. v. Castle, 79 Haw. 64, at 77, 898 P.2d 576, at 589 (1995). Statutes are to be given prospective application, . . . unless contrary intent is manifested by the legislature. Graham Construction Supply Inc. v. Schrader Construction Inc., 63 Haw. 540, 632 P.2d 649 (1981); Hawai'i Revised Statutes § 1-3. Laws upon the same subject matter, or in pari materia, are to be construed in reference to each other. State v. Kimball, 54 Haw. 83, 503 P.2d 176 (1972); Hawai'i Revised Statutes § 1-6.

Act 23 was passed as S.B. No. 240 in 1983. Significantly a standing committee report on that bill stated:

The purpose of this bill is to remove the authority of the Comptroller to establish special funds for revenues designated for the University of Hawai'i.

The current practice for the University is to seek enabling legislation for all new special funds rather than to establish such funds administratively.

Standing Committee Report No. 105 (1993). In accord, Senate Standing Committee Report No. 559 (1993).

Act 23 did not expressly repeal the special funds and accounts that had been administratively established under § 304-8. Absent expression of contrary intent in Act 23, in our opinion, the repeal of the Comptroller's authority under § 304-8 was intended to have prospective effect and did not repeal the special funds established administratively prior to the effective date of Act 23.

Significantly in the 1993 legislative session, the Legislature passed Act 280, section 47 of which directed the University to discontinue the operation of four administratively created special and revolving funds. The Summer Session special fund was not included in section 47. Act 280 demonstrates that if the Legislature had intended to discontinue the Summer Session Special Fund, in 1993, it would have specifically done so.

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recommend that the University of Hawai'i examine the continuing need for those special funds and accounts and seek legislative ratification of those funds and accounts that continue to serve the needs of the University. With regard to the Summer Session special fund, in light of the legislative establishment of the University of Hawai'i Tuition and Fees Special Fund for all tuition and fee revenues of the University (by Act 161, 1995 Session Laws of Hawai'i), that broader fund may be a more appropriate depository for the tuition and fee revenue of the Summer Session program and allow for more flexible and streamlined financial management.

Very truly yours,



Harriet Yoshida Lewis
Deputy Attorney General

APPROVED:



Margery S. Bronster
Attorney General