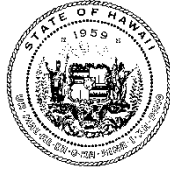


NEIL ABERCROMBIE  
GOVERNOR



Dean H. Seki  
Comptroller


Maria E. Zielinski  
Deputy Comptroller

**STATE OF HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

**COMPTROLLER'S MEMORANDUM NO. 2014-06**

TO: Heads of Departments

FROM: Dean H. Seki, Comptroller 

SUBJECT: Contract Encumbrance Vendor Changes

Effective Immediately, Comptroller's Memorandum No. 1996-9, Contract Encumbrance Vendor Changes, is rescinded.

Hawaii Revised Statutes, Section 103D-703.5, Settlement of Default by Contractor, authorizes purchasing agencies, upon default of a contractor, to accept moneys in satisfaction of the contractor's obligation on a contract. The moneys could be from the contractor's surety, insurer, or any other source of moneys paid to satisfy the contractor's default.

Upon the default of the contractor and the receipt of moneys paid to satisfy the contractor's default, the contracting agency shall submit to the Comptroller, a written request with sufficient documentation to support the change in the contract encumbrance from the defaulting contractor to the new succeeding contractor.

All moneys received and the interest earned should be deposited in a trust account. Funds not used to complete the contract should be deposited into the State's general fund unless otherwise restricted.

If you have any questions, please call Sheila Walters at 586-0650.