

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Review of Revolving and Trust Funds of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services

Summary

Section 23-12, Hawaii Revised Statutes (HRS) requires the State Auditor to review all existing revolving and trust funds every five years. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This report is the third required under the law.

Section 37-40, HRS, exempts revolving and trust funds from the biennial appropriations process. The use of these funds, therefore, often does not receive the degree of legislative scrutiny given to general funds appropriated by the Legislature. The Legislature considered it prudent to require the Auditor to review these funds so that it could assess the continuing need for revolving and trust funds.

Revolving funds are often established with an appropriation of seed money from the general fund. They are supposed to be self-sustaining. Activities financed by revolving funds include loan programs that are initially established by general fund seed moneys and then replenished through the repayment of loans. **Trust funds** account for assets held by the State for the benefit of others. They may include donations to be used for specific beneficiaries. Many trust funds are actually trust accounts established by the comptroller because of limitations in the state's Financial Accounting and Management Information System (FAMIS). The trust accounts serve as separate holding or clearing accounts for state agencies or as an accounting device to credit or charge services, for security deposits, or other costs.

This year we reviewed 51 revolving and trust funds and trust accounts. We used criteria developed by the legislature and developed by our office from a review of public finance and accounting literature. The criteria for these funds are that they continue to serve the purpose for which they were created and do not require continuing general fund appropriations. In addition, revolving funds must show a linkage between benefits and charges made on users.

For each fund or account, we present a five-year financial summary, the purpose of the fund and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We did not evaluate the performance standards established by

agencies for the funds as requested by Section 23-12, HRS, since none of the agencies had established performance standards. We assumed the funds were meeting performance standards if they were meeting the purpose for which they had been established and our criteria.

Responses

The Judiciary responded that subsequent to June 30, 1995, it had reviewed two trust accounts identified in our report as inactive—the Family Court, Second Circuit Donations Account and the Intensive Mediation Workshop Account—and has taken the appropriate actions to dispose of the balances in the accounts.

The Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services did not submit written responses.

Marion M. Higa
State Auditor
State of Hawaii

Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813
(808) 587-0800
FAX (808) 587-0830