

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Review of Revolving and Trust Funds of the Office of the Governor, Office of Hawaiian Affairs, and the Department of Education

Summary

Section 23-12, Hawaii Revised Statutes (HRS), requires the State Auditor to review all existing revolving and trust funds every five years. The review is to include a five-year financial summary, an evaluation of the original intent and purpose of each fund, and the degree to which each fund achieves its stated purpose. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This report is the fourth required under the law.

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** invoke a fiduciary responsibility of state government to care for and use the assets held for the benefit of those with a vested interest in the assets. They may include donations to be used for specific beneficiaries. **Trust accounts** are typically separate holding or clearing accounts for state agencies. The trust account is often an accounting device to credit or charge agencies or projects for payroll or other costs.

Of the 22 funds we reviewed this year, 4 were revolving funds, 17 were trust funds and 1 was a trust account. We used criteria developed by the Legislature and developed by our office from a review of public finance and accounting literature. These funds must continue to serve the purpose for which they were created and not require continuing general fund appropriations. In addition, a revolving fund must reflect a linkage between benefits and charges made on users and also be an appropriate financing for the program or operation. A trust fund must meet the statutory definition of a trust fund. Section 37-62, HRS, defines a trust fund as "a fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, or which was created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes."

For each fund 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.



Responses

The Office of the Governor, Office of Hawaiian Affairs, and the Department of Education did not submit written responses.

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