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**The Department of
Labor and Industrial
Relations has five
trust funds that are
improperly classified
and one trust account
that no longer serves
its original purpose.**

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Review of the Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Human Resources Development, Labor and Industrial Relations, Public Safety, and Taxation

Report No. 12-10, December 2012

Thirty-six revolving funds, trust funds, and trust accounts reviewed

Eleven funds and accounts did not meet fund criteria or may be improperly classified

Section 23-12, Hawai'i Revised Statutes, 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 for each fund or account, an evaluation of the original intent and purpose of each fund or account, and a determination of the degree to which each fund or account achieves its stated and claimed purpose. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This is our fourth review of the revolving funds, trust funds, and trust accounts of the departments of Human Resources Development, Labor and Industrial Relations, Public Safety, and Taxation.

Revolving funds, often established with an appropriation of seed money from the general fund, must demonstrate the capacity 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. A pension fund is an example of a trust fund. Trust accounts are typically separate holding or clearing accounts for state agencies. A trust account is often used as an accounting device to credit or charge agencies or projects for payroll or other costs.

In this report, we reviewed 36 revolving funds, trust funds, and trust accounts. We used criteria developed by the Legislature as well as criteria developed by our office from a review of public finance and accounting literature. 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 or its management, or whether the program should be continued. However, we did find that 11 of the 36 funds and accounts reviewed did not meet the applicable fund criteria or may be improperly classified.

Agencies' responses

We transmitted a draft of this review to the departments of Human Resources Development, Labor and Industrial Relations, Public Safety, and Taxation. The departments of Human Resources Development, Labor and Industrial Relations, and Public Safety agreed with our review of their funds. The Department of Taxation did not submit a written response to our review.