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**Funds and accounts:  
15 revolving funds,  
22 special funds,  
14 trust funds, and  
40 trust accounts.**

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# Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Accounting and General Services, Agriculture, and Budget and Finance

## Report No. 14-01, January 2014

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*One hundred and eleven revolving funds, special funds, trust funds,  
and trust accounts were reviewed*

### **Eleven funds and accounts did not meet criteria**

Section 23-12, HRS, requires the Auditor to review all existing revolving, special, and trust funds every five years. Reviews are scheduled so that each department's funds will be reviewed once every five years. This is our fifth review of the revolving funds, trust funds, and trust accounts of the Departments of Accounting and General Services, Agriculture, and Budget and Finance. However, it is our first review of their special funds, since Act 130, SLH 2013, amended Section 23-12, HRS, to require we review special funds along with revolving funds, trust funds, and trust accounts.

Revolving funds, such as loan funds, are often established with an appropriation of seed money from the general fund, and must demonstrate the capacity to be self-sustaining. Special funds are used to account for revenues earmarked for particular purposes and from which expenditures are made for those purposes. Trust funds, such as a pension fund, invoke the State's fiduciary responsibility to care for and use assets held for the benefit of those with a vested interest in the assets. Trust accounts are typically separate holding or clearing accounts and are often used as accounting devices for crediting or charging state agencies or projects for payroll or other costs.

We reviewed 111 revolving funds, special funds, trust funds, and trust accounts; and reported on 91 of them (15 revolving funds, 22 special funds, 14 trust funds, and 40 trust accounts). We used criteria developed by the Legislature as well as 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 did not audit the financial data, which is provided for informational purposes. We do not present conclusions about the effectiveness of the program or its management, or whether the program should be continued. However, we found that 11 of the 91 funds and accounts did not meet applicable fund criteria.

### **Inconsistencies were noted**

We also noted inconsistent adherence to statutory reporting of financial transactions and balances, resulting in reports that are incomplete or not filed and that, although some funds have been repealed or are no longer active, their appropriation accounts have not been closed and balances remain. Accurate and complete reporting, as well as timely closing of funds, will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility.

### **Agencies' responses**

We transmitted a draft of this review to the Departments of Accounting and General Services, Agriculture, and Budget and Finance. The departments generally concurred with our review of their funds.