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Ten percent of ATG's funds and accounts reviewed failed to meet at least one of the criteria. Thirty-one percent of DBEDT's funds and accounts did not meet the criteria.

Review of the Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Attorney General and Business, Economic Development and Tourism

Report No. 14-13, December 2014

Seventy-four special funds, revolving funds, trust funds, and trust accounts were reviewed

Nineteen funds and accounts did not meet criteria

Our review of special, revolving, and trust funds and trust accounts of the departments of the Attorney General (ATG) and Business, Economic Development and Tourism (DBEDT) found 19 of the 74 funds and accounts did not meet criteria for their respective fund or account type. At the Department of the Attorney General, 10 percent (2 of 20) of the funds and accounts reviewed failed to meet at least one of the criteria. Thirty-one percent (17 of 54) of DBEDT's fund and accounts did not meet at least one criterion.

Section 23-12, HRS, requires the Auditor to review all existing special, revolving, 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 the Attorney General and Business, Economic Development and Tourism. It is our first review of both departments' special funds, since Act 130, SLH 2013, amended Section 23-12, HRS, to include reviews of all special funds statewide.

Special funds are used to account for revenues earmarked for particular purposes and from which expenditures are made for those purposes. 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. Trust funds, such as a pension fund, invoke the State's fiduciary responsibility to care for and use the assets held for the benefit for 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 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 conclusion 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.

Reporting shortfall

We also noted inconsistent adherence by departments when filing statutorily required reports for non-general funds and for administratively created funds and accounts. 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' reponses

We transmitted a draft of this review to the departments of the Attorney General and Business, Economic Development and Tourism. ATG agreed with most of our review but disagreed on our conclusion to reclassify the Antitrust Trust Fund to a special fund; however, we stand by our conclusion. DBEDT concurred with our review for the most part, and like the ATG, will review procedures to ensure compliance with reporting requirements. DBEDT disagreed with our conclusions to repeal four funds; however we stand by our conclusions. We agreed with DBEDT to reclassify the Rental Housing Trust Fund as a revolving fund instead of a special fund.