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**Twenty-six percent  
of UH's funds and  
accounts that were  
reviewed failed to  
meet at least one  
of the criteria.**

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# Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the University of Hawai'i

**Report No. 14-18, December 2014**

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*Sixty-five special funds, revolving funds, trust funds, and trust accounts were reviewed*

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

Our review of special, revolving, and trust funds and trust accounts of the University of Hawai'i (UH) found 17 of the 65 funds and accounts (26 percent) did not meet at least one of the criteria for their respective fund or account type.

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 UH. It is our first review of UH special funds, since enactment of 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 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 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 to statutorily required reports for non-general funds and for administratively created funds and accounts. Accurate and complete reporting will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility. We did not review revolving fund accounts maintained by the Research Corporation of the University of Hawai'i, a state agency attached to UH for administrative purposes, because it was outside the scope of this review. We also observed UH received general fund appropriations for programs that were also supported by special and revolving funds.

## **Agency reponse**

We transmitted a draft of this review to the UH. UH agreed with our review for the most part and will take appropriate action to ensure compliance with reporting requirements. UH did not comment about the repeal of the University of Hawai'i Housing Assistance Revolving Fund, and disagreed with our conclusions to repeal six funds; however we stand by our conclusions.