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**We noted approximately \$166 million were used in FY2012 from the Hawai'i Hurricane Relief Fund did not serve the purpose for which the trust fund was originally established.**

# Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Commerce and Consumer Affairs

Report No. 15-12, November 2015

*Thirty-eight special funds, trust funds, and trust accounts were reviewed*

## One fund did not meet criteria

Our review of special funds, trust funds, and trust accounts of the Department of Commerce and Consumer Affairs (DCCA) found one trust fund did not meet the definition of a trust fund.

Section 23-12, Hawai'i Revised Statutes (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 trust funds and trust accounts of DCCA. It is our first review of DCCA special funds, since enactment of Act 130, Session Law of Hawai'i 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 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 and 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.

## Hawai'i Hurricane Relief Fund not used for established purpose

In our review, we noted funds of approximately \$166 million were used in FY2012 from the Hawai'i Hurricane Relief Fund and did not serve the purpose for which the trust fund was originally established. The purpose of the trust fund is to monitor the availability of property insurance in the state and make such insurance reasonably available to consumers in the state when necessary.

Approximately \$111 million was used to balance the State's budget for FY2011 and to maintain programs at levels determined to be essential for education, public health, and public welfare. The balance of \$55 million was used to restore instructional days to meet the educational needs of Hawai'i's children.

## Reporting shortfall

We also noted inconsistent adherence by DCCA 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.

## Agency response

We transmitted a draft of this review to DCCA. DCCA agreed with our review for the most part and will take appropriate action to ensure compliance with reporting requirements. DCCA disagreed with our conclusion to reclassify the trust fund; however, we stand by our conclusion. We agreed with DCCA and removed the Trust Clearing Account from Exhibit 3.1, which lists DCCA's trust accounts not reported to the Legislature.