



Office of the Auditor  
465 S. King Street  
Rm. 500  
Honolulu, HI 96813  
Ph. (808) 587-0800

Jan K. Yamane  
Acting State Auditor  
State of Hawai'i

**Eight special funds and one trust fund with balances totaling more than \$385,000 had no activity during our review period and should be closed.**

For the full text of this and other reports, visit our website: <http://auditor.hawaii.gov/>

# Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Health

Report No. 15-17, December 2015

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

## **Nineteen special funds and two trust funds did not meet criteria**

Our review of special funds, revolving funds, trust funds, and trust accounts of the Department of Health (DOH) and its administratively attached agency, the Hawai'i Health Systems Corporation (HHSC), found 19 special funds and 2 trust funds did not meet criteria.

Section 23-12, Hawai'i Revised Statutes (HRS), requires the Auditor to review all existing special, revolving, and trust funds every five years. This is our fifth review of DOH and HHSC's revolving funds, trust funds and trust accounts, and our first review of their special funds since Act 130, Session Laws 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.

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 only. We do not present conclusions about the effectiveness of programs or their management, or whether programs should be continued.

## **Inactive funds result in unused moneys**

Eight special funds and one trust fund with balances totaling more than \$385,000 as of June 30, 2015, had no activity during our review period. According to DOH, these funds should be closed.

## **General fund appropriations received for programs supported by special funds**

Three DOH and HHSC hospital programs receive general fund appropriations for programs supported by special funds. Although these funds meet the criteria of self-sustainability, we could not conclude the programs need general fund appropriations. To do so would require further inquiry into the individual funds' programs and activities, which was beyond the scope of our review.

## **Reporting shortfall**

DOH and HHSC inconsistently adhered to statutory reporting requirements for non-general funds and administratively created funds and accounts. DOH is also not reporting annual filings for the Mental Health and Substance Abuse Special Fund. Accurate and complete reporting, as well as timely closing of funds, would greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility.

## **Agency response**

DOH generally agreed with our observations and said it will take appropriate action to ensure compliance with reporting requirements and closing inactive funds. DOH did not agree with our conclusion to repeal three funds; however, we stand by our conclusions. HHSC did not respond to our draft report.