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# Auditor's Summary

## Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Education and the Hawai'i State Public Library System

Report No. 16-11

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### Three Department of Education Funds did not meet criteria

**OUR REVIEW OF 13 SPECIAL FUNDS**, 9 revolving funds, 9 trust funds, and 2 trust accounts of the Department of Education (DOE) found 1 special fund, 1 revolving fund, and 1 trust fund did not meet criteria and should be closed. Our review of 2 special funds, 2 trust funds, and 1 trust account of the Hawai'i State Public Library System (HSPLS) found that all funds and accounts met criteria.

Section 23-12, Hawai'i Revised Statutes, requires the Auditor to review all existing special, revolving, and trust funds every five years. Reviews are scheduled so that each department's funds are reviewed once every five years. Although not mandated by statute, we included trust accounts as part of our review. This is our fifth review of the revolving funds, trust funds and trust accounts of DOE and our fourth review of the funds and accounts of HSPLS. HSPLS did not have any revolving funds during our review period. It is our first review of the special funds of DOE and HSPLS.

We used criteria developed by the Legislature and by our office based on public finance and accounting literature. For each fund and account, we present a five-year financial summary, the purpose of the fund and account, 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 their management, or whether the program should be continued.

### Reporting shortfall

**WE NOTED** inconsistent adherence by DOE when filing statutorily required reports for non-general funds and for administratively created funds and accounts. We also noted that HSPLS did not file statutorily required reports for administratively created funds and accounts. Accurate and complete reporting, as well as timely closing of funds, will greatly improve the Legislature's oversight of these funds.

### Agencies' responses

**DOE GENERALLY AGREED** with our findings and will take appropriate action to close the three funds that did not meet criteria and ensure compliance with reporting requirements. HSPLS generally agreed with our findings, except our conclusion on the reporting requirement for administratively created funds and accounts. HSPLS asserted that filing reports for administratively created funds and accounts is redundant because the same information is included in its annual report of non-general fund accounts. We disagree with HSPLS. The statutory requirement that HSPLS report to the Legislature is unambiguous. It continues to be our conclusion that HSPLS must comply with the reporting requirements of the statute.



#### FUND TYPES

##### **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 to benefit 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.