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# Auditor's Summary

## Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Human Resources Development

Report No. 17-09

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### All funds met criteria

**OUR REVIEW OF ONE SPECIAL FUND AND TWO TRUST FUNDS** of the Department of Human Resources Development (DHRD) determined that the funds met criteria and should be continued.

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 are reviewed once every five years. Although not mandated by statute, we included trust accounts as part of our review. DHRD did not have any revolving funds or trust accounts during our review period. This is our fifth review of DHRD's revolving funds, trust funds, and trust accounts. It is our first review of the special fund of DHRD.

We used criteria developed by the Legislature and by our office based on 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 programs or their management, or whether the programs should be continued.

### Reporting shortfall

**WE ALSO NOTED** DHRD did not file statutorily required reports for non-general funds and for administratively created funds. Accurate and complete reporting will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility.

### Agency response

**DHRD GENERALLY AGREED WITH OUR FINDINGS**, except our conclusion on the reporting requirements for the two trust funds. DHRD asserted that the two trust funds "are not controlled by the legislature, do not play a part in budgetary flexibility and have no 'excess moneys' that can be transferred to the general fund." We disagree with DHRD. The statutory requirements that DHRD report to the Legislature are unambiguous and do not exempt these trust funds. It continues to be our conclusion that DHRD must comply with reporting requirements of the statutes.



#### 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.

