
Auditor's Summary

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Agriculture

Fifty special funds, revolving funds, trust funds, and trust accounts were reviewed

Report No. 18-15

Five special funds and two revolving funds did not meet criteria

WE REVIEWED 50 FUNDS AND ACCOUNTS administered by the Department of Agriculture (DOA) and reported on 31 of them – specifically, 14 special funds, 7 revolving funds, 3 trust funds, and 7 trust accounts. We found 5 special funds and 2 revolving funds did not meet criteria – specifically, 3 special funds and 2 revolving funds should be evaluated for continuance, 1 special fund should be closed, and 1 special fund should be reclassified to a revolving fund.

Section 23-12, Hawai'i Revised Statutes (HRS), requires the Auditor to review each department's existing special, revolving, and trust funds every five years. Although not mandated by statute, we include trust accounts as part of our review. This is our sixth review of the revolving funds, trust funds, and trust accounts, and our second review of the special funds of DOA.

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 that DOA 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

DOA GENERALLY AGREED with our findings and will take appropriate action to evaluate the continuance, closure, and reclassification for those funds that did not meet criteria. DOA will also comply with reporting requirements.

In reference to the Agricultural Development and Food Security Fund, DOA pointed out that the language in Act 73, SLH 2010, states that there is a nexus between the tax on petroleum products and programs to support food security. We recognize that this language exists in the preamble to Act 73; however, our analysis did not find convincing evidence of such nexus.



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.