
Auditor's Summary

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

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

Report No. 21-03

Thirteen funds did not meet criteria

WE REVIEWED 70 FUNDS AND ACCOUNTS administered by the Department of Health (DOH) and its administratively attached agency, the Hawai'i Health Systems Corporation (HHSC) – specifically, 45 special funds, 5 revolving funds, 9 trust funds, and 11 trust accounts. We found 7 special funds, 1 revolving fund, 3 trust funds, and 2 trust accounts did not meet criteria. We recommended 7 special funds be repealed or closed, including one special fund that HHSC believes should be removed from the State's Financial Accounting and Management Information System (FAMIS). We also recommended that the revolving fund be reclassified to a special fund, the trust accounts reclassified to trust funds, and 1 trust fund be reclassified to a trust account. Lastly, we recommended that DOH reevaluate and reclassify two trust funds because multiple programs, with distinct purposes, intents, and uses, appear to be operating out of these funds.

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. This is our sixth review of DOH's revolving funds, trust funds, and trust accounts, and our second review of DOH's special funds.

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 NOTED THAT DOH AND HHSC did not file statutorily required reports for non-general funds totaling approximately \$62.3 million and administratively



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.

created non-general funds totaling approximately \$57.1 million (although HHSC asserts that the approximately \$49.9 million cash balance in the Hawai‘i Health Systems Corporation FAMIS account is a recording error that it is working to reverse). Accurate and complete reporting will greatly improve the Legislature’s oversight and control of these funds and provide increased budgetary flexibility.

Agency response

DOH DISAGREED WITH OUR CONCLUSION that three special funds did not satisfy the clear nexus/clear link criterion required by statute, and provided comments. Specifically, DOH provided additional information about the programs and expenditures related to the Community Health Centers Special Fund, the Domestic Violence and Sexual Assault Special Fund, and the Hawai‘i Birth Defects Special Fund. We find this additional information does not address our concern that the funds do not either reflect a clear nexus between the benefits sought and the charges made upon the program users or beneficiaries, or a clear link between the program and the sources of revenue. We reached the same conclusions in our last review of DOH’s funds, Report No. 15-17, and maintain our analysis of these funds was appropriate and correct based upon the information DOH provided to us during the current review.

DOH also questioned the basis for our recommendations related to three funds and accounts: the Environmental Response Revolving Fund; the Mai‘ili‘ili Supplemental Environmental Project Fund; and the Trust Fund for Non-Diseased Children of H.D. Patients, Charles A. Brown Trust. We believe the fund definitions provided by statute and the descriptions of the funds in question, which were based on DOH’s own questionnaire responses, adequately support our conclusions that these funds should be reclassified. DOH did not provide any additional information that supports or otherwise justifies amending our recommendations.

As to its reporting shortfall, DOH acknowledged that certain funds and accounts were not submitted to the Legislature due in part to staff turnover, and is working to correct the oversight.

HHSC generally agreed with our recommendations. However, as to its reporting shortfall, HHSC asserted that the Health Systems Special Fund cash balance was reported as part of a larger consolidated cash balance that included but was not limited to the 15 accounts associated with the Health Systems Special Fund. HHSC also acknowledged that it does not file a separate administratively established fund report but will do so going forward.