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# Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Accounting and General Services

A Report to the Governor  
and the Legislature of  
the State of Hawai'i

**Report No. 18-21**  
December 2018



**OFFICE OF THE AUDITOR**  
STATE OF HAWAII



## OFFICE OF THE AUDITOR STATE OF HAWAII

### Constitutional Mandate

Pursuant to Article VII, Section 10 of the Hawai'i State Constitution, the Office of the Auditor shall conduct post-audits of the transactions, accounts, programs and performance of all departments, offices and agencies of the State and its political subdivisions.

The Auditor's position was established to help eliminate waste and inefficiency in government, provide the Legislature with a check against the powers of the executive branch, and ensure that public funds are expended according to legislative intent.

Hawai'i Revised Statutes, Chapter 23, gives the Auditor broad powers to examine all books, records, files, papers and documents, and financial affairs of every agency. The Auditor also has the authority to summon people to produce records and answer questions under oath.

### Our Mission

*To improve government through independent and objective analyses.*

We provide independent, objective, and meaningful answers to questions about government performance. Our aim is to hold agencies accountable for their policy implementation, program management, and expenditure of public funds.

### Our Work

We conduct performance audits (also called management or operations audits), which examine the efficiency and effectiveness of government programs or agencies, as well as financial audits, which attest to the fairness of financial statements of the State and its agencies.

Additionally, we perform procurement audits, sunrise analyses and sunset evaluations of proposed regulatory programs, analyses of proposals to mandate health insurance benefits, analyses of proposed special and revolving funds, analyses of existing special, revolving and trust funds, and special studies requested by the Legislature.

We report our findings and make recommendations to the Governor and the Legislature to help them make informed decisions.

*For more information on the Office of the Auditor, visit our website:*  
<http://auditor.hawaii.gov>

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## Foreword

This is a report of our review of the special funds, revolving funds, trust funds, and trust accounts of the Department of Accounting and General Services.

Section 23-12, Hawai‘i Revised Statutes (HRS), requires the Auditor to review all existing special, revolving, and trust funds once every five years. Although not mandated by statute, we included 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 the Department of Accounting and General Services.

We wish to express our appreciation for the cooperation and assistance extended to us by the officials and staff of the Department of Accounting and General Services.

Leslie H. Kondo  
State Auditor



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# Chapter 1

## Introduction

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This review encompasses the special funds, revolving funds, trust funds, and trust accounts administered by the State of Hawai‘i, Department of Accounting and General Services (DAGS). Section 23-12, Hawai‘i Revised Statutes (HRS), requires the Auditor to review each State department’s special, revolving, and trust funds every five years. Specifically, the Auditor’s review must include:

1. An evaluation of the original intent and purpose of each fund, both as expressed by the Legislature and as understood by the expending agency;
2. The degree to which each fund achieves its stated and claimed purposes;
3. An evaluation of the fund’s performance standards as established by the agency; and
4. A summary statement reflecting total fund transactions in the preceding five fiscal years, including the fund balance at the beginning of each fiscal year, total deposits and withdrawals, amount of interest earned, total expenditures made from the fund, and the ending balance for each fiscal year.

This is our sixth review of DAGS’ revolving funds, trust funds, and trust accounts.<sup>1</sup> However, it is our second review of DAGS’ special funds, since Act 130, Session Laws of Hawaii (SLH) 2013, amended Section 23-12, HRS, to require we review special funds along with revolving funds and trust funds. Although not mandated by Section 23-12, HRS, we have included trust accounts as part of our review. Trust accounts, like special, revolving, and trust funds, are subject to minimal legislative scrutiny. We last examined these funds and accounts in 2013.

In this report, we reviewed 92 funds and accounts administered by DAGS and reported on 33 of them – specifically, 7 special funds, 6 revolving funds, 7 trust funds, and 13 trust accounts.

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<sup>1</sup> Prior to 2013, Section 23-12, HRS, did not require reviews of departments’ special funds.

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## **Description of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts**

### ***Special funds***

Section 37-62, HRS, defines a special fund as one that is “dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds.” According to the State’s Accounting Manual, special funds are funds used to account for revenues earmarked for particular purposes and from which expenditures are made for those purposes.

### ***Revolving funds***

Section 37-62, HRS, defines a revolving fund as one “from which is paid the cost of goods and services rendered or furnished to or by a state agency and which is replenished through charges made for the goods or services or through transfers from other accounts or funds.” Activities commonly financed through revolving funds include loan programs, which are initially established by general fund seed moneys and are then replenished through the repayment of loans.

### ***Trust funds***

Section 37-62, HRS, defines a trust fund as one in which “designated persons or classes of persons have a vested beneficial interest or equitable ownership, or which was created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes.” Trust funds invoke a fiduciary responsibility of state government to care for and use only for those designated to benefit from the funds. A pension fund is an example of a trust fund. Contributions and payments are to be held for the beneficiaries of the pension fund. Another example is tenants’ security deposits, which are held in trust for the future benefit of tenants and landlords. Until forfeited or returned, deposits are the property of the tenants and should be accounted for accordingly.

### ***Trust accounts***

DAGS defines a trust account as a separate holding or clearing account for State agencies. Trust accounts also serve as accounting devices to credit or charge agencies or projects for payroll or other costs.

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## **Criteria for Reviewing Special Funds, Revolving Funds, Trust Funds, and Trust Accounts**

### ***Special and revolving fund criteria***

In 2002, the Legislature set the requirements for establishing and continuing special and revolving funds. Sections 37-52.3 and 37-52.4, HRS, state that special and revolving funds may only be established by statute. The criteria used to review special and revolving funds are the extent to which each fund:

- Serves a need, as demonstrated by: (a) the purpose of the program to be supported by the fund; (b) the scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and (c) an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
- Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries, or a clear link between the program and the sources of revenue – as opposed to serving primarily as a means to provide the program or users with an automatic means of support, removed from the normal budget and appropriation process;
- Provides an appropriate means of financing for the program or activity that is used only when essential to the successful operation of the program or activity; and
- Demonstrates the capacity to be financially self-sustaining.

### ***Trust fund and trust account criteria***

Unlike the requirements for special and revolving funds, the law is silent on whether a trust fund or trust account must be established by statute. The criteria used to review trust funds and trust accounts are the extent to which each fund and account:

- Continues to serve the purpose and intent for which it was originally created; and
- Meets the definition of a trust fund or trust account, respectively.

The first criterion is derived from the objectives of Section 23-12, HRS, which requires the Auditor to evaluate the original intent of each fund and account and the degree to which each fund and account achieves its stated purpose. The second criterion assesses whether a fund is held by the State only for the benefit of those with a vested interest in the assets or an account is held as a separate or clearing account.

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### **Objectives of the Review**

1. Identify and review all special funds, revolving funds, trust funds, and trust accounts of DAGS.
2. For each special fund, revolving fund, trust fund, and trust account, determine whether the fund or account meets the respective criteria.
3. Provide a five-year (FY2014 – FY2018) unaudited financial summary for each fund and account reviewed.

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### **Scope and Methodology**

We reviewed all special funds, revolving funds, trust funds, and trust accounts directly administered by DAGS during the five-year period under review (FY2014 – FY2018). Funds and accounts included those established by statute as well as by administrative authority.

To identify funds subject to this review, we used a variety of sources, including our prior reviews, accounting reports from DAGS, non-general fund reports, legislative budget briefing documents, and other records. To gain an understanding of fund operations, we reviewed applicable agency administrative rules and interviewed key fiscal and program personnel, as necessary.

We obtained a summary statement for each fund that reflects total fund transactions in the preceding five fiscal years (July 1, 2013 to June 30, 2018), including beginning fund balances, total revenues, amount of interest earned, total expenditures, transfers, and ending fund balances

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for each fiscal year. We requested explanations for discrepancies between ending balances for FY2013 reported in our last review and opening balances reported for FY2014. We did not audit DAGS' financial data, which are provided for informational purposes only.

Procedures were performed on each fund using relevant criteria as stated above. We reviewed fund information for consistency with the intent of each fund's use and to ascertain the relationship between charges on users and expenditures. We reviewed and compared fund balances to financial activity and projected program needs and standards. We reviewed information on performance standards established for the funds or accounts and performed other procedures as necessary.

Where appropriate, we relied on our prior reports, including Report No. 14-01, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Accounting and General Services, Agriculture, and Budget and Finance*.

Our review was conducted in November 2018. Recommendations were made where applicable.



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# Chapter 2

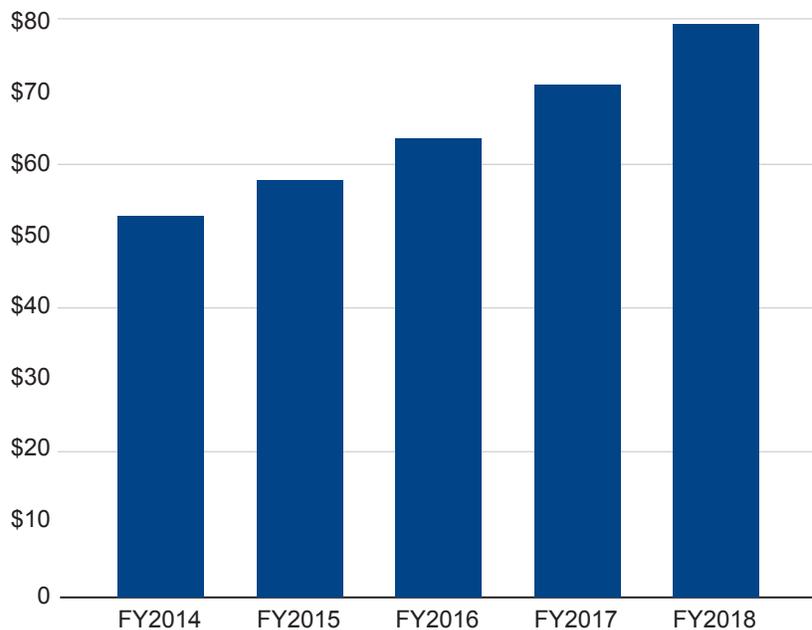
## Department of Accounting and General Services

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This section presents the results of our review of 7 special funds, 6 revolving funds, 7 trust funds, and 13 trust accounts. Fund fiscal year-end balances amounted to at least \$53 million per year during the period reviewed.

Exhibit 2.1 summarizes the totals for these fund balances at the end of each fiscal year.

**Exhibit 2.1**  
**Cash Balances for DAGS Non-General Funds**  
**FY2014 – FY2018 (in millions)**



Source: Office of the Auditor

Substantial amounts were also collected and expended by the funds annually. In FY2018, the special funds, revolving funds, trust funds, and trust accounts collected nearly \$3.9 billion and spent or transferred nearly the same amount.

Exhibit 2.2 presents totals for the combined revenue and interest, expenses and transfers, and ending fund balances for the different fund types for FY2018.

**Exhibit 2.2**  
**DAGS Fund and Account Totals by Type, FY2018**

Fund Type	Revenue and Interest	Expenses and Transfers	FY2018 End Cash Balance
Special Funds	\$28,900,000	\$21,463,000	\$48,828,000
Revolving Funds	21,666,000	19,625,000	27,684,000
Trust Funds and Trust Accounts	3,834,612,000	3,833,615,000	3,251,000
<b>Total</b>	<b>3,885,178,000</b>	<b>3,874,703,000</b>	<b>79,763,000</b>

Source: Office of the Auditor

For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use and whether it meets the definition of a special fund, revolving fund, trust fund, or trust account. We do not assess the effectiveness of programs and their management. The funds are presented in alphabetical order.

Exhibit 2.3 presents DAGS' funds that did not meet criteria for continuance and should be closed or reclassified.

**Exhibit 2.3  
DAGS Funds Not Meeting Criteria**

<b>Fund Name</b>	<b>Fund Type</b>	<b>FY2018 Ending Balance (rounded)</b>	<b>No longer serves original purpose and/or does not serve a need</b>	<b>No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources</b>	<b>Inappropriate financing mechanism</b>	<b>Not financially self-sustaining</b>	<b>Does not meet special fund, revolving fund, trust fund, or trust account definition</b>
Captain Cook Memorial Fund	Trust Fund	\$4,000	✓				
Custodial Services	Special	0	✓	✓	✓	✓	✓
Donations for Voter Registration Drive	Trust Account	0	✓				
Information Technology Trust Fund	Trust Fund	0	✓				
Shared Services Technology Special Fund	Special	3,016,000			✓		
Temporary Deposits - Automotive Management	Trust Account	80,000					✓
Temporary Deposits - Public Works	Trust Account	3,000	✓				
University of Hawai'i Ticket Receipts	Trust Account	0	✓				
<b>Total</b>		<b>\$3,103,000</b>					

Source: Office of the Auditor

**Access Hawai'i  
Committee Special  
Fund  
(special fund)**

**Section 27G-6, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$216	\$217	\$306	\$292	\$233
Revenues	0	88	104	96	96
Interest	1	1	2	2	1
Expenditures	0	0	(120)	(157)	(166)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$217</b>	<b>\$306</b>	<b>\$292</b>	<b>\$233</b>	<b>\$164</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally created. Statutorily created in 2011, the fund is used to support activities of the Access Hawai'i Committee. Revenues are from fees collected by the State Office of Enterprise Technology Services for the purpose of supporting the Access Hawai'i Committee and monthly fees collected from the internet portal program manager who is appointed by the chief information officer and contracted by the State to operate its internet portal website. Expenditures include the administrative and operational overhead costs for the Access Hawai'i Committee to manage and oversee the portal, an exempt State program manager position to support the committee, and periodic studies of future portal directions and services. We note that expenditures exceeded revenues for three out of the five fiscal years during our review period, which raises questions about the fund's capacity to be financially self-sustaining.

**Captain Cook Memorial  
Fund  
(trust fund)**

**Section 6E-33, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$4	\$4	\$4	\$4	\$4
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$4</b>	<b>\$4</b>	<b>\$4</b>	<b>\$4</b>	<b>\$4</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund does not meet the criteria of a trust fund because it no longer serves the purpose for which it was originally created. Established in 1928, the fund was created with the proceeds from the sale of 10,000 fifty-cent coins minted for the Captain Cook sesquicentennial celebration. Revenues are from proceeds from the sale of the publication “*Official Publications of the Territory of Hawai‘i*” and cash gifts to the State Archives. Expenditures include the acquisition and publication of original books, mementos, pamphlets, documents, and other articles of historical value relating to the life of Captain James Cook and the history, discovery, and exploration of the Hawaiian Islands. In 2015, the Legislature found that the fund was inactive, had a very small balance, and was no longer necessary. The fund was repealed pursuant to Act 147, SLH 2015. DAGS asserts that the Archives Administrator will transfer the remaining balance and close the fund.

**Central Payroll  
Clearance  
(trust account)**

**Administratively  
established**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$55	(\$66)	(\$140)	(\$61)	\$41
Revenues	3,453,619	3,577,083	3,681,715	3,805,057	3,830,916
Interest	0	0	0	0	0
Expenditures	(3,453,740)	(3,577,157)	(3,681,636)	(3,804,955)	(3,830,937)
Transfers	0	0	0	0	0
<b>Ending Balance*</b>	<b>(\$66)</b>	<b>(\$140)</b>	<b>(\$61)</b>	<b>\$41</b>	<b>\$20</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Negative ending balances are due to the timing of reimbursements received from departments making payments with funds held outside the State treasury.

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally created. Administratively created circa 1996, the account is a clearing account to ensure that the State’s payroll expenditures are properly reimbursed. Revenues are from funds held within and outside of the State treasury. Expenditures include payroll and adjustments for salary overpayments.

**Custodial Services  
(special fund)**

**Administratively  
established**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	59	59	59	59	59
Interest	0	0	0	0	0
Expenditures	(59)	(59)	(59)	(59)	(59)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund does not meet the criteria of a special fund because it was improperly created by administrative authority in 2003. In 2002, the Legislature set the requirements for establishing and continuing special funds. Section 37-52.3, HRS, states that special funds may only be established by statute. The fund is used to reimburse Central Services Division’s custodial program for utility expenses associated with the office and museum areas assigned to the State Foundation on Culture and the Arts (SFCA) at the Number One Capitol District Building with moneys collected from SFCA. Revenues are from SFCA’s payments

to reimburse the program for utility costs. Expenditures include reimbursements to Central Services Division’s custodial program to recoup utility costs for its SFCA operations. The fund should be closed because it was improperly created.

***Donations For Voter  
Registration Drive  
(trust account)***

***Administratively  
established***

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Financial activity exists in the account but is not reflected due to rounding.

This account does not meet the criteria of a trust account because it no longer serves the purpose for which it was originally created. Administratively created in 1984, the account was used to receive monetary donations from businesses, community organizations, and private individuals for use in the 1984 Voter Registration Campaign and education programs and the 1987 Voter Slogan Contest. The contest was conducted to increase voter awareness to register and vote and increase citizen participation in upcoming elections. The contest was open to all Hawai‘i residents ages 5 and above. The funds were used to purchase U.S. savings bonds and gifts for contest winners. Since the completion of those programs, the account has had little financial transaction activity.

In our last fund review, in Report No. 14-01, we recommended DAGS evaluate its continued need for the account. The account remains open, and DAGS acknowledges there are currently no revenue accruals. The account no longer serves the purpose for which it was originally created and should be closed.

**Employees’  
Sequestered Funds  
(trust account)**

**Administratively  
established**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$49	\$55	\$64	\$57	\$53
Revenues	44	73	60	91	88
Interest	0	0	0	0	0
Expenditures	(38)	(64)	(67)	(95)	(46)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$55</b>	<b>\$64</b>	<b>\$57</b>	<b>\$53</b>	<b>\$95</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally created. Administratively created, the account is used to hold funds sequestered from the gross pay of State employees upon receipt of court-issued garnishment orders. The State shall continue to withhold such amount until the action against the State employee has been withdrawn or dismissed, or the judgment against the State employee has been fully paid, with legal interest; either of which event shall be certified by the court in or before which the action has been pending. Expenditures include disbursements to designated creditor payees.

**Enhanced 911 Fund –  
Not In State Treasury  
(special fund)**

**Section 138-3, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)\***

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$9,348	\$12,504	\$16,789	\$19,469	\$22,458
Revenues	9,100	9,302	9,635	11,094	11,161
Interest	2	1	22	73	252
Expenditures	(5,946)	(5,018)	(6,977)	(8,178)	(8,366)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$12,504</b>	<b>\$16,789</b>	<b>\$19,469</b>	<b>\$22,458</b>	<b>\$25,505</b>
Encumbrances	\$3,441	\$7,223	\$6,124	\$10,433	\$18,787

\* The financial data presented is a consolidation of this fund and the Wireless Enhanced 911 – Not in State Treasury special fund. DAGS asserts the two funds should be consolidated and the Wireless Enhanced 911 – Not in State Treasury special fund will be closed.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally created. Statutorily created in 2004, the fund is used to support the Enhanced 911 Board (Board) for the purposes of ensuring adequate funding to deploy and sustain enhanced 911 service, developing and funding future enhanced 911 technologies,

and administering the fund. Revenues are from a monthly enhanced 911 surcharge imposed upon communication service connections, except connections of public utility providing telecommunication services and landline enhanced 911 services. The rate of surcharge is 66 cents per month and is charged to each wireless, mobile, and internet phone service connection. Expenditures include Board-related administrative costs, Public Safety Answering Point (PSAP) related costs, and wireless connection service provider services for PSAPs.

**Hawai'i Election  
Campaign Fund  
(trust fund)**

**Section 11-421, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
Beginning Balance	\$2,935	\$2,539	\$1,878	\$1,514	\$798
Revenues	217	202	326	202	205
Interest	8	10	11	9	5
Expenditures	(621)	(873)	(701)	(927)	(5)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$2,539</b>	<b>\$1,878</b>	<b>\$1,514</b>	<b>\$798</b>	<b>\$1,003</b>
Encumbrances	\$2	\$10	\$0	\$3	\$0

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally created. Established in 1979, the fund is used to receive moneys collected from individual Hawai'i taxpayers who designate \$3 from their income tax liability to the fund. Interest earned on principal is also deposited into the fund. The primary purpose of the fund is to provide partial public financing for candidates for State and County offices who qualify and apply for funding as provided in Sections 11-429 through 11-431, HRS. Since 1980 through the 2016 election, the fund provided \$4.7 million in public financing and, as of August 2018, has provided \$34,500 for the 2018 election, excluding \$363,000 for the Hawai'i County Council comprehensive public funding program from 2010 to 2012. The fund also may be used to support the operations of the Campaign Spending Commission; however, in FY2017, the Commission's operating expenses were absorbed by the Executive Branch. DAGS asserts that the Commission was close to declaring that the moneys in the fund were nearing depletion such that there would be no public funding in the 2018 election.

**Hawai'i FYI  
(trust account)**

**Administratively  
established**

**Financial Data for Fiscal Years 2014 (in thousands)**

	FY2014
Beginning Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers	0
<b>Ending Balance</b>	<b>\$0</b>
Encumbrances	\$0

\*In FY2014 the beginning balance of \$6.11 was expended and the account closed.

This account was closed in FY2014, and the remaining balance expended. Administratively created in 1996, the account was used for a Ford Foundation grant made to the Information and Communication Services Division. The purpose of the grant was to expand and improve public access to government via the Hawaii FYI Network. At least 80 percent of the grant was used for dissemination and replication activities, including public outreach and educational events. Expenditures included costs for program events, demonstrations, briefings, seminars, replication and development of information services provider sites, and staff recognition.

**Information  
Technology Trust Fund  
(trust fund)**

**Administratively  
established**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$0	\$0	\$125	\$29	\$0
Revenues	0	125	77	0	0
Interest	0	0	0	0	0
Expenditures	0	0	(173)	(29)	0
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$0</b>	<b>\$125</b>	<b>\$29</b>	<b>\$0</b>	<b>\$0</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a trust fund, but it no longer serves the purpose for which it was originally created. Administratively created in 2014, the fund was used to hold the salary for two project manager positions within the Office of Information Management and Technology to assist in the implementation of the State Business and Information Technology/Information Resource Management Transformation plan. Revenues were from a private grant received from the Hawai'i

Community Foundation, which ended on June 30, 2016. Expenditures included salaries for the managerial positions. DAGS asserts the fund will be closed in FY2019.

**King Kamehameha  
Celebration  
Commission  
(trust fund)**

**Section 8-5, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$27	\$36	\$22	\$2	\$5
Revenues	88	56	77	30	0
Interest	0	0	0	0	0
Expenditures	(79)	(70)	(97)	(27)	0
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$36</b>	<b>\$22</b>	<b>\$2</b>	<b>\$5</b>	<b>\$5</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally created. Established in 1939, the fund supports the King Kamehameha Celebration Commission, consisting of 13 members, appointed by the governor, who serve without compensation. The Commission coordinates all State-sponsored celebration events generally observed annually on June 11 to commemorate the memory of King Kamehameha I who united the Hawaiian Islands into the Kingdom of Hawai‘i. The Commission has been charged with coordinating the events since 1872 when Kamehameha V created the holiday to honor his grandfather, King Kamehameha I. Events include the King Kamehameha Celebration Floral Parade, Ho‘olaule‘a or similar cultural festivals, and State lei draping ceremonies. Revenues are from donations. Expenditures include program expenses and administrative costs.

**Nonpresentment of Warrants and Checks Trust Fund (trust fund)**

**Section 40-68, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$500	\$500	\$500	\$500	\$500
Revenue	221	509	500	499	434
Interest	0	0	0	0	0
Expenditures	(221)	(509)	(500)	(499)	(434)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$500</b>	<b>\$500</b>	<b>\$500</b>	<b>\$500</b>	<b>\$500</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally created. Statutorily created in 1994, the fund holds moneys from certain uncashed state warrants and checks. Payees have one fiscal year to cash state warrants and checks, after which payees must present claims for payment. Revenues are from unclaimed moneys, provided that the fund balance shall not exceed \$500,000 and any excess amount is transferred to the general fund. Expenditures include disbursements to the payees of the warrants and checks presenting legitimate claims within four fiscal years immediately following the initial transfer of the respective moneys into the fund.

**Office of Enterprise Technology Services – Vacation Accrued for Federally Funded Employees (trust account)**

**Administratively established**

**Financial Data for Fiscal Years 2014 – 2016 (in thousands)**

	FY2014	FY2015	FY2016
Beginning Balance	\$0	\$0	\$32
Revenues	0	32	0
Interest	0	0	0
Expenditures	0	0	(32)
Transfers	0	0	0
<b>Ending Balance</b>	<b>\$0</b>	<b>\$32</b>	<b>\$0</b>
Encumbrances	\$0	\$0	\$0

This account was closed in FY2017 and the remaining balance disbursed to an individual who separated from State employment. Administratively created in 2015, the account was used to temporarily hold vacation credits accrued by and transferred to employees upon their separation from State employment. Revenues were from the general fund for accrued vacation. Expenditures included the payout of accrued vacation to the individual leaving State employment for a federally funded program and the account was closed.

**Office of Hawaiian  
Affairs, Ceded Lands  
Proceeds  
(trust account)**

**Administratively  
established**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	21	21	21	21	20
Interest	0	0	0	0	0
Expenditures	(21)	(21)	(21)	(21)	(20)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally created. Administratively created in 2006, the account is used to temporarily hold 20 percent of all revenues generated from the use of three parking lots located on ceded lands on O‘ahu and Kaua‘i. The funds are transferred to the Office of Hawaiian Affairs (OHA) pursuant to Section 10-13.5, HRS, that requires 20 percent of income generated from the public land trust be expended by OHA.

**State Parking  
Revolving Fund  
(revolving fund)**

**Section 107-11, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$1,078	\$1,844	\$1,317	\$1,301	\$1,210
Revenues	3,951	3,856	3,857	3,728	3,900
Interest	6	7	9	13	12
Expenditures	(2,926)	(4,002)	(3,223)	(3,272)	(3,130)
Transfers*	(265)	(388)	(659)	(560)	(813)
<b>Ending Balance**</b>	<b>\$1,844</b>	<b>\$1,317</b>	<b>\$1,301</b>	<b>\$1,210</b>	<b>\$1,179</b>
Encumbrances	\$447	\$383	\$334	\$527	\$301

\*Transfers made pursuant to Section 107-11(g), HRS, which states that all moneys in excess of \$500,000 remaining on balance in the State Parking Revolving Fund on June 30 of each fiscal year shall lapse to the credit of the State general fund. On July 1 of each year, the Director of Finance is authorized to transfer any excess funds in the State Parking Revolving Fund to the general fund.

\*\*DAGS asserts that transfers of moneys in excess of \$500,000 remaining on balance in this fund for the prior fiscal year are made in July of the following fiscal year once the prior year’s financial data is closed and actual amounts are determined. Due to this timing difference, the ending balances shown above all exceed the maximum amount of \$500,000 allowed under Section 107-11(g), HRS. DAGS further asserts that they are accounting for and transferring amounts to the general fund to ensure its compliance with the statutory requirement for this revolving fund.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally created. Statutorily created in 1963, the fund was titled the “*State Parking Revolving Fund*” and used to provide safe and convenient parking for State employees and the public to access State government buildings, as well as to control, operate, and maintain State parking facilities with fees that are less than prevailing commercial parking rates. In 1993, the fund was merged with the State Parking Control Fund. Revenues are from fees, charges, user taxes, and other moneys collected as the result of the issuance of any State parking facility undertaking or loan program revenue bonds. Expenditures include personnel, repair and maintenance costs, and amounts to defray the cost of paving parking areas, the purchase, installation, and operation of parking meters, and of other parking facilities.

***Parking Control  
Revolving Fund  
Escrow Account  
(revolving fund)***

***Administratively  
established***

**Financial Data for Fiscal Years 2014 (in thousands)**

	FY2014
Beginning Balance	\$37
Revenues	0
Interest	0
Expenditures	0
Transfers*	(37)
<b>Ending Balance</b>	<b>\$0</b>
Encumbrances	\$0

\*Transfer to the OHA for the use of ceded lands.

This fund was closed in FY2014, and the remaining balance was transferred to OHA for payment for the State’s use of ceded lands. In our prior fund review, in Report 14-01, we noted that the fund no longer met the criteria of a revolving fund and did not serve the purpose for which it was created. The fund was inactive and DAGS was awaiting instructions from the Department of Budget and Finance regarding account closure.

**Payroll Clearance –  
Public Works  
(trust account)**

**Administratively  
established**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	6,483	6,758	6,864	0	0
Interest	0	0	0	0	0
Expenditures	(6,483)	(6,758)	(6,864)	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally created. Administratively created in 1981, the account is used as a clearing account to support the Public Works Division's Planning, Design and Construction Program for processing payroll costs charged to various sources for non-general funded capital improvement project personnel. Revenues are from payroll costs reimbursed by capital improvement project appropriations for personnel costs, repairs and maintenance, repairs and alterations, and other funds. Payroll is reconciled monthly.

**Public Works Project  
Assessment Fund  
(revolving fund)**

**Section 107-1.5, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$840	\$299	\$202	\$348	\$883
Revenues	769	881	1,048	794	292
Interest	2	2	1	4	6
Expenditures	(1,312)	(980)	(903)	(263)	(228)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$299</b>	<b>\$202</b>	<b>\$348</b>	<b>\$883</b>	<b>\$953</b>
Encumbrances	\$137	\$55	\$41	\$42	\$39

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally created. Statutorily created in 1996, the fund is used to defray costs involved in carrying out construction projects managed by DAGS; manage funds representing accumulated vacation and sick leave credits and retirement benefits for non-general funded employees in the construction program; equitably collect and distribute the costs of other current expenses associated with capital improvement, repairs and maintenance, and repairs and alterations projects; and manage the payments of employee transportation requirements, such as car mileage reimbursements, in

accordance with applicable law and collective bargaining agreements. Revenues come from all assessments made by the State Comptroller and collected on construction projects managed by DAGS to carry out the program of centralized engineering services, the accrued vacation credits of non-general funded employees who transfer to the Public Works Division, and interest earned from invested funds. Expenditures include employee car mileage reimbursements whereby employees utilize their personal vehicles to travel from the office to project sites, costs to reproduce bid plans and specifications, rental of document reproduction equipment, purchase of computer equipment and software, procurement of consultant services needed for project management, and vacation, sick leave, and retirement for employees funded by construction in progress.

**Shared Services  
Technology Special  
Fund  
(special fund)**

**Section 27-43, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
Beginning Balance	\$512	\$1,105	\$1,425	\$1,884	\$2,397
Revenues	1,317	1,153	1,436	1,450	1,411
Interest	2	5	9	15	14
Expenditures	(726)	(838)	(986)	(952)	(806)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$1,105</b>	<b>\$1,425</b>	<b>\$1,884</b>	<b>\$2,397</b>	<b>\$3,016</b>
Encumbrances	\$0	\$0	\$14	\$7	\$3

This fund does not meet the criteria of a special fund because the program supported by the fund can be successfully implemented under the general fund appropriation process, but continues to serve the purpose for which it was originally created. Statutorily created in 2012, the fund is administered by the Chief Information Officer to organize, manage, and oversee statewide information technology governance, including oversight of the Information and Communication Services Division. Revenues are from 3 percent of receipts collected from all special funds pursuant to Section 36-27, HRS, which pays for part of the operating costs of central information technology services for the State. Expenditures include operating costs of the Chief Information Officer and the Information Technology Steering Committee, including the employment of staff and training. DAGS acknowledges that the program supported by the fund can be successfully implemented under the general fund appropriation process but asserts that, unless the general fund budget is approved, the program will need to maintain this special fund for ongoing operations for statewide information technology governance. In our prior fund review, in Report No. 14-01, DAGS expressed its intention to move the positions funded by this special fund to general fund funded positions.

**Stadium Authority  
Account - Not in State  
Treasury  
(trust fund)**

**Section 109-3, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$293	\$241	\$300	\$406	\$271
Revenues	2,076	1,921	2,248	2,190	2,797
Interest	0	0	0	0	0
Expenditures	(2,128)	(1,862)	(2,142)	(2,325)	(2,028)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$241</b>	<b>\$300</b>	<b>\$406</b>	<b>\$271</b>	<b>\$1,040</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally created. Statutorily created in 1978, the fund is used to hold all receipts collected by the Stadium Authority from the sale of admission tickets for events held at Aloha Stadium, including money deposited with the Stadium Authority by a licensee to assure the payment of charges for the use of the stadium. Expenses are restricted to payments to the stadium licensees in connection with the settlements of accounts, refunds of deposits, and payments to the Stadium Special Fund for amounts due to the Stadium Authority.

**Stadium Special Fund  
(special fund)**

**Section 109-3, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$5,154	\$4,638	\$3,905	\$3,505	\$3,827
Revenues	6,900	6,884	6,874	7,551	7,606
Interest	14	21	26	25	23
Expenditures	(7,430)	(7,638)	(7,300)	(7,254)	(7,754)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$4,638</b>	<b>\$3,905</b>	<b>\$3,505</b>	<b>\$3,827</b>	<b>\$3,702</b>
Encumbrances	\$864	\$753	\$736	\$879	\$945

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally created. Created in 1970, the fund supports the Stadium Authority, which is responsible for the operation, maintenance, promotion and management of Aloha Stadium. Revenues are from facility rental fees, parking fees, advertising, and concessions. Expenditures include costs to operate, maintain, and repair the stadium, including ticket sales, traffic controls, public safety and security; services provided on a fee basis; special assessments; and other facility related operational costs.

**State Archives  
Preservation and Long-  
Term Access Special  
Fund  
(special fund)**

**Section 94-8, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$0	\$405	\$566	\$785	\$908
Revenues	405	454	511	516	599
Interest	0	2	1	5	6
Expenditures	0	(295)	(293)	(398)	(486)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$405</b>	<b>\$566</b>	<b>\$785</b>	<b>\$908</b>	<b>\$1,027</b>
Encumbrances	\$0	\$45	\$69	\$88	\$97

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally created. Statutorily created in 2013, the fund is used for the preservation of and long-term access to government records. Revenues are from a State archives preservation fee of \$1 collected for each document that is filed or registered by members of the public with a governmental entity and listed on an authorized records retention and disposition schedule as permanent. The preservation fee is used to preserve and keep accessible electronic records of such documents in a usable state for the good of the public. Expenditures include consultant services and administrative and operational costs of the Archives-Records Management program.

**State Foundation on  
Culture and the Arts  
(trust account)**

**Administratively  
established**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$268	\$261	\$270	\$265	\$275
Revenues	50	25	51	33	3
Interest	1	1	1	2	2
Expenditures	(58)	(17)	(57)	(25)	(50)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$261</b>	<b>\$270</b>	<b>\$265</b>	<b>\$275</b>	<b>\$230</b>
Encumbrances	\$9	\$1	\$35	\$35	\$35

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally created. Administratively created in 1984, the account is used to receive private donations in support of the SFCA programs and services that further public appreciation of the arts, culture, history, and humanities in Hawai‘i. Revenues are from rental fees for the Hawai‘i State Art Museum, donations and private

contributions to SFCA, and proceeds from the sale of SFCA books and recordings. Expenditures include the support of related SFCA activities and museum programming.

**State Motor Pool  
Revolving Fund  
(revolving fund)**

**Section 105-11, HRS**

<b>Financial Data for Fiscal Years 2014 – 2018 (in thousands)</b>					
	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
Beginning Balance	\$2,113	\$1,560	\$1,539	\$898	\$1,024
Revenues	2,536	2,671	2,433	2,612	2,478
Interest	5	6	9	7	6
Expenditures	(3,094)	(2,660)	(3,083)	(2,493)	(2,151)
Transfers*	0	(38)	0	0	0
<b>Ending Balance</b>	<b>\$1,560</b>	<b>\$1,539</b>	<b>\$898</b>	<b>\$1,024</b>	<b>\$1,357</b>
Encumbrances	\$49	\$89	\$128	\$42	\$284

\*Transfer to the Parking Control Branch for the reimbursement of payroll changes.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally created. Statutorily created in 1963, the fund is used to finance expenses of the State’s motor pool, including the operation, maintenance, repair, and acquisition of State vehicles. Revenues are from proceeds collected from motor pool vehicle rentals, repair services, the sale of fuel, the auction of salvageable vehicles, and interest earned from the investment pool system on the fund balance. Expenditures include costs for personnel and the acquisition, operation, repair, maintenance, storage, and disposal of State-owned vehicles assigned to the motor pool.

**State Risk Management  
Revolving Fund  
(revolving fund)**

**Section 41D-4, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$18,107	\$17,555	\$18,709	\$21,395	\$23,863
Revenues*	14,013	15,319	15,248	15,014	14,512
Interest	46	73	125	173	156
Expenditures	(14,611)	(14,238)	(12,687)	(12,719)	(14,735)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$17,555</b>	<b>\$18,709</b>	<b>\$21,395</b>	<b>\$23,863</b>	<b>\$23,796</b>
Encumbrances	\$0	\$0	\$0	\$1	\$0

\*The fund received general fund support of \$9,987,995 per year for each year during our review period. Such legislative appropriations are an allowable source of revenue, in accordance with the fund's authorizing law.

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally created. Statutorily created in 1988, the fund is used to purchase general liability, property, and crime insurance to protect the State from serious and catastrophic losses; pay claims to State agencies for losses to State property caused by fire or other casualties, third parties for liability claims against the State, automobile losses, and claims associated with the employee dishonesty coverage; and fund the payroll and operating costs of the State Risk Management Office. Revenues are from general fund appropriations, annual cost allocation assessments to non-general fund departments and agencies, restitutions from liable parties for damages, auto insurance premiums, other various claim recoveries, and investment earnings. Expenditures include all costs of the State Risk Management Program, tort claims, auto liability claims, property losses, and employee dishonesty claims.

**Surplus Federal  
Property Revolving  
Fund  
(revolving fund)**

**Section 103D-1107,  
HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$359	\$257	\$218	\$212	\$290
Revenues	598	905	619	260	303
Interest	1	1	1	2	2
Expenditures	(701)	(945)	(626)	(184)	(195)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$257</b>	<b>\$218</b>	<b>\$212</b>	<b>\$290</b>	<b>\$400</b>
Encumbrances	\$1	\$1	\$24	\$2	\$0

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally created. Statutorily created in 1981, the fund is used to defray the costs of procuring, storing, handling, and disposing of surplus property donated to the State under any federal act or rules adopted by the policy board making surplus federal and State property available. Revenues are from service and handling fees received from eligible program participants when purchases of deferral surplus property are made, income from the resale of used federal government vehicles, interest earned from certificate of deposit savings accounts, and purchase card rebates. Expenditures include payroll and operating costs incurred to support both the federal and State Surplus Property Management Programs. The State reimburses the fund for its share of the operating costs, as revenue generated from the disposal of surplus property can only be used to support the federal program, pursuant to Public Law 94-519.

**Temporary Deposits  
— Automotive  
Management  
(trust account)**

**Administratively  
established**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$68	\$69	\$73	\$74	\$76
Revenues	13	15	15	15	15
Interest	0	0	0	0	0
Expenditures	(12)	(11)	(14)	(13)	(11)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$69</b>	<b>\$73</b>	<b>\$74</b>	<b>\$76</b>	<b>\$80</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account does not meet the criteria of a trust account because it functions more like a trust fund, but it continues to serve the purpose for which it was originally created. Administratively created in 1996, the account temporarily holds security deposits for the use of DAGS' gate-controlled parking lots. Revenues are from gate card deposits of \$20 collected from each parking assignee upon the issuance of a parking assignment. Expenditures include deposits which are returned to the assignee upon the cancellation of the parking assignment and return of the gate card. We note that the deposits are held in trust for the future benefit of the assignee and remains the property of the assignee until the deposit is returned. In this regard, this trust account functions like a trust fund.

**Temporary Deposits –  
Public Works  
(trust account)**

**Administratively  
established**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$33	\$0	\$0	\$0	\$3
Revenues	0	0	0	3	0
Interest	0	0	0	0	0
Expenditures*	(33)	0	0	0	0
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3</b>	<b>\$3</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Expended to the general fund as unclaimed deposits collected from prospective bidders who failed to return borrowed plans and specifications.

This account does not meet the criteria of a trust account because it functions more like a trust fund and no longer serves the purpose for which it was originally created. Administratively created circa 1979, the account was originally used to temporarily hold security deposits from prospective bidders borrowing plans and specifications for purposes

of bidding on DAGS' Public Works Division construction projects; a practice discontinued more than 25 years ago. DAGS asserts that the account continues to hold moneys collected from users of plans and specifications and since fees are no longer collected from prospective bidders to view plans and specifications, the account will be used to temporarily hold security deposits when bid securities, other than surety bid bonds, are received as a requirement to bid on construction projects. Revenues are from individuals or firms who borrowed plans and specifications for bidding purposes and from bid security deposits for self-bonding companies who wish to bid on construction projects. Expenditures include the return of the security deposit to the bidder at the time the construction project is awarded and transfers of unclaimed deposits to the general fund. We note that security deposits are held in trust for the future benefit of the bidder and remains the property of the bidder until the deposit is returned. In this regard, this trust account functions like a trust fund.

**Temporary Deposits –  
Salary Overpayments  
(trust account)**

**Administratively  
established**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$20	\$14	\$11	\$13	\$11
Revenues	7	12	19	3	5
Interest	0	0	0	0	0
Expenditures	(13)	(15)	(17)	(5)	(6)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$14</b>	<b>\$11</b>	<b>\$13</b>	<b>\$11</b>	<b>\$10</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally created. Administratively created in 1996, the account temporarily holds salary overpayments that are collected after a court enters a judgment and subsequently deposited into the State general fund. In our prior fund review, in Report No. 14-01, this account was titled “*Temporary Deposits – Administrative Services Office.*” Revenues are from overpaid amounts that are recouped from employees in the Central Services Division programs. Expenditures include transfers of the salary overpayment amounts to the general fund.

**Temporary Deposits – Stadium Authority (trust account)**

**Administratively established**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$615	\$960	\$1,320	\$0	\$98
Revenues	345	360	180	0	0
Interest	0	0	0	0	0
Expenditures	0	0	(150)	(5)	(43)
Transfers (net)*	0	0	(1,350)	103	37
<b>Ending Balance</b>	<b>\$960</b>	<b>\$1,320</b>	<b>\$0</b>	<b>\$98</b>	<b>\$92</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Transfers to and from a Public Works Division account for an athletic field surface replacement project.

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally created. Administratively created in 1994, the account supports the Spectator Events and Shows – Aloha Stadium program and temporarily holds scoreboard advertising receipts until contractually mandated disbursements are made. Revenues are from scoreboard advertising and advertisement panels, based on amounts collected with regards to the Field Naming Rights Advertising Agreement (Agreement). Expenditures are pursuant to the terms and conditions specified in the Agreement and include travel subsidies for the University of Hawai‘i athletics program and the purchase of an artificial playing surface and turf scrubber.

**University of Hawai‘i Ticket Receipts (trust account)**

**Administratively established**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

\*Financial activity exists in the account but is not reflected due to rounding.

This account does not meet the criteria of a trust account because it no longer serves the purpose for which it was originally created. Administratively created in 2003, the account is used to temporarily hold ticket receipts for events held at the University of Hawai‘i (UH)

facilities until contractually mandated disbursements can be made to UH. Revenues are from the sale of admission tickets to events held at UH facilities. Expenditures are only to UH and include payments for cash ticket sales collected. The account supports the Spectator Events and Shows – Aloha Stadium program which provides that the stadium shall be open to performances; exhibitions; athletic events; celebratory functions including birthday, graduation, and holiday-related parties; and other activities that are in the interests of the members of the community. DAGS asserts Aloha Stadium is an “outlet” for UH events, but we note that the sale of admission tickets at the stadium is not to events held at a UH facility. In this regard, the account does not serve a need as demonstrated by the purpose of the program supported by the account.

**Washington Place  
Trust Fund  
(trust fund)**

**Section 26-6, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	FY2014	FY2015	FY2016	FY2017	FY2018
Beginning Balance	\$0	\$23	\$27	\$34	\$47
Revenues	23	4	30	13	122
Interest	0	0	0	0	0
Expenditures	0	0	(23)	0	0
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$23</b>	<b>\$27</b>	<b>\$34</b>	<b>\$47</b>	<b>\$169</b>
Encumbrances	\$0	\$24	\$0	\$0	\$0

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally created. Statutorily created in 2013, the fund is used to receive proceeds from the use of Washington Place. DAGS is responsible for the administration, management, operation, maintenance, preservation, and protection of Washington Place, including the grounds and historic residence situated on its premises at Miller and Beretania Streets in Honolulu. Revenues are from rents and fees collected for the use of Washington Place and from activities conducted on the premises; moneys received for the fund from any other source; and income and interest earned and accrued on moneys in the fund. Expenditures are exclusive to the upkeep, preservation, and protection of Washington Place, including the grounds and historic residence situated on its premises, and staff salaries and fringe benefits. Moneys in the fund shall not be transferred to the general fund or any other fund in the State treasury.

**Works of Art Special  
Fund  
(special fund)**

**Section 103-8.5, HRS**

**Financial Data for Fiscal Years 2014 – 2018 (in thousands)**

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
Beginning Balance	\$4,777	\$8,012	\$8,538	\$10,809	\$11,961
Revenues	5,962	3,412	5,415	5,017	7,593
Interest	14	34	35	79	79
Expenditures	(2,741)	(2,930)	(3,179)	(3,293)	(4,022)
Transfers (net)*	0	10	0	(651)	(197)
<b>Ending Balance</b>	<b>\$8,012</b>	<b>\$8,538</b>	<b>\$10,809</b>	<b>\$11,961</b>	<b>\$15,414</b>
Encumbrances	\$2,122	\$2,975	\$3,046	\$2,715	\$3,073

\*Transfers from the State Foundation on Culture and the Arts to DAGS' Public Works Division to fund the Father Damien Statue repairs, State Capitol District Monuments Master Plan, and memorials for the late U.S. Senator Daniel K. Inouye and U.S. Representative Patsy T. Mink.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally created. Statutorily created in 1989, the fund is used to cover costs related to the acquisition of works of art, including any consultant or staff services required to carry out the art in public places and relocatable works of art programs; site modifications, display, and interpretive work necessary for the exhibition of works of art; upkeep services, including maintenance, repair, and restoration of works of art; and storing and transporting works of art. Revenues come from 1 percent of all State fund appropriations for capital improvements designated for the construction cost element, which only applies to capital improvement appropriations that are designated for the construction or renovation of State buildings. Expenditures include payroll, artist fees, design, fabrication, construction, on-site inspections, shipping, required landscaping, installation, conservation, and program administrative costs.

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# Chapter 3

## The Department of Accounting and General Services Did Not Report Non-General Funds As Required by Law

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As we reported in our *Study of the Transfer of Non-general Funds to the General Fund*, Report No. 12-04, special, revolving, and other types of non-general funds collectively represent about half of the State's operating budget – moneys that are not subject to the same level of legislative scrutiny as the general fund. Accurate and complete reporting of all funds, as required by law, would greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility. Fund reports are one of the primary means through which the Legislature tracks non-general funds. The reports are used to monitor fund balances and identify excess moneys for possible transfer to the general fund.

Section 37-47, HRS, requires departments to submit to the Legislature an annual report of each non-general fund account including information such as the intended purpose of the fund, current program activities supported by the fund, and financial data. The Director of Finance annually issues a memorandum requesting all departments to complete and submit Form 37-47, *Report on Non-General Fund Information*, to the Department of Budget and Finance for each of their non-general funds. The Department of Budget and Finance compiles a report of all non-general fund accounts and submits it to the Legislature prior to the start of each legislative session. DAGS reported all of its non-general funds to the 2018 Legislature as required by Section 37-47, HRS.

Section 37-52.5, HRS, requires the Judiciary and any department that administratively establishes a new fund or account to submit a report to the Legislature. The report must be filed within 30 working days of a fund or account's creation and should include a justification for the fund or account and identification of its sources of revenue. In addition, prior to the start of each legislative session, the law also requires each department to submit to the Legislature a listing of all administratively established funds or accounts along with a statement of their revenues, expenditures, encumbrances, and ending balances for each fund or account.

During our review of DAGS' non-general funds, we noted non-compliance with statutory requirements to report financial activity and balances for administratively established funds and accounts as required by Section 37-52.5, HRS.

As shown in Exhibit 3.1, DAGS had administratively created non-general funds with balances totaling \$282,000 that were not reported to the 2018 Legislature as required by 37-52.5, HRS.

**Exhibit 3.1  
DAGS Administratively Created Funds Not Reported to the Legislature**

Fund Name	Fund Type	HRS 37-52.5 (Admin Created)	FY2017 Ending Balance (rounded)
Central Payroll Clearance	Trust Account	✓	\$41,000
Custodial Services	Special	✓	0
Donations for Voter Registration Drive	Trust Account	✓	0
Employees' Sequestered Funds	Trust Account	✓	53,000
Information Technology Trust Fund	Trust Fund	✓	0
Payroll Clearance - Public Works	Trust Account	✓	0
Temporary Deposits - Automotive Management	Trust Account	✓	76,000
Temporary Deposits - Public Works	Trust Account	✓	3,000
Temporary Deposits - Salary Overpayments	Trust Account	✓	11,000
Temporary Deposits - Stadium Authority	Trust Fund	✓	98,000
<b>Total</b>			<b>\$282,000</b>

Source: Office of the Auditor

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## Office of the Auditor’s Comments on the Affected Agency Response

### Comments on Agency Response

We transmitted a draft of this review to DAGS on December 10, 2018. DAGS provided a written response to the draft report on December 13, 2018 (Attachment 1).

DAGS agreed with our findings and will take appropriate action to close one special fund, one trust fund, and four trust accounts that did not meet criteria, and to reclassify one trust account to a trust fund.

In reference to the Shared Services Technology Special Fund, DAGS disagreed with our conclusion that the fund did not meet the criteria of a special fund and said that it will “defer” to the Legislature regarding whether the fund meets the criteria. The Legislature charged the Office of the Auditor with reviewing the funds maintained by State departments, including DAGS. That review includes assessing whether the funds should be continued based on criteria established by the Legislature. For a special fund, one of the criteria is that the fund “[s]erves a need as demonstrated by . . . [a]n explanation as why the program cannot be implemented successfully under the general fund appropriation process,” Section 37-52.3, HRS. As we reported, DAGS represented to us that the program which the special fund supports can be implemented under the general fund appropriation process. On that basis, we concluded that the fund did not meet the criteria of a special fund. Furthermore, in our prior fund review, Report No. 14-01 (March 2014), DAGS expressed its intention to move the positions funded by this special fund to general-funded positions.

DAVID Y. IGE  
GOVERNOR



RODERICK K. BECKER  
COMPTROLLER

AUDREY HIDANO  
DEPUTY COMPTROLLER

**STATE OF HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**  
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

December 13, 2018

Mr. Leslie H. Kondo, State Auditor  
Office of the Auditor  
465 S. King Street, Room 500  
Honolulu, Hawai'i 96813-2917

Dear Mr. Kondo:

Thank you for the opportunity to comment on your draft report, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Accounting and General Services*. We have reviewed the report and respectfully provide the following comments:

First, we agree with the observation of the State Auditor that the following funds and/or accounts do not meet criteria for continuance and, as such, will be closed:

- Captain Cook Memorial Fund
- Custodial Services
- Donations for Voter Registration Drive
- Information Technology Trust Fund
- Temporary Deposits – Public Works
- University of Hawai'i Ticket Receipts

As to the following:

- Shared Services Technology Special Fund

Pursuant to the draft report, this fund does not meet the criteria of a special fund because the program supported by the fund can be implemented under a general fund appropriation. Nevertheless, the report notes that the fund continues to serve the purpose for which it was originally created.

The special fund was statutorily established by the Legislature. The program currently administers the fund in accordance with the law, and respectfully defers to the Legislature regarding whether the fund meets the criteria of a special fund, as any changes in the law will require legislative action.

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Mr. Leslie H. Kondo, State Auditor  
December 13, 2018  
Page 2

- Temporary Deposits Automotive Management (Trust Account)

The draft report notes that this account does not meet the criteria of a trust account because it functions more like a trust fund, but it continues to serve the purpose for which it was originally created. As such, action will be taken to create a trust fund into which the moneys will be transferred.

Lastly, with regard to the observation in Chapter 3 that the department has administratively created non-general funds that were not reported as required by Section 37-52.5, HRS, we will submit reports as required going forward, beginning with the upcoming legislative session.

Sincerely,



RODERICK K. BECKER  
Comptroller

