

---

# Auditor's Summary

## Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Hawaiian Home Lands

*13 special funds, revolving funds, trust funds, and trust accounts were reviewed*

Report No. 20-16

---

### One fund did not meet criteria

**WE REVIEWED 13 FUNDS AND ACCOUNTS** administered by the Department of Hawaiian Home Lands (DHHL) – specifically, 4 special funds, 2 revolving funds, 6 trust funds, and 1 trust account. We found 1 trust fund did not meet criteria and should be reclassified to a trust account.

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 DHHL's revolving funds, trust funds, and trust accounts, and our second review of DHHL'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 DHHL** did not file statutorily required reports for non-general funds totaling \$1,783,000. Accurate and complete reporting will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility.

### Agency response

**DHHL DISAGREED** with our assessment that one trust fund should be reclassified to a trust account, which is the same determination we reached in our 2015 review of DHHL's funds. We maintain that the fund does not meet the criteria of a trust fund because it functions as, and meets the criteria for, a trust account and therefore should be reclassified.

As to our observations on DHHL's reporting of non-general funds, DHHL stated that it was an oversight and that corrective action has been taken.



#### 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.