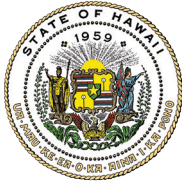

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Human Services

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

Report No. 21-02
January 2021



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.

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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.

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Foreword

This is a report of our review of the special funds, revolving funds, trust funds, and trust accounts administered by the State of Hawai‘i, Department of Human Services and its administratively attached agency, the Hawai‘i Public Housing Authority.

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 Human Services.

We wish to express our appreciation for the cooperation and assistance extended to us by the officials and staff of the Department of Human Services and the Hawai‘i Public Housing Authority.

Leslie H. Kondo
State Auditor



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Chapter 1

Introduction

This review encompasses the special funds, revolving funds, trust funds, and trust accounts administered by the Department of Human Services (DHS) and its administratively attached agency, the Hawai‘i Public Housing Authority (HPHA). 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. For each fund, the Auditor’s review must include:

1. An evaluation of the original intent and purpose of the fund, both as expressed by the Legislature and as understood by the expending agency;
2. The degree to which the 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 DHS’ revolving funds, trust funds, and trust accounts.¹ It is our second review of DHS’ special funds since Act 130, Session Laws of Hawai‘i (SLH) 2013, amended Section 23-12, HRS, to require review of special funds along with revolving funds and trust funds. It is our third review of HPHA’s funds since the Housing and Community Development Corporation of Hawai‘i was administratively split into two entities: the Hawai‘i Housing and Finance Development Corporation (HHFDC) and HPHA.² 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 funded outside of the general fund appropriation process and are therefore generally subject to less legislative scrutiny than the State’s general fund. We last examined these funds and accounts in 2015.

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

² HHFDC and its related funds were placed within the Department of Business, Economic Development & Tourism for administrative purposes.

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

The Department of Accounting and General Services (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.

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 the degree to which each fund 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.

Objectives of the Review

1. Identify and review all special funds, revolving funds, trust funds, and trust accounts of DHS and HPHA.
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 (FY2016 – FY2020) unaudited financial summary for each fund and account of DHS and HPHA.

Scope and Methodology

We reviewed all special funds, revolving funds, trust funds, and trust accounts directly administered by DHS and HPHA during the five-year period under review (FY2016 – FY2020). 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, 2015 to June 30, 2020), including beginning fund balances, total revenues, amount of interest earned, total expenditures, transfers, and ending fund balances for each fiscal year. We requested explanations for discrepancies between

ending balances for FY2015 reported in our last review and opening balances reported for FY2016. We did not audit DHS' or HPHA's financial data, which we provide 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 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. 15-19, *Review of Special Funds, Revolving Funds, Trust Funds and Trust Accounts of the Department of Human Services*.

Our review was conducted from August to December 2020. Recommendations were made where applicable.

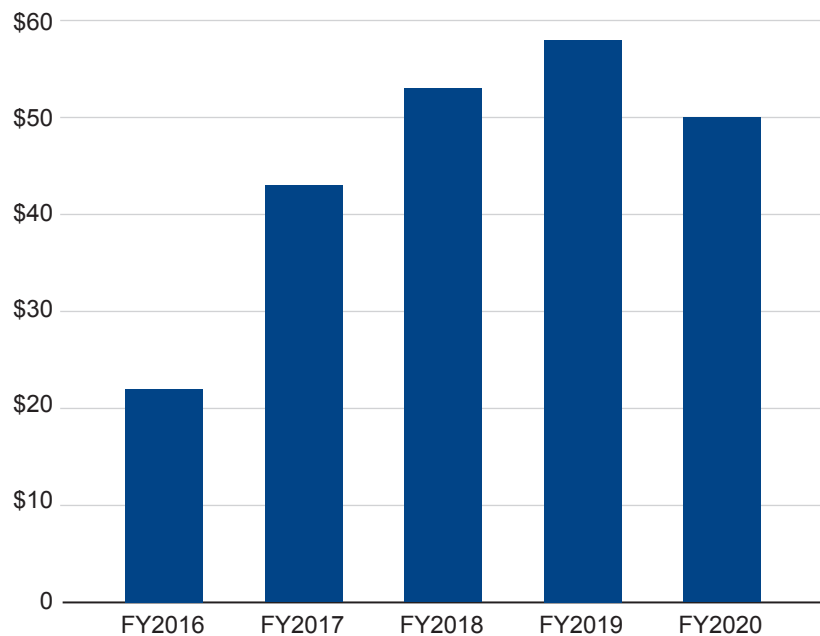
Chapter 2

Department of Human Services and Hawai'i Public Housing Authority

This section presents the results of our review of 15 special funds, 8 revolving funds, 7 trust funds, and 11 trust accounts. Total fund fiscal year-end balances amounted to at least \$22 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 DHS and HPHA Non-General Funds
FY2016 – FY2020 (in millions)



Source: Office of the Auditor

Substantial amounts were also collected and expended by the funds annually. In FY2020, the special funds, revolving funds, trust funds, and trust accounts collected approximately \$219 million and spent or transferred approximately \$228 million.

Exhibit 2.2 presents totals for the combined revenue and interest, expenses, transfers, and ending fund balances for the different fund types for FY2020.

**Exhibit 2.2
DHS and HPHA Fund and Account Totals by Type, FY2020**

Fund Type	Revenue and Interest	Expenses and Transfers	FY2020 End Cash Balance
Special Funds	\$75,550,000	\$84,000,000	\$24,871,000
Revolving Funds	33,653,000	34,502,000	20,002,000
Trust Funds/ Trust Accounts	110,239,000	109,492,000	5,057,000
Total	\$219,442,000	\$227,994,000	\$49,930,000

Source: Office of the Auditor

For each fund or account, we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use and whether it meets the definition of a special fund, revolving fund, trust fund, or trust account. This review does not include an assessment of the effectiveness of the program or its management. Funds and accounts are presented in alphabetical order.

Exhibit 2.3 presents the DHS and HPHA funds that did not meet criteria for continuance and should be closed or reclassified.

**Exhibit 2.3
DHS and HPHA Funds Not Meeting Criteria**

Fund Name	Fund Type	FY2020 Ending Balance (rounded)	No longer serves original purpose and/or does not serve a need	No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources	Inappropriate financing mechanism	Not financially self-sustaining	Does not meet special fund, revolving fund, trust fund, or trust account definition
Donations for Social Services	Trust Account	\$1,097,000					✓
Kahikolu 'Ohana O Wai'anae Project	Trust Fund	1,000	✓				
Financial Assistance for Housing	Special	2,000	✓				
HPHA Administration	Revolving	0	✓				
Public Housing Revolving Fund	Revolving	9,818,000					✓
State Low-Income Housing Revolving Fund	Revolving	1,119,000				✓	
Total		\$12,037,000					

Source: Office of the Auditor

Special and Revolving Fund Accounts with Inactive or Excess Balances

In Report No. 20-06, *Report on Special and Revolving Fund Accounts with Inactive or Excess Balances*, we identified accounts associated with departments' special and revolving funds that either had no financial activity during the past five fiscal years (FY2015 through FY2019) or whose outflows during the past three fiscal years (FY2017 through FY2019) averaged 50 percent or less of the average account balances during those years. The purpose of the report was to provide the Legislature with *potential* sources of state funds to be used to address budget shortfalls caused by the COVID-19 pandemic. A supplement to Report No. 20-06, provided additional information about the accounts, and specifically whether the moneys in the accounts can be transferred to the State's general fund or otherwise repurposed.

Both reports identified the following DHS accounts with moneys the Legislature potentially can transfer without affecting the program:

- S-382 Nursing Facility Sustainability Program Special Fund
- S-368 Nursing Facility Sustainability Program Special Fund
- S-302 General Support for Health Care Payments (reported in the current review under the Hospital Sustainability Program Special Fund)

Department of Human Services

**Blind Shop Revolving
and Handicraft Fund
(revolving fund)**

**Section 347-12, HRS
(repealed by Act 147,
SLH 2015; abolished by
Act 42, SLH 2016)**

Financial Data for Fiscal Years 2016 – 2017 (in thousands)

	FY2016	FY2017
Beginning Balance	\$71	\$71
Revenues	0	0
Interest	0	0
Expenditures	0	(71)
Transfers	0	0
Ending Balance	\$71	\$0
Encumbrances	\$0	\$0

This fund was closed in FY2017 and the remaining balance lapsed to the state treasury in September 2016. Statutorily established in 1959, repealed by Act 147, SLH 2015, and finally abolished by Act 42, SLH 2016, the fund was used by the blind shop and handicraft program for workshop purposes or home labor purposes for the blind or others who may benefit from the program. Revenues were from proceeds derived from the sale of products of the workshops or the home labor. Expenditures included payments for materials, machinery, and other facilities; for the erection, operation, and conduct of such workshops; and such compensation as the department authorizes.

**Blueprint for Change
Program
(special fund)**

**Administratively
established**

Financial Data for Fiscal Year 2016 (in thousands)

	FY2016
Beginning Balance	\$16
Revenues	0
Interest	0
Expenditures	0
Transfers	(16)
Ending Balance	\$0
Encumbrances	\$0

Pursuant to Act 42, SLH 2016, the fund was abolished in FY2017 and the remaining balance was transferred to the Department of Budget and Finance's Emergency and Budget Reserve Fund. Administratively established in 2010, the fund used moneys appropriated from the Emergency and Budget Reserve Fund through Act 191, SLH 2010, and Act 25, SLH 2011, which extended the lapse date to the end of FY2012 for Neighborhood Place Walk-in Centers.

**Commission on the
Status of Women Trust
Fund
(trust fund)**

Section 367-5, HRS

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$3	\$3	\$3	\$4	\$4
Revenues	0	0	1	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$3	\$3	\$4	\$4	\$4
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 established. Statutorily established in 2000, the fund is used to support Hawai'i State Commission on the Status of Women programs. Revenues are from private contributions, donations, and any income and capital gains earned by the fund. Expenditures shall only be for the support of the Hawai'i State Commission on the Status of Women or its nonprofit organization's programs.

Costs Related to Homeless Assistance (special fund)

Administratively established

Financial Data for Fiscal Years 2016 – 2017 (in thousands)

	FY2016	FY2017
Beginning Balance	\$47	\$47
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	(47)
Ending Balance	\$47	\$0
Encumbrances	\$0	\$0

Pursuant to Act 42, SLH 2016, the fund was abolished in FY2017 and the remaining balance transferred to the Department of Budget and Finance's Emergency and Budget Reserve Fund. Administratively established in 2003, the fund used moneys appropriated from the Emergency and Budget Reserve Fund for costs related to homeless assistance.

**DHS Homeless Trust
Fund
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2017 (in thousands)

	FY2016	FY2017
Beginning Balance	\$1	\$1
Revenues	0	0
Interest	0	0
Expenditures	0	(1)
Transfers	0	0
Ending Balance	\$1	\$0
Encumbrances	\$0	\$0

This fund was closed in FY2017 and the remaining balance lapsed to the state treasury. Administratively established in 2006, the fund was used to support the operation of homeless facilities and other programs for the homeless.

Donations for Sight Conservation (trust fund)

Administratively established

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$75	\$374	\$375	\$388	\$362
Revenues	301	7	19	5	9
Interest	0	0	0	0	0
Expenditures	(2)	(6)	(6)	(31)	(9)
Transfers	0	0	0	0	0
Ending Balance	\$374	\$375	\$388	\$362	\$362
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 established. Administratively established in 1941, the fund is used to accept and expend or distribute donations, eyeglasses, and other services for sight conservation for assistance to blind and visually impaired persons. Revenues are from donations from private individuals and organizations. Expenditures include distribution of donations, through the purchase of goods and services for individuals who are blind and visually impaired.

**Donations for Social Services
(trust account)**

Administratively established

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$764	\$908	\$1,048	\$955	\$1,101
Revenues	412	444	435	434	437
Interest	0	0	0	0	0
Expenditures	(268)	(304)	(528)	(288)	(441)
Transfers	0	0	0	0	0
Ending Balance	\$908	\$1,048	\$955	\$1,101	\$1,097
Encumbrances	\$0	\$0	\$27	\$59	\$57

This account does not meet all the criteria of a trust account because it functions more like a trust fund, but continues to serve the purpose for which it was originally established. The fund was administratively established to hold private donations from various sources. Expenditures include disbursements to meet the acute emergency needs of clients who need immediate cash to purchase food or other goods or services. The account should be reclassified as a trust fund.

**Foster Grandparent
Program Account
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$37	\$36	\$34	\$43	\$31
Revenues	9	9	9	13	11
Interest	0	0	0	0	0
Expenditures	(10)	(11)	0	(25)	(1)
Transfers	0	0	0	0	0
Ending Balance	\$36	\$34	\$43	\$31	\$41
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 established. Administratively established in 2000, the account is used to support activities of the Foster Grandparent Program. Revenues are from annual private grant awards. Expenditures include payments to recruit foster grandparents, and other related expenses to support the program and volunteers.

**Geist Foundation
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2017 (in thousands)

	FY2016	FY2017
Beginning Balance	\$1	\$1
Revenues	0	0
Interest	0	0
Expenditures	0	(1)
Transfers	0	0
Ending Balance	\$1	\$0
Encumbrances	\$0	\$0

This account was closed in FY2017, and the remaining balance was returned to the Victoria S. and Bradley L. Geist Foundation. Administratively established in 1997, the account was used to implement a comprehensive training program for prospective foster and adoptive parents. Revenues were from a grant from the Victoria S. and Bradley L. Geist Foundation. Expenditures included compensation to encourage licensed foster parents to co-train with agency staff and foster and adoptive parent applicants.

**Hale Mahaolu
(special fund)**

**Administratively
established**

Financial Data for Fiscal Years 2016 (in thousands)

	FY2016
Beginning Balance	\$4
Revenues	0
Interest	0
Expenditures	0
Transfers	(4)
Ending Balance	\$0
Encumbrances	\$0

Pursuant to Act 42, SLH 2016, the fund was abolished in FY2017 and the remaining balance was transferred to the Department of Budget and Finance's Emergency and Budget Reserve Fund. Administratively established in 2010, the fund used moneys appropriated from the Emergency and Budget Reserve Fund through Act 191, SLH 2010, and Act 25, SLH 2011, which extended the lapse date to the end of FY2012, to support Hale Mahaolu, which provides subsidized personal care services for low-income elders in Maui County.

**HANA Electronic
Benefit Transfer
Account
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$58	\$73	\$3,161	\$1,707	\$593
Revenues	28,503	27,297	25,348	22,086	22,432
Interest	0	0	0	0	0
Expenditures	(28,488)	(24,209)	(26,802)	(23,200)	(22,236)
Transfers	0	0	0	0	0
Ending Balance	\$73	\$3,161	\$1,707	\$593	\$789
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 established. Administratively established in 2002, the account is used to accommodate Electronic Benefit Transfer transactions processed through the Hawai'i Automated Network for Assistance (HANA) program. Funds are transferred into this account when financial benefits are authorized to the department's clients and are then transferred daily to the DHS contractor who issues the actual benefits to clients when they access their accounts electronically.

Hawai'i Immigrant Health Initiative Program (special fund)

Administratively established

Financial Data for Fiscal Years 2016 – 2017 (in thousands)

	FY2016	FY2017
Beginning Balance	\$427	\$427
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	(427)
Ending Balance	\$427	\$0
Encumbrances	\$0	\$0

Pursuant to Act 42, SLH 2016, the fund was abolished in FY2017 and the remaining balance was transferred to the Department of Budget and Finance's Emergency and Budget Reserve Fund. Administratively established in 2010, the fund used moneys appropriated from the Emergency and Budget Reserve Fund through Act 191, SLH 2010, and Act 25, SLH 2011, which extended the lapse date to the end of FY2012, to support the Hawai'i Immigrant Health Initiative Program, which provides medical assistance to legal immigrants.

**Hawai'i Youth
Correctional Facility
Trust Fund
(trust fund)**

Section 352-18, HRS

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$1	\$1	\$1	\$1	\$2
Revenues	0	1	1	4	3
Interest	0	0	0	0	0
Expenditures	0	(1)	(1)	(3)	(4)
Transfers	0	0	0	0	0
Ending Balance	\$1	\$1	\$1	\$2	\$1
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 established. Statutorily established in 1980, the fund is used to hold moneys earned or given to individual wards. Revenues are from moneys earned by individual wards, either under the work release program or performed while in a youth correctional facility; or moneys given to wards by parents and relatives, which are accounted for in the individual ward's ledger account. Expenditures include payment of judgments, fines, or restitution from an individual ward's ledger account, with any remaining balance being returned to the youth upon discharge.

**HAWI Electronic
Benefit Transfer
Account
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$614	\$596	\$10,846	\$4,920	\$88
Revenues	73,149	66,523	62,628	59,007	61,382
Interest	0	0	0	0	0
Expenditures	(73,167)	(56,273)	(68,554)	(63,839)	(60,918)
Transfers	0	0	0	0	0
Ending Balance	\$596	\$10,846	\$4,920	\$88	\$552
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 established. Administratively established in 1998, the account is used to accommodate Electronic Benefit Transfer transactions processed through the Hawai'i Automated Welfare Information (HAWI) system. Funds are transferred into this account when financial benefits are authorized to the department's clients and are then transferred daily to the DHS contractor who issues the actual benefits to clients when they access their accounts electronically.

**Hospital Sustainability
Program Special Fund
(special fund)**

Section 346G-4, HRS

Financial Data for Fiscal Years 2016 – 2020 (in thousands)*					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$14	\$14	\$6,098	\$15,501	\$23,058
Revenues	47,424	28,654	67,003	57,083	61,767
Interest	0	0	0	0	0
Expenditures	(47,424)	(22,570)	(57,600)	(49,526)	(70,605)
Transfers	0	0	0	0	0
Ending Balance	\$14	\$6,098	\$15,501	\$23,058	\$14,220
Encumbrances	\$0	\$0	\$0	\$0	\$0

*This financial data presented is a consolidation of the following funds: “General Support for Health Care Payments” (S-302); “Health Care Payments” (S-303); “Hospital Sustainability Special Fund” (S-374); and “Hospital Sustainability Special Fund” (S-378).

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 2012, the fund was created to receive revenue from the imposition of a hospital sustainability fee to be administered by DHS. Revenues are from moneys received by the department from the hospital sustainability fee, federal Medicaid funds, designated appropriations, donations, gifts, or moneys from any other sources. Expenditures include direct payments to private hospitals including Medicaid covered services for the benefit of hospitals, and other departmental purposes.

In our prior review of this fund we noted the fund was to be repealed on June 30, 2015, by Act 123, SLH 2014. Subsequent Acts renewed the fund annually. Most recently, Act 173, SLH 2019, extended the repeal date for Chapter 346G (Hospital Sustainability Program) to June 30, 2021, except for Section 346G-4 (Hospital sustainability special fund), which is to be repealed December 31, 2021.

Housing First Special Fund (special fund)

Section 346-377, HRS

Financial Data for Fiscal Year 2016 (in thousands)

	FY2016
Beginning Balance	\$26
Revenues	0
Interest	0
Expenditures	0
Transfers	(26)
Ending Balance	\$0
Encumbrances	\$0

Pursuant to Act 42, SLH 2016, the fund was repealed in FY2017 and the remaining balance was transferred to the general fund. Statutorily established in 2010, the fund was used to provide Housing First programs and services. Revenues were from appropriations by the Legislature to the special fund, gifts, donations, and grants from public agencies and private persons.

**Interim Assistance
Reimbursement
Special Fund
(special fund)**

Section 346-57.5, HRS

Financial Data for Fiscal Years 2016 – 2020 (in thousands)*					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$0	\$1,273	\$2,479	\$3,932	\$5,090
Revenues	1,273	1,206	1,453	1,158	941
Interest	0	0	0	0	0
Expenditures	0	0	0	0	(2,292)
Transfers	0	0	0	0	0
Ending Balance	\$1,273	\$2,479	\$3,932	\$5,090	\$3,739
Encumbrances	\$0	\$0	\$0	\$0	\$0

*The financial data presented is a consolidation of “General Assistance Payments” (S-317) and the Interim Assistance Reimbursement Special Fund (S-382).

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 2015, the fund supports the General Assistance Payments Program. Revenues are from reimbursements received from the United States Social Security Administration, interest that accrues upon the balance in the fund, and any other revenues designated for the fund. Expenditures include state-funded financial assistance payments and money to support programs that support and assist recipients that qualify for supplemental security income.

The department reported that the General Assistance Payments Program is funded through the budget and appropriation process and functions like a block grant. The benefit amounts paid are based on appropriations and the payment amounts are predicated on the caseload number. In years when the caseload is high, payments must be reduced to stay within the appropriation amount, which results in fluctuating payment amounts for clients.

The fund allows the department to retain reimbursements and supplement program appropriations when the program experiences high caseloads. The fund also allows for a stable assistance payment amount for clients and avoids the need for requesting emergency appropriations. Eligibility determination for Federal Supplemental Security Income can take several months or years if an appeal is filed. The federal interim assistance reimbursements are often not received by DHS in the same fiscal year in which the state-funded benefits were paid. DHS is not allowed to retain interim assistance reimbursements received for prior fiscal years and is required to deposit these reimbursements into the general fund.

**Kahikolu ‘Ohana O
Wai‘anae Project
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$1	\$1	\$1	\$1	\$1
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$1	\$1	\$1	\$1	\$1
Encumbrances	\$1	\$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 established. In 2015, we reached the same conclusion, noting that the fund had no financial activity during the review period. During the current review period, the fund still had no reported financial activity. The fund should be closed because it no longer serves the purpose for which it was originally established.

Administratively established in 2007, the fund was used to account for the activities of the Kahikolu ‘Ohana O Wai‘anae Project, which helped the homeless by providing emergency beds, transitional housing, affordable rentals, and job skills training.

**Nursing Facility
Sustainability Program
Special Fund
(special fund)**

Section 346F-4, HRS

Financial Data for Fiscal Years 2016 – 2020 (in thousands)*					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$28	\$1,178	\$1,314	\$3,178	\$4,786
Revenues	11,140	10,576	10,677	10,308	12,460
Interest	0	0	0	0	0
Expenditures	(9,990)	(10,440)	(8,813)	(8,700)	(10,685)
Transfers	0	0	0	0	0
Ending Balance	\$1,178	\$1,314	\$3,178	\$4,786	\$6,561
Encumbrances	\$0	\$0	\$0	\$0	\$0

*The financial data presented is a consolidation of the following funds: “Nursing Facility Sustainability SP Fund” (S-368); “Nursing Facility Sustainability SP Fund” (S-372); “Nursing Fac Sustainability Special Fund” (S-379); and “Nursing Facility Sustainability Prog SF” (S-382). The department explained that a new appropriation number was used each time the law establishing this fund was amended by the Legislature to extend the fund’s repeal date.

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 2012, the fund is used to support the Nursing Facility Sustainability Program, which was established to ensure access to health care for Medicaid recipients by establishing a Nursing Facility Sustainability Fee. Revenues are from moneys received by the department from the Nursing Facility Sustainability Fee, federal Medicaid funds, and designated appropriations, donations, gifts, or moneys from any other sources. Expenditures include payments to nursing facilities and other administrative expenditures.

In our prior review of this fund we noted the fund was to be repealed on June 30, 2015 by Act 124, SLH 2014. Subsequent Acts renewed the fund annually. Most recently, Act 163, SLH 2019, extended the repeal date for Chapter 346F to June 30, 2021, except for Section 346F-4, which is to be repealed on December 31, 2021.

**Outreach Services
(special fund)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2017 (in thousands)		
	FY2016	FY2017
Beginning Balance	\$80	\$80
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	(80)
Ending Balance	\$80	\$0
Encumbrances	\$5	\$0

Pursuant to Act 42, SLH 2016, the fund was abolished in FY2017 and the remaining balance was transferred to the Department of Budget and Finance’s Emergency and Budget Reserve Fund. Administratively established in 2010, the fund used moneys appropriated from the Emergency and Budget Reserve Fund through Act 191, SLH 2010, and Act 25, SLH 2011, which extended the lapse date to the end of FY2012, for education and outreach services targeting recipients who are potentially eligible for the department’s public assistance programs.

**Outreach Services
to Locate Uninsured
Children
(special fund)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2017 (in thousands)

	FY2016	FY2017
Beginning Balance	\$15	\$15
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	(15)
Ending Balance	\$15	\$0
Encumbrances	\$0	\$0

Pursuant to Act 42, SLH 2016, the fund was abolished in FY2017 and the remaining balance was transferred to the Department of Budget and Finance’s Emergency and Budget Reserve Fund. Administratively established in 2010, the fund used moneys appropriated from the Emergency and Budget Reserve Fund through Act 191, SLH 2010, and Act 25, SLH 2011, which extended the lapse date to the end of FY2012, for outreach services and strategies to identify uninsured children.

***Outstationed Eligibility
Worker Services
(special fund)***

***Administratively
established***

Financial Data for Fiscal Years 2016 – 2017 (in thousands)

	FY2016	FY2017
Beginning Balance	\$100	\$100
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	(100)
Ending Balance	\$100	\$0
Encumbrances	\$0	\$0

Pursuant to Act 42, SLH 2016, the fund was abolished in FY2017 and the remaining balance was transferred to the Department of Budget and Finance’s Emergency and Budget Reserve Fund. Administratively established in 2010, the fund used moneys appropriated from the Emergency and Budget Reserve Fund through Act 191, SLH 2010, and Act 25, SLH 2011, which extended the lapse date to the end of FY2012 for supporting outstationed eligibility worker services.

**Randolph-Sheppard
Revolving Account
(revolving fund)**

Section 347-12.5, HRS

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$1,271	\$1,252	\$1,313	\$1,630	\$2,004
Revenues	617	767	887	1,085	893
Interest	8	11	9	14	75
Expenditures	(644)	(717)	(579)	(725)	(846)
Transfers	0	0	0	0	0
Ending Balance	\$1,252	\$1,313	\$1,630	\$2,004	\$2,126
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 1991, the fund supports services for blind vendors, including the purchase of new or replacement equipment for the blind vending program, management services, services for the State Committee of Blind Vendors, and other costs related to the blind vending program. Revenues are from vending machine income on state, county, and federal properties; income from the blind vendors at the Daniel K. Inouye International Airport through a settlement agreement; and interest income. Expenditures include medical and retirement benefits to all state licensed blind vendors; purchase of new and replacement equipment for blind vending facilities; travel expenses for management services; and annual trainings.

Recruitment of Foster Parents (trust account)

Administratively established

Financial Data for Fiscal Years 2016 – 2017 (in thousands)

	FY2016	FY2017
Beginning Balance	\$6	\$6
Revenues	0	0
Interest	0	0
Expenditures	0	(6)
Transfers	0	0
Ending Balance	\$6	\$0
Encumbrances	\$0	\$0

This account was closed in FY2017 and the remaining balance was returned to the United States Department of Labor. Administratively established in 1987, the account was used to pay part-time respite companions their accumulated vacation credits. Revenues were from federal funds from the United States Department of Labor. Expenditures included payments of accumulated vacation credits to part-time respite companions.

**Shelter Plus Care
Program
(special fund)**

**Administratively
established**

Financial Data for Fiscal Years 2016 (in thousands)

	FY2016
Beginning Balance	\$7
Revenues	0
Interest	0
Expenditures	0
Transfers	(7)
Ending Balance	\$0
Encumbrances	\$0

Pursuant to Act 42, SLH 2016, the fund was abolished in FY2017 and the remaining balance was transferred to the Department of Budget and Finance's Emergency and Budget Reserve Fund. Administratively established in 2010, the fund used moneys appropriated from the Emergency and Budget Reserve Fund through Act 191, SLH 2010, and Act 25, SLH 2011, which extended the lapse date to the end of FY2012, to support the Shelter Plus Care Program, which provides rental assistance and supportive services to assist hard-to-serve homeless persons with disabilities.

**Special Deposits
(trust fund)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$393	\$415	\$441	\$405	\$568
Revenues	43	27	10	169	247
Interest	0	0	0	0	0
Expenditures	(21)	(1)	(46)	(6)	(57)
Transfers*	0	0	0	0	(105)
Ending Balance	\$415	\$441	\$405	\$568	\$653
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers represent a reimbursement to the general fund for child welfare service expenditures of approximately \$38,000 and \$67,000 in November 2019 and June 2020, respectively.

The fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established. The purpose of the administratively established fund is to hold federal moneys received each month from the Social Security Administration to provide services to children and youth under the department’s custody in foster care. The department establishes a trust account for each child. Expenditures are for child welfare services including foster board payment, mileage, clothing, and other personal expenses such as recreational activity fees and computers.

We note that in our prior review of this fund in 2015 this trust fund was analyzed as a trust account. However, in response to our fund questionnaire for this report, the department indicated that it believes this is a trust fund. We agree with this classification and applied the criteria applicable to trust funds for this review.

**Spouse and Child
Abuse Special Fund
(special fund)**

Section 346-7.5, HRS

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$1,139	\$414	\$162	\$2	\$377
Revenues	412	595	418	445	382
Interest	0	0	0	0	0
Expenditures	(1,137)	(847)	(578)	(70)	(416)
Transfers	0	0	0	0	0
Ending Balance	\$414	\$162	\$2	\$377	\$343
Encumbrances	\$80	\$2	\$0	\$0	\$79

This fund meets the criteria of a special fund and continues to serve the purpose for which it was originally established. Statutorily established in 1994, the fund is used to provide or support the provision of spouse or child abuse intervention or prevention services. Revenues are from marriage license fees; fees for certified copies of birth, marriage, divorce, or death certificates; income tax remittances; federal reimbursements; interest and investment earnings; and grants, donations, and contributions from private or public sources. Expenditures include the payment for department staff programs, and grants or purchases of services that support or provide spouse or child abuse intervention or prevention.

In Report No. 15-19, we recommended that this fund be repealed because it partially failed to meet the clear nexus criterion. We reasoned, in part, that there was no clear link with the revenues derived from a portion of fees for copies of birth, marriage, divorce, and death certificates, and marriage licenses issued by the Department of Health.

In 2019, the Legislature amended Section 346-7.5, HRS, to (1) allow the fund to hold federal reimbursements received through Title IV-E of the Social Security Act in the following fiscal year from which the funds were expended; and (2) to place a cap on the amount of funds that may be retained in the fund, where any unexpended funds in excess of \$3 million must lapse to the general fund. The Legislature also reaffirmed the purpose of the fund is to allow the State to maintain and develop its own child abuse and prevention and intervention programs and increase the State’s capacity to prevent, reduce, and respond to the impacts of spousal and child abuse in the community.

Finally, in response to our fund questionnaire for the current review period, the department clarified that the fund supports numerous services through the Social Services Division Administrator, including child protective services, foster care, adoption services, independent living skills services, resource home recruitment and licensing, and support and treatment services to prevent and remedy child abuse and neglect.

**SSI Dedicated Funds
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$11	\$11	\$11	\$11	\$11
Revenues	0	9	0	0	0
Interest	0	0	0	0	0
Expenditures	0	(9)	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$11	\$11	\$11	\$11	\$11
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 established. Administratively established in 2009, the account is used to temporarily hold federal moneys received from Supplemental Security Income (SSI) payments that exceed six-months of SSI benefits for foster children. The department is legally required to hold these funds in a dedicated account solely for SSI moneys separate and apart from an account holding monthly SSI moneys received from the Social Security Administration. Expenditures are limited to a foster child’s medical treatment, impairment, or education. The Social Security Administration must approve all disbursements made from these dedicated funds.

**Support Domestic
Violence Shelters
Statewide
(special fund)**

**Administratively
established**

Financial Data for Fiscal Years 2016 (in thousands)

	FY2016
Beginning Balance	\$0*
Revenues	0
Interest	0
Expenditures	0
Transfers	(0)*
Ending Balance	\$0
Encumbrances	\$0

*Beginning balance and transfers not shown due to rounding.

Pursuant to Act 42, SLH 2016, the fund was abolished in FY2017 and the remaining balance was transferred to the Department of Budget and Finance's Emergency and Budget Reserve Fund. Administratively established in 2010, the fund used moneys appropriated from the Emergency and Budget Reserve Fund through Act 191, SLH 2010, and Act 25, SLH 2011, which extended the lapse date to the end of FY2012, for supporting statewide domestic violence shelters.

**Temporary Deposits—
Payroll Overpayment
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$55	\$50	\$54	\$59	\$62
Revenues	22	18	15	3	1
Interest	0	0	0	0	0
Expenditures	(27)	(14)	(10)	0	0
Transfers	0	0	0	0	0
Ending Balance	\$50	\$54	\$59	\$62	\$63
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 established. Administratively established in 1997, the fund is used as a temporary holding account to receive employee overpayment reimbursements. Revenues are deposits from employee salary overpayments. Expenditures include reimbursements to the account from which the overpayment occurred when all the overpayments have been received from an employee.

The department reported that since the implementation of the Hawai'i Information Portal (HIP) in FY2019, the department was able to collect prior year salary overpayments through gross payroll adjustments. Before the implementation of HIP, prior year salary overpayments were deducted and deposited in this trust account until full recovery was made.

**Temporary Trust Fund
Account—Medical
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$1,044	\$1,055	\$1,079	\$1,438	\$1,438
Revenues	11	24	359	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$1,055	\$1,079	\$1,438	\$1,438	\$1,438
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 established. Administratively established prior to 2016, the account is used as a temporary holding account for funds received for medical assistance programs. Deposits are made into this account when payments are received without sufficient documentation as to their purposes or when third-party liability recoveries have not been settled by the Department of the Attorney General. Moneys remain in this account until the department can determine their proper disposition.

**Youth Correctional
Facilities' Benefit Fund
(trust fund)**

Section 352-21, HRS

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$10	\$10	\$10	\$10	\$9
Revenues	0	0	1	0	0
Interest	0	0	0	0	0
Expenditures	0	0	(1)	(1)	(4)
Transfers	0	0	0	0	0
Ending Balance	\$10	\$10	\$10	\$9	\$5
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 established. Statutorily established in 1980, this fund is used to benefit the welfare and recreation of youth committed to the Hawai'i Youth Correctional Facility until they are released. Revenues are from moneys received from parents or relatives, donations, behavior modification programs, and community work. Expenditures include Christmas parties and gifts for wards at the Hawai'i Youth Correctional Facility.

Hawai'i Public Housing Authority

***Equipment Rental
Revolving Fund
(revolving fund)***

***Administratively
established***

Financial Data for Fiscal Years 2016 – 2020 (in thousands)

	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$725	\$736	\$739	\$750	\$767
Revenues	8	0	11	19	30
Interest	4	6	3	0	9
Expenditures	(1)	(3)	(3)	(2)	(2)
Transfers	0	0	0	0	0
Ending Balance	\$736	\$739	\$750	\$767	\$804
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Administratively established prior to 1976, the fund is used to support the Rental Housing Services program. Revenues are from equipment rental fees paid to HPHA. Expenditures include the repair of equipment or purchase of replacements for equipment that is retired.

**Financial Assistance
for Housing
(special fund)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$2	\$2	\$2	\$2	\$2
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$2	\$2	\$2	\$2	\$2
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund no longer serves the purpose for which it was originally established and should be closed. Administratively established in 2001, the fund used moneys appropriated from the Department of Budget and Finance’s Emergency and Budget Reserve Fund through Act 1, Third Special Session Laws of Hawai‘i 2001, for the purpose of providing financial assistance for housing needs of Hawai‘i’s needy. The sum appropriated was to be expended by the Housing and Community Development Corporation of Hawai‘i for fiscal year 2001-2002.

In 2015, we reported that this fund was erroneously accounted for under HPHA instead of the Hawai‘i Housing Finance and Development Corporation (HHFDC). During the current review, the department again stated that this fund belongs to HHFDC. Notwithstanding the error, the department should take steps to close the fund or transfer ownership back to HHFDC as the fund no longer serves the purpose for which it was originally established.

***Housing for Elders
Revolving Fund
(revolving fund)***

Section 356D-72, HRS

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$1,740	\$3,182	\$3,541	\$3,761	\$4,537
Revenues	4,128	2,363	2,286	2,080	3,355
Interest	0	0	0	0	0
Expenditures	(2,686)	(2,004)	(2,066)	(1,304)	(2,481)
Transfers	0	0	0	0	0
Ending Balance	\$3,182	\$3,541	\$3,761	\$4,537	\$5,411
Encumbrances	\$1,173	\$485	\$732	\$914	\$1,267

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Statutorily established in 2006, the fund was created to support the activities of HPHA in developing and administering public rental housing for elderly and disabled individuals and families. Revenues are from rents collected; miscellaneous income, including laundry income and cell phone tower rental income; and investment pool interest earned. Expenditures include administrative costs, which are expenses associated with HPHA managing the project, as well as maintenance costs, which include expenses incurred with routine operations of the facility.

**HPHA Administration
(revolving fund)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
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
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund does not meet the criteria of a revolving fund. The fund should be closed because the program supported by this fund is no longer in service. Administratively established in 1982, the fund was used as a temporary holding account to pay other state agencies for services provided to the Private Housing Development and Ownership Program, which is no longer in service. Revenues were from federal loans and grants. Expenditures included costs incurred by the program.

In 2015, we reviewed this fund and concluded the fund no longer served the purpose for which it was created. Although reportedly closed in FY2015, this fund remains open and inactive.

**Payroll Clearance
Account—HPHA
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$79	\$0	\$0	\$0	\$0
Revenues	19,394	\$21,375	\$22,535	\$24,702	\$25,716
Interest	0	0	0	0	0
Expenditures	(19,473)	(21,375)	(22,535)	(24,702)	(25,716)
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 established. Administratively established in 2006, the account is used as an appropriation overdraft account for HPHA payroll. The department reported that the account is necessary because HPHA has dual funding sources for its employees who are involved with both federal and state programs. Moneys in the account are used to reimburse the State of Hawai‘i for payroll costs.

**Public Housing
Revolving Fund
(revolving fund)**

Section 356D-28, HRS

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$4,768	\$8,347	\$8,340	\$12,879	\$11,736
Revenues	32,900	32,488	30,458	32,003	27,350
Interest	19	53	50	0	79
Expenditures	(29,340)	(32,548)	(25,969)	(33,146)	(29,347)
Transfers	0	0	0	0	0
Ending Balance	\$8,347	\$8,340	\$12,879	\$11,736	\$9,818
Encumbrances	\$10	\$10	\$0	\$0	\$0

This fund does not meet all the criteria of a revolving fund because it functions more like a special fund, but continues to serve the purpose for which it was originally established. Statutorily established in 2006, the fund is used to support the activities of HPHA. Revenues include all moneys received or collected by HPHA, not otherwise pledged, obligated, or required by law to be placed in any other special fund. Expenditures include HPHA's necessary expenses in administering Chapter 356D, HRS. The fund should be reclassified as a special fund because this fund is not a fund 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 goods or services or through transfers from other accounts or funds.

**State Low-Income
Housing Revolving
Fund
(revolving fund)**

Section 356D-45, HRS

Financial Data for Fiscal Years 2016 – 2020 (in thousands)

	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$747	\$721	\$1,792	1,310	\$1,211
Revenues	1,934	2,582	1,272	1,471	1,719
Interest	4	9	9	0	12
Expenditures	(1,964)	(1,520)	(1,763)	(1,570)	(1,823)
Transfers	0	0	0	0	0
Ending Balance	\$721	\$1,792	\$1,310	\$1,211	\$1,119
Encumbrances	\$171	\$297	\$250	\$224	\$316

This fund does not meet the criteria of a revolving fund. The fund should be repealed because it does not have the capacity to be financially self-sustaining as repairs to address deferred maintenance at public housing facilities have resulted in expenditures exceeding revenues in four of the five years under review; and the fund required general fund support in FY2019 and FY2020. Statutorily established in 2006, the fund is used to support state low-income housing projects. Revenues are moneys received by HPHA from refunds, reimbursements, rentals, fees, and charges received from tenants. Expenditures include any and all expenses of management, operation, and maintenance of state low-income housing projects.

**Temporary Deposits –
Payroll Overpayment
HPHA
(trust account)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2020 (in thousands)*					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$42	\$42	\$42	\$42	\$42
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$42	\$42	\$42	\$42	\$42
Encumbrances	\$0	\$0	\$0	\$0	\$0

*The financial data presented is a consolidation of the “Temporary Deposits—Payroll Overpay HCDCH” (T-913) and “Temporary Deposits—Payroll Overpay HPHA” (T-913) accounts. In 2015, we reported this account under the HCDCH title. However, for the current review, the department indicated that the HCDCH account should be reported as a subaccount of the HPHA account.

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally established. Administratively established in 2006, the account is used as a temporary deposit account for payroll that is collected from employees who were overpaid at HPHA. Once the total amount due to HPHA has been collected the money is withdrawn and transferred to DAGS. Revenues are reimbursements from employees who have been overpaid. Expenditures include disbursement of overpayments back to DAGS.

**Vehicle Rental
Revolving Fund
(revolving fund)**

**Administratively
established**

Financial Data for Fiscal Years 2016 – 2020 (in thousands)					
	FY2016	FY2017	FY2018	FY2019	FY2020
Beginning Balance	\$378	\$430	\$430	\$485	\$594
Revenues	50	0	54	110	124
Interest	2	3	3	0	7
Expenditures	0	(3)	(2)	(1)	(2)
Transfers	0	0	0	0	0
Ending Balance	\$430	\$430	\$485	\$594	\$723
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a revolving fund and continues to serve the purpose for which it was originally established. Administratively established prior to 1976, the fund is used to support the Rental Housing Services program. Revenues are from vehicle rental fees. Expenditures include repairs to existing vehicles and purchasing replacement vehicles for HPHA’s motor pool inventory used for public housing projects.

Chapter 3

Observations on DHS' and HPHA's Reporting and Accounting for Funds

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.

DHS and HPHA Did Not Report Non-General Funds as Required by Law

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 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.

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. This report is separate and distinct from the non-general fund report required under Section 37-47, HRS.

During our review of DHS' and HPHA's non-general funds, we noted noncompliance with statutory requirements to report financial activity and balances, as required by Section 37-47, HRS, as well as fund

information for administratively established funds and accounts under Section 37-52.5, HRS.

As shown in Exhibit 3.1, DHS and HPHA had non-general funds with balances totaling approximately \$12.6 million and administratively created non-general funds with balances totaling approximately \$5.6 million that were not reported to the 2020 Legislature as required by Sections 37-47 and 37-52.5, HRS, respectively.

**Exhibit 3.1
DHS and HPHA Non-General Funds and Administratively Created
Funds Not Reported to the Legislature**

Department of Human Services

Fund Name	Fund Type	HRS 37-47 (Non- General)	FY2019 Ending Balance (rounded)	HRS 37-52.5 (Admin Created)	FY2019 Ending Balance (rounded)
Donations for Sight Conservation	Trust Fund			✓	\$362,000
Donations for Social Services	Trust Account			✓	1,101,000
Foster Grandparent Program Account	Trust Account			✓	31,000
HANA Electronic Benefit Transfer Account	Trust Account			✓	593,000
HAWI Electronic Benefit Transfer Account	Trust Account			✓	88,000
Hospital Sustainability Program Special Fund*	Special	✓	\$6,097,000		
Interim Assistance Reimbursement Special Fund	Special	✓	5,090,000		
Kahikolu 'Ohana O Wai'anae Project	Trust Fund	✓	1,000	✓	1,000
Nursing Facility Sustainability Program Special Fund**	Special	✓	1,404,000		
Special Deposits	Trust Fund			✓	568,000
SSI Dedicated Funds	Trust Account			✓	11,000
Temporary Deposits-Payroll Overpayment	Trust Account			✓	62,000
Temporary Trust Fund Account-Medical	Trust Account			✓	1,438,000
DHS Subtotal			\$12,592,000		\$4,255,000

*The Hospital Sustainability Program Special Fund consists of four FAMIS accounts: S-302, S-303, S-374, and S-378. DHS only reported the financial activity in the S-378 account.

**The Nursing Facility Sustainability Program Special Fund consists of four FAMIS accounts: S-368, S-372, S-379, and S-382. DHS only reported the financial activity in the S-379 account.

Hawai'i Public Housing Authority

Fund Name	Fund Type	HRS 37-47 (Non- General)	FY2019 Ending Balance (rounded)	HRS 37-52.5 (Admin Created)	FY2019 Ending Balance (rounded)
Equipment Rental Revolving Fund	Revolving			✓	\$767,000
Financial Assistance for Housing	Special	✓	\$2,000	✓	2,000
HPHA Administration	Revolving			✓	0
Payroll Clearance Account-HPHA	Trust Account			✓	0
Temporary Deposits-Payroll Overpayment HCDCH	Trust Account			✓	42,000
Vehicle Rental Revolving Fund	Revolving			✓	594,000
HPHA Subtotal			\$2,000		\$1,405,000
DHS and HPHA Total			\$12,594,000		\$5,660,000

Source: Office of the Auditor

Office of the Auditor's Comments on the Department of Human Services' Response

Comments on Agency Response

WE TRANSMITTED to DHS a draft of our review of its Special Funds, Revolving Funds, Trust Funds, and Trust Accounts on December 30, 2020 and met with DHS officials to discuss the draft report on January 8, 2021. DHS provided its written response to the draft report on January 12, 2021 (Attachment 1).

DHS largely agreed with our conclusions and plans to implement our recommendations as soon as practical. However, DHS disagreed with our conclusion that the Public Housing Revolving Fund should be reclassified to a special fund. A revolving fund is a fund 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. Revenues for the fund include all moneys received or collected by HPHA, that are not otherwise pledged. As such, we find DHS' position to be unpersuasive and maintain our analysis of this fund was appropriate and correct based upon the information DHS provided to us during the review process.

DHS also disagreed with our conclusion that the State Low-Income Housing Revolving Fund should be repealed. In 2002, the Legislature set the requirements for establishing and continuing special and revolving funds, including the requirement that funds must demonstrate the capacity to be financially self-sustaining. The State Low-Income Housing Revolving Fund's expenditures exceeded revenues in four of the five years under review and the fund required general fund support in FY2019 and FY2020. DHS' response does not provide information that supports or otherwise justifies amending our conclusion that the fund is not financially self-sustaining.

DAVID Y. IGE
GOVERNOR



CATHY BETTS
DIRECTOR

JOSEPH CAMPOS II
DEPUTY DIRECTOR


STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

FMO 21-0111-A

January 12, 2021

MEMORANDUM:

TO: THE HONORABLE LESLIE H. KONDO, STATE AUDITOR
OFFICE OF THE AUDITOR

FROM: *for* CATHY BETTS
DIRECTOR 

SUBJECT: 2020 REVIEW OF SPECIAL FUNDS, REVOLVING FUNDS, TRUST FUNDS AND
TRUST ACCOUNTS OF THE DEPARTMENT OF HUMAN SERVICES

Thank you for your letter dated December 30, 2020 requesting comments on the draft report, "2020 Review of Special Funds, Revolving Funds, Trust Funds and Trust Accounts of the Department of Human Services." We reviewed the report and concur with a majority-of-the recommendations for action and will implement these recommendations as soon as practical. Related to two Hawaii Public Housing Authority (HPHA) funds, we offer the following comments.

- Public Housing Revolving Fund – this fund does pay goods and services on behalf of HPHA. Shared costs, such as risk management insurance, payroll, etc., also known as, dually funded costs, are paid through this fund. As the source of funds is revolving and not appropriated, it should remain classified as a revolving fund.
- State Low-Income Housing Revolving Fund – this fund should not be repealed as its function is to support the State Low-Income program of HPHA. Although funding is insufficient, we have been able to continue running this program on limited funds showing an incremental increase over the last four years of the program.

We appreciate this opportunity to improve our use and management of these funds. We are keenly aware that these funds will play a fundamental and stabilizing role in the Department's ability to continue to maintain the safety net of benefits and services for Hawaii's residents. We look forward to working with the Legislature as we tackle the immediate and long-term impacts of the COVID-19 pandemic.

c: HPHA