

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Review of Revolving and Trust Funds of the Department of Human Resources Development, Department of Labor and Industrial Relations, Department of Public Safety, and the Department of Taxation

Summary

Section 23-12, Hawaii Revised Statutes (HRS), requires the State Auditor to review all existing revolving and trust funds every five years. The review is to include a five-year financial summary, an evaluation of the original intent and purpose of each fund, and the degree to which each fund achieves its stated purpose. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This is the fifth required under the law.

Revolving funds are often established with an appropriation of seed money from the general fund. Revolving funds must demonstrate the capacity to be self-sustaining. Activities financed by revolving funds include loan programs that are established by general fund seed moneys and then replenished through loan repayments. *Trust funds* invoke a fiduciary responsibility of state government to care for and use the assets held for the benefit of those with a vested interest in the assets. A pension fund is an example of a trust fund. *Trust accounts* are typically a separate holding or clearing account for state agencies. Often a trust account is an accounting device to credit or charge agencies or projects for payroll or other costs.

Of the 30 funds we reviewed this year, 6 were revolving funds, 4 were trust funds, and 20 were trust accounts. We used criteria developed by the Legislature and developed by our office from a review of public finance and accounting literature. These funds must continue to serve the purpose for which they were created and not require continuing general fund appropriations. In addition, a revolving fund must reflect a linkage between benefits and charges made on users and also be an appropriate financing mechanism for the program or operation. A trust fund must also meet the statutory definition of a trust fund. For each fund we present a five-year financial summary, the purpose of the fund, and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued.



We also provided brief descriptions of five funds that were identified by the Department of Labor and Industrial Relations and/or the attorney general as trust funds. However, these funds are identified by the Department of Accounting and General Services as special funds and four of the funds have been identified as special funds in a previous report (Report No. 92-11).

Responses

We transmitted a draft of this review to the Departments of Human Resources Development, Labor and Industrial Relations, Public Safety, and Taxation. Points of clarification provided by the Departments of Human Resources Development and Labor and Industrial Relations were incorporated into the report. The Departments of Public Safety and Taxation did not submit written responses.

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