

OVERVIEW

Review of Revolving Funds, Trust Funds, and Trust Accounts for the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources

Report No. 09-01, January 2009

Summary

Section 23-12, Hawai'i Revised Statutes, 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 for each fund or account, an evaluation of the original intent and purpose of each fund or account, and a determination of the degree to which each fund or account achieves its stated and claimed purpose. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This is our fourth review of the revolving and trust funds, and trust accounts of the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources.

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 initially established by general fund seed moneys and then replenished through the repayment of loans. *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 separate holding or clearing accounts for state agencies. A trust account is often used as an accounting device to credit or charge agencies or projects for payroll or other costs.

Of the 88 funds and accounts we reviewed this year, 20 were revolving funds, 18 were trust funds, and 50 were trust accounts. We used criteria developed by the Legislature as well as criteria 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 sought and charges made upon users and also be an appropriate financial 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.



Responses

We transmitted a draft of this review to the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources. The Departments of Accounting and General Services, Agriculture, and Land and Natural Resources agreed with our review of its funds.

The Department of Budget and Finance generally concurred with our review of its funds and provided some clarifications. The department currently disagreed with our recommendation to combine the Hawai'i Employer-Union Health Benefits Trust Fund and Hawai'i EUTF Clearing Account, but added that this could be considered at a later time.

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