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**We reported on 51
funds and accounts:
3 revolving funds,
20 special funds, 13
trust funds, and 15
trust accounts.**

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Defense and Land and Natural Resources

Report No. 14-04, February 2014

Seventy-nine special funds, revolving funds, trust funds, and trust accounts were reviewed

Eleven funds and accounts did not meet fund criteria

Section 23-12, 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 will be reviewed once every five years. This is our fifth review of the revolving funds, trust funds, and trust accounts of the Department of Land and Natural Resources. It is our first review of the Department of Defense and both departments' special funds, since Act 130, SLH 2013, amended Section 23-12, HRS, to require we review the Department of Defense's revolving and trust funds, and to include reviews of all special funds statewide.

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 for the benefit for 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 or other costs.

We reviewed 79 special funds, revolving funds, trust funds, and trust accounts; and reported on 51 of them (20 special funds, three revolving funds, 13 trust funds, and 15 trust accounts). We used criteria developed by the Legislature as well as by our office from a review of 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 the program or its management, or whether the program should be continued. However, we found that 11 of the 51 funds and accounts did not meet applicable fund criteria.

Inconsistencies were noted

We also noted inconsistent adherence to statutory reporting of financial transactions and balances, resulting in reports that are incomplete or not filed and that, although some funds have been repealed or are no longer active, their appropriation accounts have not been closed and balances remain. Accurate and complete reporting, as well as timely closing of funds, will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility.

Agencies' responses

We transmitted a draft of this review to the Department of Defense and the Department of Land and Natural Resources. The Department of Defense concurred with our review. The Department of Land and Natural Resources agreed with our review of three of its funds, but it disagreed with or provided clarifying information on seven special funds.