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**We reported on
48 funds and
accounts: 16 special
funds, 20 revolving
funds, two trust
funds, and ten trust
accounts**

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Transportation

Report No. 14-05, March 2014

Sixty special funds, revolving funds, trust funds, and trust accounts were reviewed

Eight funds and accounts did not meet criteria

Section 23-12, HRS, requires the Auditor to review all existing special, revolving, and trust funds every five years. This is our first review of the Department of Transportation since Act 130, SLH 2013, amended Section 23-12, HRS, to require we review the department's funds.

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 State's 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 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 60 special funds, revolving funds, trust funds, and trust accounts; and reported on 48 of them (16 special funds, 20 revolving funds, two trust funds, and ten trust accounts). We used criteria developed by the Legislature as well as by our office from a review of public finance and accounting literature. We determined that eight of the 48 funds and accounts did not meet applicable fund criteria.

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.

Inconsistencies were noted

We noted inconsistent adherence by the department to statutory reporting of financial transactions and balances, resulting in reports that are incomplete or not filed. Although some funds have been repealed or are no longer active, their appropriation accounts have not been closed and balances remain.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.

We also found instances where multiple funds were combined as a single fund in reports and did not include specific details of individual funds or accounts. When funds are combined and reported in aggregate, reports lack itemized information such as the purpose, sources of revenue, and program expenditures of each fund.

Agency's response

We transmitted a draft of this review to the Department of Transportation. The department agreed with our review of its funds, but disagreed with our conclusion on the Safe Routes to School Program Special Fund.