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# Auditor's Summary

## Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Accounting and General Services

*Ninety-two special funds, revolving funds, trust funds, and trust accounts were reviewed*

Report No. 18-21

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### Two special funds, two trust funds, and four trust accounts did not meet criteria

**WE REVIEWED 92 FUNDS AND ACCOUNTS** administered by the Department of Accounting and General Services (DAGS) and reported on 33 of them – specifically, 7 special funds, 6 revolving funds, 7 trust funds, and 13 trust accounts. We found 2 special funds, 2 trust funds, and 4 trust accounts did not meet criteria – specifically, 2 special funds, 2 trust funds, and 3 trust accounts should be closed, and 1 trust account should be reclassified to a trust fund.

Section 23-12, Hawai'i Revised Statutes (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 are reviewed 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 DAGS.

We used criteria developed by the Legislature and by our office based on 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 programs or their management, or whether the programs should be continued.

### Reporting shortfall

We also noted that DAGS did not file statutorily required reports for administratively created funds. Accurate and complete reporting will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility.

### Agency response

DAGS agreed with our findings and will take appropriate action to close the identified funds and accounts that did not meet criteria and reclassify



#### FUND TYPES

##### **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 to benefit 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 and other costs.

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the one trust account to a trust fund. DAGS will also comply with reporting requirements.

In reference to the Shared Services Technology Special Fund, DAGS disagreed with our conclusion that the fund did not meet the criteria of a special fund and said that it will “defer” to the Legislature regarding whether the fund meets the criteria. The Legislature charged the Office of the Auditor with reviewing the funds maintained by State departments, including DAGS. That review includes assessing whether the funds should be continued based on criteria established by the Legislature. For a special fund, one of the criteria is that the fund “[s]erves a need as demonstrated by . . . [a]n explanation as why the program cannot be implemented successfully under the general fund appropriation process,” Section 37-52.3, HRS. As we reported, DAGS represented to us that the program which the special fund supports can be implemented under the general fund appropriation process. On that basis, we concluded that the fund did not meet the criteria of a special fund. Furthermore, in our prior fund review, Report No. 14-01 (March 2014), DAGS expressed its intention to move the positions funded by this special fund to general-funded positions.