

---

# Auditor's Summary

## Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Business, Economic Development and Tourism

*Sixty-nine special funds, revolving funds, trust funds, and trust accounts were reviewed.*

Report No. 20-01

---

### Nine funds and accounts did not meet criteria.

**WE REVIEWED 69 FUNDS AND ACCOUNTS** administered by the Department of Business, Economic Development and Tourism (DBEDT) and reported on 38 of them. We found six revolving funds, one special fund, and two trust accounts did not meet criteria. We recommended four revolving funds and one trust account be reclassified as special funds; one trust account be closed; and one revolving fund be repealed. We also recommended that the department confer with the Legislature to find a more appropriate vehicle to hold and expend moneys in a revolving fund and a special fund, both of which are supported only through appropriations from the general 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 include trust accounts as part of our reviews. This is our sixth review of DBEDT's revolving funds, trust funds, and trust accounts, and our second review of DBEDT's special funds.

We use criteria developed by the Legislature, the Department of Accounting and General Services, 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. Financial data is provided for informational purposes and has not been audited. We do not present conclusions about the effectiveness of programs or their management, or whether the programs should be continued.

### Reporting shortfall

**WE NOTED THAT DBEDT** did not file statutorily required reports for non-general funds with balances totaling \$5,752,000 and for administratively created funds with balances totaling \$752,000. Accurate and complete reporting provides important information to legislators about an agency's financial position.



#### 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.

---

## Agency response

**THE DEPARTMENT DISAGREED** with our assessment that one revolving fund did not meet its criteria, which is the same determination that we reached in our 2009 and 2014 reviews of DBEDT's funds. We maintain that the fund does not meet the criteria of a revolving fund because there is no nexus or linkage between the fund and sources of revenue and believe that the fund should be reclassified as a special fund. The department also questioned our conclusion that three other revolving funds did not meet the statutory criteria; however, we are unclear as to the basis of DBEDT's disagreement. We believe that our analyses and conclusions with respect to those funds are appropriate.

As to our other observations, DBEDT stated that the department will take steps to ensure compliance with reporting requirements for non-general funds and for administratively created funds.