
Auditor's Summary

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Commerce and Consumer Affairs

39 special funds, trust funds, and trust accounts were reviewed

Report No. 20-18

Four funds did not meet criteria

WE REVIEWED 39 FUNDS AND ACCOUNTS administered by the Department of Commerce and Consumer Affairs (DCCA) – specifically, 20 special funds, 12 trust funds, and 7 trust accounts. We found 2 special funds, 1 trust fund, and 1 trust account did not meet criteria. We recommended both special funds be closed, the trust fund be reclassified to a special fund, and the trust account 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 DCCA's revolving funds, trust funds, and trust accounts, and our second review of DCCA's special funds.

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 NOTED THAT DCCA did not file statutorily required reports for its funds and accounts totaling approximately \$2.1 million. Accurate and complete reporting will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility.

Agency response

DCCA DISAGREED with our assessment that one trust fund should be reclassified to a special fund. We maintain that the fund does not meet the criteria of a trust fund because it functions as, and meets the criteria for, a special fund and should be reclassified.



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.

DCCA also disagreed with our conclusion that one special fund was inappropriately created because it was administratively established after Section 37-52.3, HRS, was amended to require all new special funds be established pursuant to an act of the Legislature. However, DCCA's response did not provide other information that would justify amending our conclusion.

Finally, as to our observations on DCCA's reporting of non-general funds, DCCA acknowledged one reporting oversight but disagreed with our conclusion that a trust fund was not properly reported. We maintain that the fund should have been included on DCCA's report to the Legislature of the department's administratively established accounts and funds based upon the information DCCA provided to us during the review process.