
Auditor's Summary

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Office of Hawaiian Affairs

Report No. 22-02

One Office of Hawaiian Affairs special fund should be closed.

OUR REVIEW of the two special funds, one revolving fund, and one trust fund of the Office of Hawaiian Affairs (OHA) found one special fund did not meet criteria and should be closed.

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 of OHA. It is our second review of the special funds of OHA, since Act 130, Session Laws of Hawai'i 2013, amended section 23-12, HRS, to require review of special funds along with revolving funds and trust funds.

We used criteria developed by the Legislature and by our office based on public finance and accounting literature. For each fund and account, we present a five-year financial summary, the purpose of the fund or account, 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 programs or their management, or whether the program should be continued.

Reporting Shortfall

We noted that OHA did not file statutorily required reports for administratively created non-general funds totaling at least \$15 million. Accurate and complete reporting will greatly improve the Legislature's oversight of these funds.

Agency response

OHA acknowledged our recommendations related to the closing of the trust fund and stated they are working with the Department of Accounting and General Services to close this fund.



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.

OHA disagreed with our assertion that the reporting of Non-General Funds is required by section 37-52.5, HRS, stating that the Native Hawaiian Revolving Loan Fund is a federal fund and for various reasons should not be included with information annually required to be reported to the Legislature. We disagree. Section 37-52.5, HRS, applies to any fund or account that is administratively established, and is “the criteria for the establishment and **continuance** of administratively established accounts and funds.” OHA should report to the Legislature, annually, its administratively created funds and accounts, irrespective as to when those funds and accounts were established, as required by section 37-52.5(b), HRS.