
Auditor's Summary

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Public Safety

Report No. 23-02

Three special funds and two trust accounts did not meet criteria

OUR REVIEW of five special funds, three revolving funds, five trust funds, and four trust accounts of the Department of Public Safety (PSD) found three special funds and two trust accounts did not meet criteria and should be closed or reclassified.

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 PSD's revolving funds, trust funds, and trust accounts. It is our second review of the special funds held by PSD 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, 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 PSD did not file statutorily required reports for non-general funds totaling approximately \$2.96 million and administratively created non-general funds totaling approximately \$6.55 million. Accurate and complete reporting will greatly improve the Legislature's oversight and control of these funds.



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

PSD AGREED with our conclusion about its reporting shortfall and stated that it has taken corrective action. PSD disagreed with our determination that the Administrator/Inmate Activity Account and Law Enforcement Services – Airport special fund did not meet the criteria for each respective type of fund and stated that it “prefers” to maintain the current classifications of both. PSD offered no analysis or other information to support the current classification of either the account or the fund. We maintain that, while both continue to serve the purposes for which they were created, the Administrator/Inmate Activity Account operates as a special fund and should be reclassified as such; similarly, the Law Enforcement Services – Airport special fund should be reclassified as a revolving fund.

Additionally, PSD offered additional comments regarding a transfer between the Correctional Industries Revolving Fund and the Federal Reimbursement Maximization Special Fund. We responded to PSD’s comments and have included the department’s written comments to the draft report in its entirety.