
Auditor's Summary

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

Report No. 23-17

One revolving fund, one trust fund, and five trust accounts did not meet criteria

OUR REVIEW of seven special funds, five revolving funds, nine trust funds, and twelve trust accounts of the Department of Accounting and General Services (DAGS) found one revolving fund, one trust fund, and five trust accounts did not meet the criteria for revolving funds, trust funds, and trust accounts, respectively, 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 seventh review of DAGS' revolving funds, trust funds, and trust accounts. It is our third review of the special funds held by DAGS 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 DAGS did not file statutorily required reports for administratively created non-general funds totaling approximately \$118,000, non-general funds with balances totaling approximately \$3.96 million under the program measures reporting requirement, and non-general funds with balances totaling approximately -\$5.4 million under the cost element reporting requirement. 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

DAGS CONCURRED WITH MOST OF OUR FINDINGS and stated that it will ensure compliance with all statutory reporting requirements. However, DAGS noted that the revolving fund that did not meet criteria did not have a General Fund appropriation for FY2024 deposited into the fund. DAGS noted the trust fund that did not meet criteria was established as a trust fund by statute and would not be financially self-sustaining if the fund classification changed. We maintain our assessment that these funds do not meet criteria for those types of funds established by the Legislature. The program the revolving fund supports can be supported by the General Fund appropriation process and the revenue stream for the trust fund does not meet the definition of a trust fund.



Link to the complete report:

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<https://files.hawaii.gov/auditor/Reports/2023/23-17.pdf>