
Auditor's Summary

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Land and Natural Resources

Report No. 24-08

Four special funds, two trust funds, and two trust accounts did not meet criteria

OUR REVIEW of nineteen special funds, two revolving funds, nine trust funds, and seven trust accounts of the Department of Land and Natural Resources (DLNR) found four special funds, two trust funds, and two trust accounts did not meet the criteria for special 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 DLNR's revolving funds, trust funds, and trust accounts. It is our third review of the special funds held by DLNR 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 DLNR did not file statutorily required reports for non-general funds totaling approximately \$6.1 million, administratively created non-general funds totaling approximately \$372,000, non-general funds with balances totaling approximately \$57.7 million under the program measures reporting requirement, and non-general funds with balances totaling approximately \$52.8 million under the cost element reporting requirement. Accurate and complete



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.

reporting will greatly improve the Legislature’s oversight and control of these funds.

Agency response

DLNR CONCURRED WITH OUR RECOMMENDATIONS for reclassification and/or closure for two trust funds and two trust accounts and will consider our recommendations for two special funds after further review. DLNR noted that one of the special funds that did not meet criteria is necessary to separate revenues from the harvest of non-native forest products from the forest reserves. DLNR also noted that one of the trust accounts that did not meet criteria is a clearing account for certain holders of revocable permits for the use of State waters and stream gauging services provided by the United States Geological Survey, both non-state agencies. We maintain our assessment that these funds do not meet criteria for those types of funds established by the Legislature. The special fund is not being used for the purpose for which it was established, and the trust account functions more like a trust fund. DLNR stated that it will take appropriate measures to ensure compliance with all statutory reporting requirements but they disagreed with our findings related to reporting requirements pursuant to Sections 37-48 and 37-49, HRS. We maintain our assessment that these funds and accounts should have been reported pursuant to Sections 37-48 and 37-49, HRS, as there are no exceptions to the reporting requirements based on fund type or budget status.



Link to the complete report:

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<https://files.hawaii.gov/auditor/Reports/2024/24-08.pdf>