
Review of Revolving Funds, Trust Funds, and Trust Accounts of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services

A Report to the
Governor
and the
Legislature of
the State of
Hawai'i

Report No. 10-09
November 2010



THE AUDITOR
STATE OF HAWAI'I

Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawai'i State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. Financial audits attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. Management audits, which are also referred to as performance audits, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called program audits, when they focus on whether programs are attaining the objectives and results expected of them, and operations audits, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. Sunset evaluations evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
4. Sunrise analyses are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.
5. Health insurance analyses examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.
6. Analyses of proposed special funds and existing trust and revolving funds determine if proposals to establish these funds are existing funds meet legislative criteria.
7. Procurement compliance audits and other procurement-related monitoring assist the Legislature in overseeing government procurement practices.
8. Fiscal accountability reports analyze expenditures by the state Department of Education in various areas.
9. Special studies respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawai'i's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



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OVERVIEW

Review of Revolving Funds, Trust Funds, and Trust Accounts of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services

Report No. 10-09, November 2010

Summary

Section 23-12, Hawai'i Revised Statutes, requires the State Auditor to review all existing revolving and trust funds every five years. The review is to include a five-year financial summary for each fund or account, an evaluation of the original intent and purpose of each fund or account, and a determination of the degree to which each fund or account achieves its stated and claimed purpose. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This is our fourth review of the revolving and trust funds, and trust accounts of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services.

Revolving funds are often established with an appropriation of seed money from the general fund. Revolving funds must demonstrate the capacity to be self-sustaining. Activities financed by revolving funds include loan programs that are initially established by general fund seed moneys and then replenished through the repayment of loans. *Trust funds* invoke a fiduciary responsibility of state government to care for and use the assets held for the benefit of those with a vested interest in the assets. A pension fund is an example of a trust fund. *Trust accounts* are typically separate holding or clearing accounts for state agencies. A trust account is often used as an accounting device to credit or charge agencies or projects for payroll or other costs.

Of the 121 funds and accounts we reviewed this year, 27 were revolving funds, 59 were trust funds, and 35 were trust accounts. We used criteria developed by the Legislature as well as criteria developed by our office from a review of public finance and accounting literature. These funds must continue to serve the purpose for which they were created and not require continuing general fund appropriations. In addition, a revolving fund must reflect a linkage between benefits sought and charges made upon users and also be an appropriate financial mechanism for the program or operation. A trust fund must also meet the statutory definition of a trust fund. For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. However, we did find that 17 of the 121 funds and accounts reviewed did not meet the applicable criteria and/or may not be properly classified.



Responses

We transmitted a draft of this review to the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services. The Judiciary was in general agreement with our review of its funds. The Department of Commerce and Consumer Affairs also agreed with our review of its funds, however, disagreeing only with the disposition of the remaining moneys in one of the funds recommended for closure. The Departments of Hawaiian Home Lands and Health were both in general agreement with our findings but did add points of clarification regarding some of their funds and accounts. The Department of Human Services provided a point of clarification regarding the Randolph-Sheppard Revolving Fund while in general agreement with the overall conclusion regarding the fund.

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A Report to the
Governor
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Hawai'i

Submitted by

THE AUDITOR
STATE OF HAWAI'I

Report No. 10-09
November 2010

Foreword

This is a report of our review of revolving funds, trust funds, and trust accounts used by or administratively attached to the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services.

Section 23-12, Hawai‘i Revised Statutes, requires the State Auditor to review all existing revolving and trust funds every five years. The reviews are scheduled so that the funds administered by each state department will be reviewed once every five years. This is our fourth review of the revolving funds, trust funds, and trust accounts of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services.

We wish to express our appreciation for the cooperation and assistance extended to us by the officials and staff of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

This report reviews the revolving funds, trust funds, and trust accounts of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services. Section 23-12, Hawai‘i Revised Statutes (HRS), requires the State Auditor to review all revolving or trust funds administered by each state department every five years. This is our fourth review of the revolving funds, trust funds, and trust accounts of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services. The first report conducted in 1995 (Report No. 95-32) reviewed 51 revolving funds, trust funds, and trust accounts. The second report conducted in 2001 (Report No. 01-07) reviewed 97 revolving funds, trust funds, and trust accounts. The third report conducted in 2005 (Report No. 05-08) reviewed 111 revolving funds, trust funds, and trust accounts. In this the fourth report, we reviewed 121 revolving funds, trust funds, and trust accounts.

Background

Moneys deposited into and spent from special and revolving funds are not subject to an equivalent level of legislative scrutiny as those in the general fund. In 1990, the Legislature, through Act 240, Session Laws of Hawai‘i (SLH) 1990, required our office to conduct a review of all special and revolving funds and to recommend whether they be continued, modified, or repealed. The Legislature was concerned that the proliferation of these types of funds had diverted resources from the general fund and, as a result, had weakened the Legislature’s control over public moneys.

The review of special and revolving funds required by Act 240, SLH 1990, was completed and presented in five separate reports issued in 1991 and 1992. We reviewed 166 special and revolving funds and recommended that 70 funds be repealed, discontinued, or allowed to sunset. We also found that many funds held cash balances far in excess of program needs and recommended that unneeded cash be transferred to the general fund.

In July 2001 the reports were updated through Report No. 01-12, which found that 71 special and revolving funds had been repealed or discontinued. However, a majority (106 out of 166) of the funds previously reviewed were still in existence as of July 1, 1999.

Section 23-12, HRS, expands the concept of Act 240, SLH 1990, by requiring our office to review each revolving and trust fund at least once every five years. The section specifies that the review is to include, but not be limited to:

1. An evaluation of the original intent and purpose of each fund, both as expressed by the Legislature and as understood by the expending agency;
2. An assessment of the degree to which each fund achieves its stated and claimed purposes;
3. An evaluation of the fund's performance standards established by the agency; and
4. A summary statement reflecting total fund transactions in the preceding five fiscal years, including the fund balance at the beginning of each fiscal year, total deposits and withdrawals, amount of interest earned, total expenditures made from the fund, and the ending fund balance for each fiscal year.

Description of Revolving Funds, Trust Funds, and Trust Accounts

Revolving funds

Section 37-62, HRS, defines a revolving fund as “a fund from which is paid the cost of goods and services rendered or furnished to or by a state agency and which is replenished through charges made for the goods or services or through transfers from other accounts and funds.”

Revolving funds are often established with an appropriation of seed money from the general fund. Activities commonly financed through revolving funds include loan programs, which are initially established by general fund seed moneys and are then replenished through the repayment of loans. For example, the State Motor Pool Revolving Fund purchases and maintains the State's fleet of motor vehicles and is replenished by charges to state agencies for the use of the vehicles.

Trust funds

Section 37-62, HRS, defines a trust fund as “a fund in which designated persons or classes of persons have a vested beneficial interest or

equitable ownership, or which was created or established by a gift, grant, contribution, devise, or bequest that limits the use of the fund to designated objects or purposes.”

Trust funds invoke a fiduciary responsibility of state government to care for and use the assets held only for those designated to benefit from the funds. A pension fund is one example of a trust fund. Contributions and payments into the fund are to be held for the beneficiaries of the pension fund. Another example is tenants’ security deposits, which are held in trust funds for the future benefit of tenants and landlords. Until forfeited or returned, deposits are the property of the tenants and should be accounted for accordingly.

Trust accounts

The Department of Accounting and General Services defines a trust account as a separate holding or clearing account for state agencies. A trust account is often used as an accounting device to credit or charge agencies or projects for payroll or other costs.

Criteria for Reviewing Revolving Funds, Trust Funds, and Trust Accounts

The criteria we used to review revolving funds are similar to those used in past reviews. The criteria are the extent to which each fund:

- Continues to serve the purpose for which it was originally created;
- Reflects a clear link between the benefit sought and charges made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriations process;
- Demonstrates the capacity to be financially self-sustaining; and
- Is an appropriate financing mechanism for the program or operation.

The first and second criteria were taken from Act 240, SLH 1990. Our office developed the third and fourth criteria from a review of public finance literature.

The criteria used to review trust funds are the extent to which each fund:

- Continues to serve the purpose for which it was originally created;

- Provides the benefits or services originally intended to the beneficiaries;
- Does not require general fund appropriations; and
- Meets the definition of a trust fund.

The first two criteria were derived from the initial objectives of Section 23-12, HRS, asking for (1) an evaluation of the original intent of each fund, and (2) the degree to which each fund achieves its stated purpose. The third criterion assesses whether the fund relies on general fund appropriations. If general fund appropriations are needed to finance its activities (as opposed to providing seed moneys only), classification as a trust fund may not be warranted. The fourth criterion assesses whether the fund is held by the State only for the benefit of those with a vested interest in the assets.

Similar criteria are used for the review of trust accounts. These are the extent to which each account:

- Continues to serve the purpose for which it was originally created; and
- Does not require general fund appropriations.

We also reviewed any performance standards established by each agency for its funds and accounts.

Our review found a total of 17 funds that did not meet the applicable fund criteria or that may be improperly classified. The following table lists those funds and the related exceptions.

			Finding					
			No clear link between benefits sought and user charges	Does not meet trust fund definition	No longer serves original purpose	Inactive	Inappropriate financing mechanism	Received general fund support
Fund Name	Fund Type	6/30/10 Balance (rounded)						
<i>The Judiciary</i>								
Appellate Judges Seminar – New Judges Series	Trust Fund	\$0				X		
Pūlama I Nā ‘Ōpio O Hawai‘i	Trust Fund	\$0			X			
State Justice Institute – 2006 New Appellate Judges Seminar	Trust Fund	\$0				X		
Temporary Deposits	Trust Fund	\$0		X				
Volunteer Services Donation Fund	Trust Fund	\$1,000			X			
<i>Department of Commerce and Consumer Affairs</i>								
Travel Agency Recovery Fund	Trust Fund	\$0				X		
<i>Department of Hawaiian Home Lands</i>								
Hawaiian Home Receipts Fund	Trust Fund	\$406,000		X				
<i>Department of Health</i>								
Collections Revolving Funds	Revolving Fund	\$2,000					X	
Environmental Response Revolving Fund	Revolving Fund	\$3,589,000	X					
<i>Department of Human Services</i>								
Federal Maximization Revolving Fund	Revolving Fund	\$0			X			
HPHA Administration	Revolving Fund	\$89,000	X					
Health Care Revolving Fund	Revolving Fund	\$916,000			X			
Kahikolu ‘Ohana O Wai‘anae Project	Trust Fund	\$1,000						X
Payroll Clearance – HPHA	Trust Fund	\$0		*				
Randolph-Sheppard Revolving Fund	Revolving Fund	\$572,000	X					
Teacher’s Housing Operating Fund	Revolving Fund	\$14,000			**			
Temporary Deposits – Payroll Overpayment HCDCH	Trust Fund	\$33,000		*				

*Fund met trust fund criteria but appears to operate more as a trust account.

**Statute authorizing fund was repealed in 2008.

Objectives of the Review

1. Identify and review all revolving funds, trust funds, and trust accounts of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services.
2. For each of these revolving funds, trust funds, and trust accounts, determine the original intent and purpose of the fund or account, both pursuant to statute and as understood by the agency, and determine the degree to which the fund or account achieves its stated and claimed purposes.
3. Evaluate fund performance standards established by the agencies, where applicable.
4. Provide a five-year (FY2006 to FY2010), unaudited financial summary for each fund or account reviewed.

Scope and Methodology

This report examines those revolving funds, trust funds, and trust accounts administered by the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services during the five-year period under review.

We researched statutes, session laws, legislative history, and other supporting documents to determine the intent and purpose behind each fund or account. We also reviewed performance standards reported by the agencies and other documents as appropriate, and found that a majority of funds and accounts did not have any such performance standards.

To gain an understanding of fund operations, we obtained information from key fiscal and program personnel. In reviewing each fund or account, we applied the previously mentioned criteria.

We also noted that ending balances for FY 2004-05 shown in our Report No. 05-08 financial summaries were estimates provided by the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services, and therefore may not correspond to actual beginning balances for FY2005-06 presented in the financial summaries in this report. Transfers are reported as a net amount for each respective year.

Our work was performed from May 2010 to October 2010, according to generally accepted government auditing standards. We did not audit the agencies' financial data, which is provided only for informational purposes.

Chapter 2

The Judiciary

This chapter presents the results of our review of 23 trust funds, two revolving funds, and three trust accounts of the Judiciary. For each fund we present a five-year financial summary, the purpose of the fund, and the conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present first the funds established by statutory authority, followed by the funds and accounts established under administrative authority, in alphabetical order.

Funds Established Under Statutory Authority

Court Interpreting Services Revolving Fund, Section 607-1.5, Hawai'i Revised Statutes (HRS)

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$9	\$22	\$34
Revenues	0	9	33	24	18
Interest	0	0	1	1	0
Expenditures	0	0	(21)	(13)	(15)
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$9	\$22	\$34	\$37
Encumbrances	\$0	\$0	\$0	\$0	\$1

This revolving fund was established in 2006 by Act 184, Session Laws of Hawai'i (SLH) 2005, to support the Court Interpreter Certification Program's educational services and activities relating to the training, screening, testing, and certification of court interpreters. Revenues to the fund include fees, charges, and other moneys collected for programs relating to interpreter issues and training, screening, testing, and certification of court interpreters; these are all moneys received from public or private sources for the purposes of this fund. Interest accrued or investment earnings realized that are attributable to the moneys in the revolving fund are also included as revenues to the fund. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets revolving fund criteria.

Supreme Court Law Library Revolving Fund, Section 601-3.5, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$10	\$12	\$14	\$12	\$12
Revenues	20	18	19	17	15
Interest	1	1	1	0	0
Expenditures	(19)	(17)	(22)	(17)	(14)
Transfers	0	0	0	0	0
Ending Fund Balance	\$12	\$14	\$12	\$12	\$13
Encumbrances	\$3	\$10	\$7	\$3	\$1

The Supreme Court Law Library Special Fund was created in 1990 to account for all fines, fees, and other revenues derived from the operations of the Supreme Court Law Library. Act 64, SLH 1993, changed this special fund to a revolving fund, and the balance was transferred accordingly. Moneys are used to replace or repair lost, damaged, stolen, unreturned, or outdated library materials, and to support and improve library services. The moneys collected also enable the library to introduce new resources and services such as upgrading computer systems to keep pace with the increasing availability of electronic legal resources. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self sustaining and does not require any general fund appropriations. The fund therefore meets revolving fund criteria.

Funds Established Under Administrative Authority

Administrative Director Services – Bid Deposits, Sections 103D-323 and 103D-324, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established in 1987 pursuant to Section 103-28, HRS, to account for moneys related to bid and performance deposits. Although this section was repealed on July 1, 1994, this trust account continues to be used for the same purpose pursuant to Sections 103D-323 and 103D-324, HRS. Bidders may be required to submit contract bid and performance deposits in the procuring of goods, services, and construction projects. Bid and performance deposits are returned to each payer upon satisfactory completion of the contract. This account is used as a temporary holding account for the moneys. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Advanced Mediation: Practical Skills Techniques

Financial Data for Fiscal Year 2008 (in thousands)

	FY2008
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers	0
Ending Fund Balance	\$0
Encumbrances	\$0

This trust fund was established in 2008 to account for grant moneys from the State Justice Institute to fund a scholarship to the Advanced Mediation: Practical Skills Techniques seminar. The fund met the trust fund criteria and served the purpose for which it was originally created. The fund also did not require any general fund appropriations. The Judiciary, however, did not receive any grant moneys, and this fund was terminated in FY2008.

Agency Fund, Section 40-81, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$41,016	\$23,619	\$23,667	\$23,973	\$24,366
Revenues	44,002	79,610	68,880	67,872	70,873
Interest	0	0	0	0	0
Expenditures	(61,399)	(79,562)	(68,574)	(67,479)	(70,437)
Transfers	0	0	0	0	0
Ending Fund Balance	\$23,619	\$23,667	\$23,973	\$24,366	\$24,802
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established in 1980 to record the Judiciary's funds held outside the State Treasury. The account includes funds held by the Judiciary in a trustee or agency capacity. These include moneys deposited with the courts, such as appeal deposits, bails, bonds, case deposits, court costs, court expenditure reimbursements, court fees, fines, restitutions, unclaimed estates, and naturalization fees. The Judiciary also acts as an agent and collects moneys for others, which it disburses as trust disbursements, government realizations, reimbursements of expenditures, or agency disbursements. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Appellate Judges Seminar – New Judges Series

Financial Data for Fiscal Years 2008 – 2010 (in thousands)

	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0
Revenues	2	0	0
Interest	0	0	0
Expenditures	(2)	0	0
Transfers	0	0	0
Ending Fund Balance	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0

This trust fund was established in 2008 to account for grant moneys received from the State Justice Institute to fund a scholarship to the 2007 Appellate Judges Seminar. The scholarship was given to an associate judge who attended the seminar. The fund met trust fund criteria and served the purpose for which it was originally created. The fund also does not require any general fund appropriations. Since the fund received a grant for a one-time scholarship, we recommend that the Judiciary evaluate the continued need for this fund.

County of Hawai'i – Video Conferencing

Financial Data for Fiscal Years 2008 – 2010 (in thousands)

	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0
Revenues	12	0	0
Interest	0	0	0
Expenditures	(12)	0	0
Transfers	0	0	0
Ending Fund Balance	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0

This trust fund was established in 2008 to facilitate courtroom video conferencing between the Hawai'i Community Correctional Center in Hilo and the District Courts in East Hawai'i and West Hawai'i. Revenues to the fund were received through a grant from the U.S. Department of Justice. The fund provided for procurement, installation,

and use and maintenance of courtroom video conferencing equipment at the District Court in West Hawai‘i. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Detention Home Donation Fund

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$26	\$25	\$25	\$24	\$24
Revenues	0	0	0	0	1
Interest	0	0	0	0	0
Expenditures	(1)	0	(1)	0	(5)
Transfers	0	0	0	0	0
Ending Fund Balance	\$25	\$25	\$24	\$24	\$20
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established over 30 years ago to account for donations to the Detention Services Division of the Family Court of the First Circuit, which operates a detention facility for juveniles who await disposition of their cases. Donated moneys are used to support the detention services program and to purchase items such as cookies and candies for detained juveniles. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Hawai‘i CJC Digital Video Recording Equipment

Financial Data for Fiscal Years 2008 – 2010 (in thousands)

	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$2
Revenues	27	27	1
Interest	0	0	0
Expenditures	(27)	(25)	0
Transfers	0	0	0
Ending Fund Balance	\$0	\$2	\$3
Encumbrances	\$0	\$0	\$0

This trust fund was established in 2008 to account for funds received through a grant from the American Bar Association to purchase new digital recording equipment for its five programs. The new recording system is used for forensic interviews of alleged child victims of abuse and child witnesses to crime. The recordings are used as evidence in the investigation and subsequent civil and court proceedings. The new equipment reduces the number of times children need to be interviewed, addresses their special needs, and minimizes trauma that may be experienced in the judicial system. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

ICIS Criminal Justice Information System

Financial Data for Fiscal Years 2009 – 2010 (in thousands)

	FY2009	FY2010
Beginning Fund Balance	\$0	\$0
Revenues	0	35
Interest	0	0
Expenditures	0	(35)
Transfers	0	0
Ending Fund Balance	\$0	\$0
Encumbrances	\$0	\$0

This trust fund was established in 2009 to complete a detailed workflow analysis, which identified specifications for the components of the criminal justice information system and the creation of a blueprint for the system. Revenues for the fund were received through a grant award from the Hawai'i Community Foundation. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Juvenile Detention Alternative Initiative

Financial Data for Fiscal Years 2009 – 2010 (in thousands)

	FY2009	FY2010
Beginning Fund Balance	\$0	\$41
Revenues	75	0
Interest	0	0
Expenditures	(34)	(33)
Transfers	0	0
Ending Fund Balance	\$41	\$8
Encumbrances	\$3	\$2

This trust fund was created in 2009 to provide support for the Juvenile Detention Alternatives Initiative (JDAI), which aims to address the efficiency and effectiveness of juvenile detention without sacrificing community safety. Revenues to the fund come from a grant from the Annie E. Casey Foundation. The fund provides technical assistance, facilitates collaboration among key stakeholders, assists with the implementation of core strategies of JDAI, and provides support for travel to visit JDAI model sites and attend the annual conference. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Juvenile Detention Alternative Initiative II

Financial Data for Fiscal Years 2009 – 2010 (in thousands)

	FY2009	FY2010
Beginning Fund Balance	\$0	\$50
Revenues	50	25
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Fund Balance	\$50	\$75
Encumbrances	\$0	\$0

This trust fund was created in 2009 to provide support for the Juvenile Detention Alternatives Initiative (JDAI), which aims to address the efficiency and effectiveness of juvenile detention without sacrificing community safety. The fund provides technical assistance, facilitates collaboration among key stakeholders, assists with the implementation of core strategies of JDAI, and provides support for travel to visit JDAI model sites and attend the annual conference. Revenues to the fund come from a grant from the Annie E. Casey Foundation. The total grant amount for the fund is \$75,000, which will be used after the Juvenile Detention Alternatives Initiative Trust Fund is fully expended. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Juvenile Detention Alternative Initiative III

Financial Data for Fiscal Year 2010 (in thousands)

	FY2010
Beginning Fund Balance	\$0
Revenues	75
Interest	0
Expenditures	0
Transfers	0
Ending Fund Balance	\$75
Encumbrances	\$0

This trust fund was created in 2010 to provide support for the Juvenile Detention Alternatives Initiative (JDAI), which aims to address the efficiency and effectiveness of juvenile detention without sacrificing community safety. The fund provides technical assistance, facilitates collaboration among key stakeholders, assists with the implementation of core strategies of JDAI, and provides support for travel to visit JDAI model sites and attend the annual conference. Revenues to the fund come from a grant from the Annie E. Casey Foundation. The total grant amount for the fund is \$75,000, which will be used after the Juvenile Detention Alternatives Initiative II Trust Fund is fully expended. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Kids First Program

Financial Data for Fiscal Year 2006 (in thousands)

	FY2006
Beginning Fund Balance	\$0
Revenues	0
Interest	0
Expenditures	0
Transfers	0
Ending Fund Balance	\$0
Encumbrances	\$0

This trust fund was established in 1998 to account for two grants received from the Hawai'i Justice Foundation. The 1998 grant was provided to create an informational brochure for adults attending the Kids First Program, and the 1999 grant was provided to create a video that would engage teens in the Kids First Program. The Kids First Program is an educational program for families going through divorce. This fund met trust fund criteria: it served the purpose for which it was created and did not receive general fund appropriations. The fund was closed in July 2006, when the balance of \$12.75 was returned to the foundation.

Maui Family Drug Court Program

Financial Data for Fiscal Year 2006 (in thousands)

	FY2006
Beginning Fund Balance	\$61
Revenues	25
Interest	0
Expenditures	(86)
Transfers	0
Ending Fund Balance	\$0
Encumbrances	\$0

This trust fund was established in 2004 to account for grant moneys received from the County of Maui for the development and implementation of a juvenile drug court program. The program identifies substance users and provides early intervention and education for the youth and their families. Youth participants, ages 12-17 years old, can be referred by parents, school officials, police, and social workers. The program is intended to provide services without formal court jurisdiction. This fund met trust fund criteria: it served the purpose for which it was created, and did not receive general fund appropriations. The contract with the County of Maui terminated in December 2005, and the fund was subsequently terminated.

Public Safety Partnership & Community Policing

Financial Data for Fiscal Years 2007 – 2010 (in thousands)

	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$5
Revenues	0	0	5	0
Interest	0	0	0	0
Expenditures	0	0	0	0
Transfers	0	0	0	0
Ending Fund Balance	\$0	\$0	\$5	\$5
Encumbrances	\$0	\$0	\$0	\$0

This trust fund was created in 2007 to engage a consultant/external evaluator to aggregate data and evaluate the overall impact of the Crystal Methamphetamine Initiative. Revenues to the fund come from a grant from the Hawai'i Community Foundation. The consultant will perform a preliminary requirements analysis to gauge the overall scope of work to develop a Criminal Justice Information System (CJIS) database. This analysis will familiarize the consultant with the Interagency Council on Intermediate Sanctions' operations and policies and lead to the development of a shared CJIS database. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Pūlama I Nā 'Ōpio O Hawai'i

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established in 2004 to account for grant moneys received from the Bay Clinic, Inc. for the Pūlama I Nā 'Ōpio O Hawai'i project to hire per diem judges to hear cases involving the project's teenage participants. The project offers access to substance abuse education, prevention, intervention and treatment, and aftercare options to teenagers. The grant moneys received from the Bay Clinic, Inc. were not used, and the moneys returned to the grantor in May 2003. The fund does not meet trust fund criteria as it does not serve the purpose for which it was originally created. Because this fund has been inactive since its inception and the grant moneys were returned to the grantor, we recommend that the Judiciary terminate the fund.

Restitution, Family Courts

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$47	\$46	\$46	\$46	\$46
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(1)	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$46	\$46	\$46	\$46	\$46
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established 1989 to account for donations to the Family Courts' Juvenile Monetary Restitution Program. The program allows juvenile offenders to earn credits based on the minimum wage for each hour of community service performed. The fund pays restitution to victims of offenders in amounts equivalent to the number of credits that juveniles earn. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

State Justice Institute – 2006 New Appellate Judges Seminar

Financial Data for Fiscal Years 2007 – 2010 (in thousands)

	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$0
Revenues	2	0	0	0
Interest	0	0	0	0
Expenditures	(2)	0	0	0
Transfers	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0

This trust fund was established in 2007 to account for grant moneys received from the State Justice Institute to provide a scholarship for the 2006 New Appellate Judges Seminar. The scholarship was given to an associate judge who attended the seminar. The fund met trust fund criteria, as it served the purpose for which it was originally created and did not require any general fund appropriations. Since the fund received a grant for a one-time scholarship, we recommend that the Judiciary evaluate the continued need for this fund.

Supreme Court Bar Examination Fund

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$172	\$149	\$150	\$116	\$93
Revenues	108	121	106	96	97
Interest	0	0	0	0	0
Expenditures	(131)	(120)	(140)	(119)	(118)
Transfers	0	0	0	0	0
Ending Fund Balance	\$149	\$150	\$116	\$93	\$72
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established over 20 years ago, under the Rules of the Supreme Court of the State of Hawai‘i, to account for filing fees collected from applicants to the Hawai‘i State Bar. The Board of Examiners uses the fund to administer the admission process to the Hawai‘i State Bar. Moneys in this account are held outside the State Treasury. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Supreme Court Law Library Donation Fund

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$1	\$1	\$1	\$1	\$1
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$1	\$1	\$1	\$1	\$1
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was created over 30 years ago to account for donations to the Supreme Court Law Library. The fund is used to purchase library materials, with restricted donations used to acquire resources that fall within the scope of the donor’s specified category, such as civil rights

materials. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Temporary Deposits

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	7	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(7)	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established in 1998 to account for the collection and disbursement of moneys for activities that are related to the Judiciary but are not part of a specific program such as training sessions and conferences. In FY2006, the Hawai'i State Bar Association made a one-time donation of \$6,914 to help cover the costs for the new Kaua'i Judiciary Complex building's dedication ceremony. The fund serves the purpose for which it was created and receives no general fund appropriations. However, the fund appears to operate more as a trust account, and the department should consider reclassification as such.

Temporary Deposits – Payroll Clearing Account

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$8	\$6	\$3	\$3	\$3
Revenues	1	1	0	0	0
Interest	0	0	0	0	0
Expenditures	(3)	(4)	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$6	\$3	\$3	\$3	\$3
Encumbrances	\$0	\$0	\$0	\$0	\$3

This trust account was established in 1996 as a temporary holding account for installment reimbursements received from employees who were overpaid salaries, temporary disability benefits, and/or workers' compensation benefits through the State's payroll system. Employee reimbursements paid to the Judiciary on an installment basis are accounted for in this trust account until full recovery of the overpaid amount is completed. Once full recovery of the overpayment has been made, payment is issued to the director of finance who issues a check and applicable payroll documents to the Department of Accounting and General Services (DAGS) for further processing. The check is then deposited into the DAGS Payroll Clearance Fund, and the payroll documents are processed in the State's payroll system to adjust the individual's payroll records and to credit the departmental appropriations. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

The COPS Methamphetamine Initiative

Financial Data for Fiscal Years 2008 – 2010 (in thousands)

	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$21	\$22
Revenues	50	99	109
Interest	0	0	0
Expenditures	(29)	(98)	(120)
Transfers	0	0	0
Ending Fund Balance	\$21	\$22	\$11
Encumbrances	\$3	\$7	\$2

This trust fund was created in 2008 to account for funds received from a U.S. Department of Justice grant that addresses gaps and barriers identified by the Big Island Drug Court (BIDC) Planning Team. The fund is used to more effectively intervene and engage methamphetamine users, which account for 95 percent of BIDC's client base. Moneys in the fund are used for salary and fringe benefits for two social worker positions, drug test kits, treatment services, and training and travel expenses for BIDC Planning Team members. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Volunteer Guardian Ad Litem Program

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$17	\$23	\$23	\$7	\$1
Revenues	13	12	0	0	0
Interest	0	0	0	0	0
Expenditures	(7)	(12)	(16)	(6)	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$23	\$23	\$7	\$1	\$1
Encumbrances	\$1	\$2	\$6	\$1	\$0

This trust fund was established in 1998 to account for grant moneys from the Hawai'i Justice Foundation. The fund is used to support the Volunteer Guardians Ad Litem Program in its mission to recruit, screen, train, and supervise citizen volunteer advocates to represent the best interests of abused and neglected children during court proceedings. The fund helps to provide a rigorous certification process for volunteers who work with children based on their needs and on the volunteers' skill and time availability. This fund met trust fund criteria: it served the purpose for which it was created, and did not receive general fund appropriations. The fund was closed in FY2011.

Volunteer Guardian Ad Litem Program XI

Financial Data for Fiscal Years 2008 – 2010 (in thousands)

	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$11	\$7
Revenues	11	0	0
Interest	0	0	0
Expenditures	0	(4)	(5)
Transfers	0	0	0
Ending Fund Balance	\$11	\$7	\$2
Encumbrances	\$0	\$1	\$1

This trust fund was established in 2008 to account for grant moneys from the Hawai'i Justice Foundation. The fund is used to support the Volunteer Guardians Ad Litem Program in its mission to recruit, screen,

train, and supervise citizen volunteer advocates to represent the best interests of abused and neglected children during court proceedings. The fund helps to provide a rigorous certification process for volunteers who work with children based on their needs and on the volunteers' skill and time availability. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Volunteer Guardian Ad Litem Program XII

Financial Data for Fiscal Years 2009 – 2010 (in thousands)

	FY2009	FY2010
Beginning Fund Balance	\$0	\$10
Revenues	10	0
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Fund Balance	\$10	\$10
Encumbrances	\$0	\$0

This trust fund was established in 2009 to account for grant moneys from the Hawai'i Justice Foundation. The fund is used to support the Volunteer Guardians Ad Litem Program in its mission to recruit, screen, train, and supervise citizen volunteer advocates to represent the best interests of abused and neglected children during court proceedings. The fund helps to provide a rigorous certification process for volunteers who work with children based on their needs and on the volunteers' skill and time availability. The total grant amount for the fund is \$10,000, which will be used after funds in the Volunteer Guardian Ad Litem Program XI Trust Fund are fully expended. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Volunteer Services Donation Fund

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$1	\$1	\$1	\$1	\$1
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$1	\$1	\$1	\$1	\$1
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established over 30 years ago to account for donations to the Volunteers in Public Service to the Courts (VIPS) program. The VIPS program recruits and places volunteers into various jobs within the Judiciary. The fund was used to purchase items such as refreshments for volunteer orientations and swearing-in ceremonies, and to reimburse volunteers for out-of-pocket expenses. Currently, VIPS does not conduct group volunteer orientations or swearing-in ceremonies. In the past, the fund met trust fund criteria: it served the purpose for which it was created and received no general fund appropriations. However, as VIPS no longer uses this fund and moneys to support the fund are not being collected, we recommend the department evaluate the continued need for this account.

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Chapter 3

Department of Commerce and Consumer Affairs

This chapter presents the results of our review of 16 trust funds and five trust accounts of the Department of Commerce and Consumer Affairs. For each fund we present a five-year financial summary, the purpose of the fund, and the conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present first the funds established by statutory authority, followed by the funds and accounts established under administrative authority, in alphabetical order.

Funds Established Under Statutory Authority

Commissioner's Education and Training Fund, Section 431:2-214, Hawai'i Revised Statutes (HRS)

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$212	\$267	\$329	\$425	\$528
Revenues	135	150	162	154	164
Interest	7	12	17	8	6
Expenditures	(87)	(100)	(83)	(59)	(31)
Transfers	0	0	0	0	0
Ending Fund Balance	\$267	\$329	\$425	\$528	\$667
Encumbrances	\$5	\$6	\$0	\$5	\$1

This trust fund was originally established in 1987 to account for the receipt and expenditure of moneys to educate and train personnel of the department's Insurance Division. However, Act 205, Session Laws of Hawai'i (SLH) 1993, amended the statute so that the fund may also be used to pay the cost of consumer education and information. The fund receives fees assessed to licensed insurers and is used to compensate or reimburse division staff and personnel for travel expenses, reasonable living expenses, per diem compensation, and any necessary fees or charges to attend educational and training conferences, workshops, seminars, and similar events. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Condominium Education Trust Fund, Section 514B-71, HRS

Financial Data for Fiscal Years 2006 - 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	73
Interest	0	0	0	0	0
Expenditures	0	0	0	0	(366)
Transfers*	0	0	0	0	799
Ending Fund Balance	\$0	\$0	\$0	\$0	\$506
Encumbrances	\$0	\$0	\$0	\$0	\$15

*Transfer was received from the Condominium Management Education Fund.

This trust fund was established in 2005 to be used by the Real Estate Commission for educational purposes which include: the financing and promotion of education and research in condominium management, condominium product registration, and real estate; improving the administration of associations; and finding expeditious and inexpensive procedures for resolving association disputes. Revenues to the fund come from contributions that are required of condominium associations and developers. Act 129, SLH 2009, repealed the Condominium Management Education Fund and transferred all funds into the Condominium Education Trust Fund. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Condominium Management Education Fund, Section 514A-131, HRS

Financial Data for Fiscal Years 2006 - 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$773	\$807	\$1,015	\$724	\$808
Revenues	165	543	117	528	0
Interest	13	10	13	5	0
Expenditures	(313)	(345)	(421)	(449)	(8)
Transfers*	169	0	0	0	(799)
Ending Fund Balance	\$807	\$1,015	\$724	\$808	\$1
Encumbrances	\$42	\$48	\$19	\$16	\$0

*Transfer in FY2006 was received from the Condominium Dispute Resolution Trust Fund.
Transfer in FY2010 was made to the Condominium Education Trust Fund

This trust fund was established in 1989 to finance and promote the Real Estate Commission's education and research in condominium management and registration, and to improve the administration of condominium associations. The fund receives assessments from condominium associations and condominium developers. Condominium associations, boards of directors, and apartment owners benefit from the fund's comprehensive education and research program. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations. However, Act 129, SLH 2009, repealed the Condominium Management Education Fund and transferred nearly all funds to the Condominium Education Trust Fund. The fund will be terminated in FY2011 when the remaining balance is exhausted.

Contractors Education Fund, Section 444-29, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$138	\$202	\$261	\$311	\$363
Revenues	9	35	8	39	6
Interest	59	36	48	20	14
Expenditures	(4)	(12)	(6)	(7)	(9)
Transfers	0	0	0	0	0
Ending Fund Balance	\$202	\$261	\$311	\$363	\$374
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established in 1973 for the Contractors License Board to finance the board's educational programs. The fund is used to educate the public about the benefits of using licensed contractors and to educate licensees, board members, and staff. New licensees are assessed a \$10 fee and current licensees are assessed a \$5 renewal fee. The fund also receives interest from the moneys contractors have paid into the Contractors Recovery Fund and from the Contractors Education Fund. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Contractors Recovery Fund, Section 444-26, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$523	\$571	\$746	\$770	\$827
Revenues	151	261	115	177	89
Interest	0	0	0	0	0
Expenditures	(103)	(86)	(91)	(120)	(113)
Transfers	0	0	0	0	0
Ending Fund Balance	\$571	\$746	\$770	\$827	\$803
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established in 1973 for the Contractors License Board to recover damages for any person injured by an act, representation, transaction, or conduct of a duly licensed contractor that

violates the Hawai‘i Revised Statutes or Hawai‘i Administrative Rules. The amount awarded for damages cannot exceed \$12,500 per contract. The Contractors License Board, as trustee of the recovery fund, retains private legal counsel to represent the board in any action that may result in collection from the recovery fund. Contractors pay a non-refundable fee of \$150 into the fund upon licensure and \$10 upon license renewal. Additional payments, not to exceed \$500, are assessed when the fund balance is less than \$250,000. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Hurricane Reserve Trust Fund, Section 431P-16, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$190,900	\$180,182	\$181,677	\$184,526	\$187,977
Revenues	4,111	9,724	10,817	9,934	6,024
Interest	0	0	0	0	0
Expenditures	(177)	(203)	(220)	(190)	(197)
Transfers*	(14,652)	(8,026)	(7,748)	(6,293)	(5,613)
Ending Fund Balance	\$180,182	\$181,677	\$184,526	\$187,977	\$188,191
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers in FY 2006 were made to the Loss Mitigation Fund (\$4,000,000), the State Department of Defense (\$4,000,000), and the General Fund (\$6,652,000). Transfers in FY2007 were made to the Loss Mitigation Fund (\$2,000,000), Civil Defense (\$2,500,000), and the General Fund (\$3,526,000). Transfers made to the General Fund in FY 2008, 2009, and 2010 consisted of (\$7,748,000), (\$6,293,000) and (\$5,613,000) respectively.

This trust fund was established in 1993 to receive moneys for the administration of the Hawai‘i Hurricane Relief Fund and is held outside the State Treasury. The fund is empowered to assess the availability of hurricane insurance from all sources and to provide hurricane insurance coverage should the private market prove unreliable. The fund receives special mortgage recording fees, assessments from insurance companies, and premiums from hurricane property insurance policies. In addition, any proceeds under reinsurance, from loans, and from other moneys from the federal government shall be deposited into the fund. Should insurance claims exceed the fund, the fund is authorized to increase its assessments from insurance companies and to levy a surcharge not to exceed 7.5 percent a year on premiums charged for policies issued by all licensed property and casualty insurers. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Patients' Compensation Fund, Section 671-31, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$2,737	\$3,839	\$4,005	\$4,196	\$4,273
Revenues	0	0	0	0	0
Interest	1,102	166	191	77	52
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$3,839	\$4,005	\$4,196	\$4,273	\$4,325
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established in 1976 to provide doctors with medical malpractice insurance coverage in excess of \$100,000. The fund provided doctors with higher coverage limits when availability in the marketplace was difficult. Participating doctors paid a surcharge on the underlying premiums into the fund. The insurance commissioner was authorized to pay judgment awards or settlements from the funds that were in excess of \$100,000 for participating doctors. The fund was repealed by Act 232, SLH 1984, because claims exceeded available funds, and the fund was insolvent. Currently, the known outstanding claims against the fund amount to \$4.8 million. The department's director continues to administer the fund until a final determination is made on all claims and a pro rata distribution of all the fund's assets is made. A final determination on all claims is currently being worked on, and a distribution of all assets in the fund is expected to take place during FY2011. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Real Estate Education Fund, Section 467-11, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$1,385	\$1,189	\$1,642	\$1,289	\$1,555
Revenues	162	811	121	718	69
Interest	31	27	48	16	1
Expenditures	(389)	(385)	(522)	(468)	(365)
Transfers	0	0	0	0	
Ending Fund Balance	\$1,189	\$1,642	\$1,289	\$1,555	\$1,260
Encumbrances	\$29	\$120	\$69	\$65	\$21

This trust fund was established in 1967 to finance the Real Estate Commission's educational programs. The fund promotes the advancement of real estate education and research. The fund receives license fees and interest earned from the Real Estate Recovery Fund. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Real Estate Recovery Fund, Section 467-16, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$703	\$777	\$838	\$861	\$843
Revenues	136	113	96	62	53
Interest	0	0	0	0	0
Expenditures	(62)	(52)	(73)	(80)	(50)
Transfers	0	0	0	0	0
Ending Fund Balance	\$777	\$838	\$861	\$843	\$846
Encumbrances	\$4	\$2	\$1	\$0	\$53

This trust fund was established in 1967 and is used by the Real Estate Commission to compensate persons aggrieved by fraud, misrepresentation, or deceit by a real estate licensee. The fund pays for claims, legal services, and audits. The maximum payment by law is \$25,000 per transaction and \$50,000 per licensee. Each new real estate licensee makes a one-time contribution of \$50 to the fund. Real estate

licensees may be assessed an additional fee if the fund balance falls below \$350,000. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Restitution Fund, Section 487-14(d), HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$147	\$108	\$116	\$125	\$133
Revenues	8	9	43	9	59
Interest	0	0	0	0	0
Expenditures	(47)	(1)	(34)	(1)	(50)
Transfers	0	0	0	0	0
Ending Fund Balance	\$108	\$116	\$125	\$133	\$142
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established in 1991 as a temporary holding account for moneys received or recovered by the Office of Consumer Protection. Defendants in civil proceedings who are required by an agreement or court order to pay a specified sum to consumers deposit their restitution into the fund. The fund then pays individual consumers who are owed restitution. The fund meets trust fund criteria, as it continues to serve the purpose for which it was created and does not require any general fund appropriations.

State Certified Motor Vehicle Arbitration Fund, Section 481I-4(e), HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$133	\$134	\$141	\$140	\$139
Revenues	15	13	5	5	2
Interest	0	0	0	0	0
Expenditures	(14)	(6)	(6)	(6)	(1)
Transfers	0	0	0	0	0
Ending Fund Balance	\$134	\$141	\$140	\$139	\$140
Encumbrances	\$0	\$1	\$0	\$0	\$0

This trust fund was established in 1996 to administer costs and fees associated with the state-certified arbitration program. The fund receives an initial filing fee of \$200 from manufacturers and \$50 from consumers who initiate arbitration cases. The fund compensates independent arbitrators, reimburses verified costs, pays for the arbitration program's administrative expenses, including training expenses, and pays for costs associated with educating consumers, manufacturers, and third parties. Every final decision in favor of a consumer issued by the independent arbitration mechanism includes within its relief the return of the \$50 filing fee to the consumer. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Travel Agency Education Fund, Chapter 468K, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$21	\$21	\$21	\$21	\$21
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$21	\$21	\$21	\$21	\$21
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was created in 1980 to inform licensees and the public about the travel agency law. Act 285, SLH 1991, repealed this fund along with the Travel Agency Recovery Fund. However, Act 41, SLH 1994, authorized the education fund to pay for any claim or expense of the recovery fund until the education fund is exhausted. Funds remaining in the Travel Agency Education Fund are being held in case disbursements are needed for travel agency-related case claimants against the Travel Agency Recovery Fund. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Travel Agency Recovery Fund, Chapter 468K, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was created in 1980 to inform licensees and the public about the travel agency law and to pay customers' claims against insolvent travel agencies. Act 285, SLH 1991, repealed Chapter 468K, HRS, and therefore the fund; however, moneys remaining in the recovery fund were held for disbursement to claimants until the fund was exhausted. Disbursements were limited to claims arising from travel services purchased prior to October 1, 1991, where the claimant filed a lawsuit before October 1, 1993. Act 41, SLH 1994, authorized the Travel Agency Education Fund to pay for any claim or expense of the recovery fund until the education fund is exhausted. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations. However, since this fund had a balance of only \$22 by the end of FY1993-94, we recommend that the fund be closed and the balance transferred to the Travel Agency Education Fund.

Funds Established Under Administrative Authority

Captive Insurance Companies LOC Escrow

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was created in 2001 to deposit letters of credit (LOC) held in favor of the insurance commissioner. The commissioner may draw on the LOC when a captive insurance company is in an adverse financial condition, is dissolving, or has its license revoked or suspended. The LOC is used to cover liabilities of the captive insurance company including claims, creditors, fees, and fines. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Condominium Dispute Resolution

Financial Data for Fiscal Year 2006 (in thousands)

	FY2006
Beginning Fund Balance	\$171
Revenues	0
Interest	0
Expenditures	(2)
Transfers*	(169)
Ending Fund Balance	\$0
Encumbrances	\$0

*Transfer was made to the Condominium Management Education Fund.

This trust fund was established in 2004 to conduct post-bill passage educational activities, including the continuation of one full-time temporary condominium specialist position, and other current expenses. The fund was also established for the operational expenses of the Condominium Management Dispute Resolution pilot program. The two-year pilot program was to provide an expeditious, less costly, uniform, and uncomplicated procedure to handle certain simple statutory issues involving condominium association management disputes. This fund met trust fund criteria, served the purpose for which it was created, and did not receive general fund appropriations. The fund was closed in FY2006.

Deposit Into Loss Mitigation Grant Fund

Financial Data for Fiscal Years 2006 – 2007 (in thousands)

	FY2006	FY2007
Beginning Fund Balance	\$0	\$0
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Fund Balance	\$0	\$0
Encumbrances	\$0	\$0

This trust fund was established pursuant to Act 5, Special Session Laws of Hawai‘i (SSLH) 2005, to account for appropriations out of the Hawai‘i Hurricane Reserve Trust Fund for the loss mitigation grant program. The loss mitigation grant program provides moneys to private citizens to help finance the purchase of hurricane loss mitigation devices. The fund received appropriations in fiscal years 2006 and 2007, which lapsed at the end of both fiscal years. The fund was terminated in 2007.

Disaster Preparedness

Financial Data for Fiscal Years 2007 – 2008 (in thousands)

	FY2007	FY2008
Beginning Fund Balance	\$0	\$0
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Fund Balance	\$0	\$0
Encumbrances	\$0	\$0

This trust fund was established pursuant to Act 115, SLH 2006, to account for appropriations out of the Hawai'i Hurricane Reserve Trust fund for the loss mitigation grant program. The loss mitigation grant program provides moneys to private citizens to help finance the purchase of hurricane loss mitigation devices. The fund received an appropriation in FY2007, which lapsed at the end of the fiscal year. The fund was terminated in 2008.

Premium Taxes Paid Pending Appeal, Section 232-24, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$1,400	\$1,400
Revenues	0	0	1,400	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$1,400	\$1,400	\$1,400
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established in 1983 to serve as an escrow account to deposit all premium tax payments made under protest by foreign and alien insurance companies. Current activity in the fund is from insurers paying their premium taxes and protesting their tax payments for various reasons, such as a protested tax penalty, disallowed tax credit claim, or a contested tax payment. If a suit is not filed within 30 days after

deposit of the protested tax payment, the payment will be transferred to the general fund. Since its inception, there have been four protests, which were settled in 1993, 1997, and 2004. However, some foreign and domestic companies periodically file premium tax payments under protest, and therefore, this trust account continues to be used as an escrow account. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Real Estate Appraisers, Chapter 466K, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$5	\$7	\$5	\$5	\$5
Revenues	20	2	26	1	25
Interest	0	0	0	0	0
Expenditures	(18)	(4)	(26)	(1)	(25)
Transfers	0	0	0	0	0
Ending Fund Balance	\$7	\$5	\$5	\$5	\$5
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established in 1991 as a clearing account to receive certified real estate appraisers' annual registry fees as mandated by the Federal Financial Institutions Examination Council (FFIEC). States are required to collect a \$25 annual fee from the certified real estate appraisers and transfer the total fees collected to the FFIEC. Federal law also requires that a federal registry of all real estate appraisers be established. Only appraisers on the registry are authorized to perform property appraisals involving federal transactions such as the U.S. Department of Housing and Urban Development and Veterans' Administration loans. Failure of a state to collect and transfer registry fees is a violation of federal law and results in the removal of that state's licensed/certified appraisers from the federal registry. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Service Contract Provider's Financial Security Deposit, Section 481X-4, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$25	\$25	\$25	\$25	\$25
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$25	\$25	\$25	\$25	\$25
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was created in 2003 to hold cash deposits made by service contract providers for all service contracts. Pursuant to Chapter 481X, HRS, service contract providers are required to register with the insurance commissioner before conducting business in this state. The registration of a service contract provider includes proof of its compliance with the financial responsibility requirements of Section 481X-4, HRS. To date, only one security deposit is held in the account. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Trust Clearing Account, Section 484-10(i) and 514E-10.5, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$1,683	\$1,084	\$1,998	\$1,168	\$1,986
Revenues	1,466	1,930	1,193	1,961	1,684
Interest	0	0	0	0	0
Expenditures	(2,065)	(1,016)	(2,023)	(1,143)	(2,302)
Transfers	0	0	0	0	0
Ending Fund Balance	\$1,084	\$1,998	\$1,168	\$1,986	\$1,368
Encumbrances	\$64	\$288	\$1	\$27	\$3

The trust account was established in 1976 to account for temporary deposits primarily received from the Medical Claims/Design Claim Conciliation Panels (MCCP/DCCP) or deposits related to subdivisions/time shares/condominiums. Deposits are used to pay for MCCP or DCCP panel costs and administrative fees and to contract with private consultants in connection with the review of subdividers' applications, time share developers' required filings, condominium project registration applications, and condominium developers' proposed public reports. Any remaining balances are refunded to the appropriate parties. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Chapter 4

Department of Hawaiian Home Lands

This chapter presents the results of our review of two revolving funds and eight trust funds of the Department of Hawaiian Home Lands. For each fund we present a five-year financial summary, the purpose of the fund, and the conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present first the funds established by statutory authority, followed by the funds and accounts established under administrative authority, in alphabetical order.

Funds Established Under Statutory Authority

Hawaiian Home General Loan Fund, Section 213(c), Hawaiian Homes Commission Act

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$21,891	\$21,394	\$18,014	\$13,350	\$10,914
Revenues	4,063	4,695	3,686	4,532	4,075
Interest	0	0	0	0	0
Expenditures	(4,560)	(8,075)	(8,350)	(6,968)	(4,013)
Transfers	0	0	0	0	0
Ending Fund Balance	\$21,394	\$18,014	\$13,350	\$10,914	\$10,976
Encumbrances	\$0	\$0	\$0	\$0	\$0

Act 249, Session Laws of Hawai'i (SLH) 1986 amended the Hawaiian Homes Commission Act and consolidated five existing revolving loan funds into the Hawaiian Home General Loan Fund. This revolving fund makes loans to native Hawaiians for a variety of purposes. Revenues come from the repayment of loans and advances made from this fund. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets revolving fund criteria.

Hawaiian Home Lands Trust Fund, Section 213.6, Hawaiian Homes Commission Act

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$133,897	\$141,651	\$152,950	\$104,257	\$118,172
Revenues	39,631	58,159	129,245	80,378	45,482
Interest	0	0	0	0	0
Expenditures	(31,877)	(110,535)	(114,263)	(73,363)	(64,589)
Transfers*	0	63,675	(63,675)	6,900	(6,405)
Ending Fund Balance	\$141,651	\$152,950	\$104,257	\$118,172	\$92,660
Encumbrances	\$106,513	\$142,193	\$69,391	\$54,362	\$36,269

*Transfers received in FY2007 and FY2009 are loans from the Department of Budget and Finance. Transfers were made in FY2008 and FY2010 to pay the loans made in FY2007 and FY2009.

This trust fund was created in 1995 to finance capital improvement projects and to meet the requirements of the amended Hawaiian Homes Commission Act of 1920. Act 14, Special Session Laws of Hawai'i (SSLH) 1995, requires that the State make 20 annual deposits of \$30 million or their discounted equivalent into the fund to settle all claims made on behalf of the Hawaiian Homes Lands Trust against the State between August 21, 1959 and July 1, 1988. The fund meets trust fund criteria, as it continues to serve the purpose for which it was created and does not receive any general fund appropriations.

Hawaiian Home Loan Fund, Section 213(b), Hawaiian Homes Commission Act

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$676	\$1,151	\$1,402	\$1,465	\$1,640
Revenues	491	251	173	175	193
Interest	0	0	0	0	0
Expenditures	(16)	0	(110)	0	(8)
Transfers	0	0	0	0	0
Ending Fund Balance	\$1,151	\$1,402	\$1,465	\$1,640	\$1,825
Encumbrances	\$0	\$0	\$0	\$0	\$0

This revolving fund was established in 1921 to satisfy the obligations of a cancelled or surrendered loan and to pay the net proceeds when a homestead lease is cancelled or surrendered or when a lessee dies without leaving a qualified successor. The fund finances a new loan for the re-award of the cancelled or surrendered lot. Section 213(b) of the Hawaiian Homes Commission Act requires that principal repayments of these loans are to be deposited into the fund. Since there is a clear link between the benefit sought and charges made upon users, and the fund is self-sustaining and does not require any general fund appropriations, the fund meets revolving fund criteria.

Hawaiian Home Operating Fund, Section 213(e), Hawaiian Homes Commission Act

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$18,908	\$16,774	\$14,354	\$16,335	\$8,717
Revenues	5,530	5,170	8,699	5,689	6,034
Interest	0	0	0	0	0
Expenditures	(4,431)	(4,887)	(6,409)	(2,726)	(4,414)
Transfers*	(3,233)	(2,703)	(309)	(10,581)	2,664
Ending Fund Balance	\$16,774	\$14,354	\$16,335	\$8,717	\$13,001
Encumbrances	\$0	\$0	\$36	\$12	\$16

*Transfers made to the Planning and Development for Hawaiian Homesteads and Management and General Support for Hawaiian Homesteads Trust Funds.

The Hawaiian Home Operating Fund was established in 1948 as a revolving fund, and the Hawaiian Home Development Fund was established in 1941 as a special fund. In 1986, both were merged into a special fund called the Hawaiian Home Operating Fund. Act 27, SLH 1998, later reclassified the Hawaiian Home Operating Fund as a trust fund. Revenues to the fund come from a quarterly transfer of moneys from the Hawaiian Home Receipts Fund. The Hawaiian Home Operating Fund is managed in two separate portions: operating and development. The operating portion is used to construct and maintain revenue-producing activities intended principally to serve the occupants of Hawaiian home lands; purchase goods and services that are resold, rented, or furnished to Hawaiian home land occupants; and pay for appraisals, studies, and consultant services. The development portion requires approval from the governor and may be used for improvements and development for present and future Hawaiian home land occupants; improvements, additions, and repairs to all assets owned or leased by

the department; engineering, architectural and planning services for properties; consultant services; purchase or lease of equipment or real property; and construction to benefit the Hawaiian Homes Commission Act beneficiaries. The fund continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Hawaiian Home Receipts Fund, Section 213(g), Hawaiian Homes Commission Act

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$3	\$177	\$633	\$1,356	\$469
Revenues	5,712	5,758	6,316	4,872	4,933
Interest	0	0	0	0	0
Expenditures	(4,134)	(4,303)	(1,393)	(3,533)	(1,264)
Transfers*	(1,404)	(999)	(4,200)	(2,226)	(3,732)
Ending Fund Balance	\$177	\$633	\$1,356	\$469	\$406
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers made to the Hawaiian Home Operating Fund.

This trust fund was established in 1998 to account for all interest earned from loans or investments from any fund, except for borrowed money loans in the Hawaiian Home General Loan Fund, the Hawaiian Home Loan Fund, the Hawaiian Home Administration Account, the Native Hawaiian Rehabilitation Fund, the Hawaiian Home Lands Trust Fund, and the DHHL Revenue Bonds Special Fund. The fund serves as a clearing account as all moneys, except for investments that have not matured, are transferred to the Hawaiian Home Operating Fund, the Hawaiian Home Administration Account, the Hawaiian Home Trust Fund, and any loan fund in accordance with rules adopted by the department. Moneys are transferred quarterly, as required by the Hawaiian Homes Commission Act. The fund continues to serve the purpose for which it was created and does not require any general fund appropriations. However, because the fund is used as a clearing account, it appears that the fund operates as a trust account rather than a trust fund.

Hawaiian Home Trust Fund, Section 213(h), Hawaiian Homes Commission Act

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$10,850	\$10,850	\$10,850	\$10,850	\$10,850
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$10,850	\$10,850	\$10,850	\$10,850	\$10,850
Encumbrances	\$0	\$0	\$0	\$0	\$0

The Hawaiian Home Trust Fund was reclassified from a special fund to a trust fund through Act 27, SLH 1998. This fund is primarily used as a reserve for loans that are insured by the Federal Housing Administration. Moneys deposited into this fund are available for transfers into any other fund or account authorized by the Hawaiian Homes Commission Act for any public purpose, which includes using this trust fund as a reserve for loans insured or guaranteed by the Federal Housing Administration, Department of Veterans Affairs, or any other federal agency authorized to insure or guarantee loans. The fund meets trust fund criteria, as it continues to serve the purpose for which it was created and does not receive any general fund appropriations.

Native Hawaiian Rehabilitation Fund, Section 213(i), Hawaiian Homes Commission Act

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$10,788	\$10,379	\$10,177	\$9,707	\$8,627
Revenues	673	706	754	443	390
Interest	0	0	0	0	0
Expenditures	(1,082)	(908)	(1,224)	(1,523)	(1,276)
Transfers	0	0	0	0	0
Ending Fund Balance	\$10,379	\$10,177	\$9,707	\$8,627	\$7,741
Encumbrances	\$1,774	\$2,075	\$1,994	\$1,509	\$2,435

The Native Hawaiian Rehabilitation Fund (NHRF) was created by the 1978 Constitutional Convention to finance various activities intended to benefit native Hawaiians exclusively. Act 27, SLH 1998, reclassified the NHRF from a special fund to a trust fund. The fund has been used for interim home construction, to finance community-based projects, and for an education scholarship program within the native Hawaiian community. Revenues to the fund are from water license receipts and 30 percent of the state receipts derived from previously cultivated land and cultivated sugarcane land. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Funds Established Under Administrative Authority

Management and General Support for Hawaiian Homesteads

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$232	\$343	\$291	\$281
Revenues	15	7	0	0	10
Interest	0	0	0	0	0
Expenditures	(1,419)	(1,646)	(1,772)	(1,860)	(2,000)
Transfers*	1,636	1,750	1,720	1,850	2,151
Ending Fund Balance	\$232	\$343	\$291	\$281	\$442
Encumbrances	\$0	\$0	\$36	\$12	\$16

*Transfers received from the Hawaiian Home Operating Fund.

This trust fund was established in 2006 to construct and maintain revenue-producing activities intended principally to serve the occupants of Hawaiian home lands; purchase goods and services that are resold, rented, or furnished to Hawaiian home land occupants; and pay for appraisals, studies, and consultant services. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Planning and Development for Hawaiian Homesteads

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$769	\$220	\$293	\$249
Revenues	0	6	0	0	0
Interest	0	0	0	0	0
Expenditures	(2,231)	(2,555)	(3,077)	(3,244)	(3,003)
Transfers*	3,000	2,000	3,150	3,200	3,151
Ending Fund Balance	\$769	\$220	\$293	\$249	\$397
Encumbrances	\$0	\$4	\$26	\$7	\$15

*Transfers received from the Hawaiian Home Operating Fund.

This trust fund was established in 2006 and may be used for improvements and development for present and future Hawaiian home land occupants; improvements, additions, and repairs to all assets owned or leased by the department; engineering, architectural, and planning services for properties; consultant services; purchase or lease of equipment or real property; and construction to benefit the Hawaiian Homes Commission Act beneficiaries. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Security Deposits/Clearing Account

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$2,390	\$1,401	\$3,633	\$3,718	\$3,496
Revenues	138	2,295	133	305	198
Interest	0	0	0	0	0
Expenditures	(1,127)	(63)	(48)	0	(191)
Transfers*	0	0	0	(527)	29
Ending Fund Balance	\$1,401	\$3,633	\$3,718	\$3,496	\$3,532
Encumbrances	\$105	\$45	\$0	\$0	\$0

*In FY2009, transfers were made to the Hawaiian Home Land Trust Fund (\$450,000) and the Hawaiian Home Operating Fund (\$77,000). In FY2010, transfers received consisted of rent owed on leases.

This trust fund was established in 1998 and serves as a temporary clearing account. The fund is used to account for security deposits held for leased properties and other payments that are received with insufficient documentation to explain the purpose of the payment. Money remains in this account until refunded or until the department is able to resolve the purpose of the payment. The fund continues to serve the purpose for which it was created and does not require any general fund appropriations. However, because the fund is used as a clearing account, it appears that the fund operates as a trust account rather than a trust fund.

Chapter 5

Department of Health

This chapter presents the results of our review of three trust funds, seven revolving funds, and 12 trust accounts of the Department of Health. For each fund we present a five-year financial summary, the purpose of the fund, and the conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present first the funds established by statutory authority, followed by the funds and accounts established under administrative authority, in alphabetical order.

Funds Established Under Statutory Authority

Drinking Water Treatment Revolving Loan Fund, Section 304E-35, Hawai'i Revised Statutes (HRS)

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$14,727	\$18,137	\$18,084	\$21,227	\$24,862
Revenues	7,744	24,828	15,640	15,603	22,856
Interest	643	933	594	(481)	302
Expenditures	(4,977)	(25,814)	(13,091)	(11,487)	(19,278)
Transfers	0	0	0	0	0
Ending Fund Balance	\$18,137	\$18,084	\$21,227	\$24,862	\$28,742
Encumbrances	\$25,569	\$19,008	\$15,056	\$20,840	\$14,482

This revolving fund was established in 1997 as a result of amendments to the federal Safe Drinking Water Act. The fund is intended to help finance public water systems' infrastructure costs necessary to achieve or maintain compliance with the act's requirements and its public health objectives. Revenues to the fund come from an annual federal capitalization grant, principal and interest from loan repayments, investment earnings, and state matching funds. The State is required to provide a 20 percent match for each federal capitalization grant received.

A loan program and a set aside program are the two major elements supported by the fund. The loan program provides loans for drinking water infrastructure projects and receives 69 percent of the annual federal capitalization grant and 100 percent of the state matching funds. The set aside programs can use up to 31 percent of the annual federal

capitalization grant to support the administration of the Drinking Water State Revolving Fund program and assist the projects and activities that do not receive loan assistance. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and requires general fund appropriations only to meet federal grant matching requirements. The fund therefore meets revolving fund criteria.

Environmental Response Revolving Fund, Section 128D-2, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$5,172	\$6,120	\$6,314	\$5,850	\$3,945
Revenues	3,622	3,575	3,070	2,168	3,340
Interest	241	269	283	99	39
Expenditures	(2,915)	(3,652)	(3,816)	(4,150)	(3,736)
Transfers*	0	0	2	(22)	0
Ending Fund Balance	\$6,120	\$6,311	\$5,850	\$3,945	\$3,589
Encumbrances	\$1,004	\$710	\$1,110	\$1,266	\$927

*Transfer received in FY2008 from the Department of Land and Natural Resources for reimbursements related to the Salvinia Molesta Removal Project. Transfer made in FY2009 to the Department of Business, Economic Development & Tourism for personnel costs.

This revolving fund was created in 1988 to fund emergency response actions, as well as oil spill planning, prevention, preparedness, education, research, training, removal remediation, and oil recycling programs. With the passage of Act 245, Session Laws of Hawai‘i (SLH) 2000, the fund also supports environmental protection and natural resources protection programs, including, but not limited to, energy conservation and alternative energy development, and addresses concerns related to air quality, global warming, clean water, polluted runoff, and solid and hazardous waste. Revenues to the fund come from the environmental response tax of 5 cents per barrel of petroleum, as well as fines, fees, and penalties. There is no link between the benefit sought and charges made upon users. The fund is self-sustaining and does not require any general fund appropriations; however, it does not meet all revolving fund criteria.

Leaking Underground Storage Tank Fund, Section 342L-51, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$370	\$436	\$874	\$572	\$698
Revenues	66	59	77	126	92
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	0	379	(379)	0	0
Ending Fund Balance	\$436	\$874	\$572	\$698	\$790
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfer made in error during FY2007 and corrected in FY2008.

This revolving fund was established in 1989 to respond to petroleum releases from underground storage tanks or tank systems. The fund enables the department to monitor and enforce underground storage tank owner and operator compliance with Section 342L, HRS. Revenues to the fund come from federal grants from the Environmental Protection Agency and fines collected by the department for violations of underground storage tank requirements. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets revolving fund criteria.

Water Pollution Control Revolving Fund, Section 342D-83, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$125,517	\$143,710	\$154,516	\$161,843	\$120,168
Revenues	15,290	66,005	26,875	36,707	32,603
Interest	7,777	9,682	6,275	(935)	1,670
Expenditures	(4,874)	(64,881)	(25,823)	(77,447)	(67,924)
Transfers	0	0	0	0	0
Ending Fund Balance	\$143,710	\$154,516	\$161,843	\$120,168	\$86,517
Encumbrances	\$57,847	\$91,482	\$132,228	\$109,295	\$60,348

This revolving fund was established in 1989 to initiate a loan program that assists in financing the construction of water pollution control projects necessary to prevent contamination of groundwater and coastal water resources. The fund provides low-interest loans to Hawai'i's four county agencies and other eligible applicants. Revenues to the fund come from state matching funds and federal capitalization grants. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and requires general fund appropriations only to meet federal grant matching requirements. The fund therefore meets revolving fund criteria.

Funds Established Under Administrative Authority

Clandestine Methamphetamine Laboratories

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This revolving fund was established in 2004 to fund a study and an analysis of the effects of clandestine methamphetamine laboratories on the environment, specifically the disposal of toxic waste materials found at the site, and the disposal of the site itself. The study and analysis also made recommendations for action. This fund has not been used since its inception, and the department is currently in the process of closing the account.

Donations, Gifts, and Grants Accounts

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$21	\$23	\$24	\$25	\$25
Revenues	2	1	1	0	1
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$23	\$24	\$25	\$25	\$26
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established as a holding account for donations, gifts, and grants that benefit adults with severe and persistent mental illness served by the Department of Health. Donations and gifts are made by private foundations and individuals to support mental health services including rehabilitation service activities. Grants are also received from private foundations and other government entities for the same purpose. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Family Health Services – PCSS Community Fund

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$36	\$35	\$32	\$31	\$3
Revenues	66	39	15	10	1
Interest	0	0	0	0	0
Expenditures	(67)	(42)	(16)	(38)	(4)
Transfers	0	0	0	0	0
Ending Fund Balance	\$35	\$32	\$31	\$3	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established as an aggregate account that is composed of individual client accounts held by the department's Case Management Branch, which serves as a guardian for these clients. Clients' social security income and family contributions are deposited

into the account, and funds are distributed from the account to cover client expenses. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Kalaupapa Memorial Hospital Fund

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$7	\$7	\$7	\$7	\$7
Revenues	0	0	0	0	1
Interest	0	0	0	0	0
Expenditures	0	0	0	0	(3)
Transfers	0	0	0	0	0
Ending Fund Balance	\$7	\$7	\$7	\$7	\$5
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was created to account for small donations made by visitors and tourists to the Kalaupapa Memorial Hospital. The fund is used to purchase small items for patients, such as flowers, which cannot be bought with state funds. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Kalaupapa Patient Donation Fund

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$52	\$60	\$43	\$31	\$20
Revenues	21	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(13)	(17)	(12)	(11)	(10)
Transfers	0	0	0	0	0
Ending Fund Balance	\$60	\$43	\$31	\$20	\$10
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account functions as a holding account for donations, gifts, and grants. Revenues to the account come from donations and gifts from private individuals as well as grants from private foundations,

counties, and other state agencies. The beneficiaries of the fund are the patient residents of Kalaupapa. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Kualoa SEP Project

Financial Data for Fiscal Years 2009 – 2010 (in thousands)

	FY2009	FY2010
Beginning Fund Balance	\$0	\$0
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Fund Balance	\$0	\$0
Encumbrances	\$0	\$0

This trust account was established to account for a one-time expenditure to fund a study that seeks to understand the associated health risks of the presence of high levels of the bacteria enterococci in tropical beach sand. Funds will be transferred from the City and County of Honolulu to the Department of Accounting and General Services for acceptance and holding until the study is completed. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Patient Trust Account

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$113	\$107	\$110	\$118	\$118
Revenues	161	206	160	218	202
Interest	0	0	0	0	0
Expenditures	(167)	(203)	(152)	(218)	(181)
Transfers	0	0	0	0	0
Ending Fund Balance	\$107	\$110	\$118	\$118	\$139
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established to manage patients' funds and to provide a convenient and immediate system for the withdrawal of patients' funds. Revenues to the fund come from deposits made by patients, their family members, or staff. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Public Health – Donations, Gifts, and Grants

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$1,241	\$1,901	\$2,171	\$2,616	\$2,448
Revenues	2,015	1,953	1,815	1,622	1,400
Interest	0	0	0	0	0
Expenditures	(1,355)	(1,663)	(1,390)	(1,790)	(1,227)
Transfers*	0	(20)	20	0	0
Ending Fund Balance	\$1,901	\$2,171	\$2,616	\$2,448	\$2,621
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfer made in error during FY2007 and corrected in FY2008.

This trust account was established as a temporary holding account for donations, gifts, and grants. Donations and gifts are made by private foundations and individuals for the benefit of patients and clients of the Department of Health. Grants are also received from private foundations, counties, and other state agencies for the same purpose. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Salary/Fringe Benefits for Toxicologists, Section 128D-2.5, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This revolving fund was established in 1997 to fund salary and fringe benefits for toxicologists hired to assess human risks under Chapter 128D, HRS, Environmental Response Law. Revenues would be received from the Environmental Response Revolving Fund. This fund has never been utilized, and the department is currently in the process of closing the account.

State Hospital – Donations

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$9	\$46	\$4	\$6	\$25
Revenues	42	12	11	25	98
Interest	0	0	0	0	0
Expenditures	(5)	(54)	(9)	(6)	(95)
Transfers	0	0	0	0	0
Ending Fund Balance	\$46	\$4	\$6	\$25	\$28
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established to account for donations from individuals or organizations to the Hawai'i State Hospital and is used to advance the mission of the hospital. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Temporary Deposits—Salary Overpayment Trust Accounts

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$172	\$178	\$208	\$223	\$292
Revenues	52	77	78	112	126
Interest	0	0	0	0	0
Expenditures	(46)	(47)	(63)	(43)	(116)
Transfers	0	0	0	0	0
Ending Fund Balance	\$178	\$208	\$223	\$292	\$302
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established as a temporary holding account for the collection of partial payments made by employees who were overpaid. After employees fully reimburse their overpayments, moneys are transferred to the program's respective funds and adjustments are made to the Department of Accounting and General Services' payroll system. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Trust Fund for Non-Diseased Children of H.D. Patients, Charles A. Brown Trust

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$61	\$60	\$60	\$60	\$58
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(1)	0	0	(2)	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$60	\$60	\$60	\$58	\$58
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established in 1944 to provide the non-diseased children of Hansen's Disease patients with financial assistance for education-related expenses. The fund was established with a \$10,000 grant from the Charles A. Brown Trust and additional funds are a result of accrued interest. The fund meets trust account criteria, as it continues to serve its original purpose and does not require any general fund appropriations.

Waimano School Institutional Fund

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$4	\$4	\$7	\$4	\$2
Revenues	55	61	57	35	33
Interest	0	0	0	0	0
Expenditures	(55)	(58)	(60)	(37)	(32)
Transfers	0	0	0	0	0
Ending Fund Balance	\$4	\$7	\$4	\$2	\$3
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established as an aggregate account that is composed of individual patient accounts held by the Waimano Training School and Hospital, which serves as a guardian for these patients. Patients' social security income and family contributions are deposited into the account and funds are distributed from the account to cover patient expenses. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Funds Established Under Administrative Authority – Hawai'i Health Systems Corporation

Collections Revolving Funds

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$3	\$3	\$1	\$2	\$2
Revenues	11	1	0	0	0
Interest	0	0	0	0	0
Expenditures	(11)	(3)	1	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$3	\$1	\$2	\$2	\$2
Encumbrances	\$0	\$0	\$0	\$0	\$0

Revolving funds for Maui Memorial Medical Center, Hilo Medical Center, and Kona Community Hospital were established pursuant to Act 192, SLH 1994, to expedite the collection of patient bills and the refunding of credit balances. These revolving funds were repealed in 1996, although they were later administratively re-established pursuant to Section 323F-7(a)(22), HRS and are currently held outside the State Treasury. Revenues to the fund come from payment of bills less than \$1,000 from patients and health insurance providers. The deposits are then used to refund credit balances of less than \$1,000. The funds are self-sustaining and do not require any general fund appropriations. Linkage exists to the extent that patients' bill payments are deposited into the fund and overpayments are reimbursed from the fund. However, the funds' financing mechanism does not seem appropriate as they function as trust accounts, temporarily holding patient bill payments and refunds under \$1,000. Because Maui Memorial Medical Center, Hilo Medical Center, and Kona Community Hospital have discontinued using these funds, we recommend that the funds be closed.

Donations, Gifts, and Grants

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$36	\$36	\$36	\$36	\$36
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$36	\$36	\$36	\$36	\$36
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established by the Hawai‘i Health Systems Corporation with the creation of 18 accounts that receive donations, gifts, and grants. Revenues to the accounts are comprised of donations and gifts that are received from private individuals as well as grants received from private foundations. These accounts are restricted by the grantor or donor and are designated for a specific purpose, with most of the moneys held outside the State Treasury. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Patients’ Safekeeping Trust Funds

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$136	\$131	\$127	\$117	\$119
Revenues	5	3	3	2	1
Interest	0	0	0	0	0
Expenditures	(10)	(7)	(13)	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$131	\$127	\$117	\$119	\$120
Encumbrances	\$0	\$1	\$0	\$0	\$0

This trust fund was established by the Hawai‘i Health Systems Corporation with the creation of 12 accounts to manage and safeguard long-term care patients’ moneys, which include pension, retirement, social security, and miscellaneous income. The moneys are expended

from these accounts with the patients' consent to meet their personal needs. Since FY1998-99 these moneys have been held outside the State Treasury. The fund meets trust fund criteria, as it continues to serve the purpose for which it was created and does not require any general fund appropriations.

Salary Overpayment Trust Accounts

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$26	\$25	\$32	\$19	\$8
Revenues	8	19	3	10	14
Interest	0	0	0	0	0
Expenditures	(9)	(12)	(16)	(21)	(7)
Transfers	0	0	0	0	0
Ending Fund Balance	\$25	\$32	\$19	\$8	\$15
Encumbrances	\$1	\$0	\$0	\$0	\$0

The Hawai'i Health Systems Corporation has established three salary overpayment trust accounts for Hale Ho'ola Hāmākua, Kaua'i Veterans Memorial Hospital, and Lē'ahi Hospital. These trust accounts were established to serve as temporary holding accounts for recoveries until a debt is satisfied and funds are subsequently transferred to the program's special funds with an adjustment to the Department of Accounting and General Services' payroll system. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Weinberg Grant Fund

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$45	\$45	\$45	\$45	\$45
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$45	\$45	\$45	\$45	\$45
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established outside the State Treasury in 1999 to account for a grant received from the Harry and Jeanette Weinberg Foundation for telemedicine and telehealth infrastructure equipment and related expenses. The fund provided for a regional Hawai'i Health Systems Corporation Telehealth and Telemedicine Facility and a high-speed telecommunications system. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

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Chapter 6

Department of Human Services

This chapter presents the results of our review of nine trust funds, 16 revolving funds, and 15 trust accounts of the Department of Human Services (DHS).

The Housing and Community Development Corporation of Hawai'i (HCDCH) has been administratively attached to the DHS since July 1, 2003. However, Act 196, Session Laws of Hawai'i (SLH) 2005, split HCDCH into two entities: the Hawai'i Housing and Finance Development Corporation (HHFDC) and the Hawai'i Public Housing Authority (HPHA) effective July 1, 2006. The HHFDC was placed within the Department of Business, Economic Development & Tourism (DBEDT) for administrative purposes. As a result, the following funds relating to HHFDC were also transferred to DBEDT: Dwelling Unit Revolving Fund, Fee Simple Residential Revolving Fund, Housing Finance Revolving Fund, Rental Assistance Revolving Fund, Rental Housing Trust Fund, UH Faculty Housing 1995 Bond Proceeds-RHS Revolving Fund, and Waialua Sugar Workers Grant/Loan Program Revolving Fund. Because of the change in responsible department, we reviewed only FY2006 data. The fund information for FY2007 through FY2009 was reflected in our review of the revolving and trust funds for DBEDT conducted in 2009 (Report No. 09-11).

For each fund we present a five-year financial summary, the purpose of the fund, and the conclusions about its use. We do not present any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present first the funds established by statutory authority, followed by the funds and accounts established under administrative authority, in alphabetical order.

Funds Established Under Statutory Authority

Blind Shop Revolving and Handicraft Fund, Section 347-12, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$71	\$71	\$71	\$71	\$71
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$71	\$71	\$71	\$71	\$71
Encumbrances	\$0	\$0	\$0	\$0	\$0

This revolving fund was established in 1941, to deposit sales receipts from products made by blind persons in their homes or in workshops to pay for the materials and labor. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets revolving fund criteria.

Commission on the Status of Women, Section 367-5, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$5	\$3	\$2	\$3	\$3
Revenues	0	0	1	0	0
Interest	0	0	0	0	0
Expenditures	(2)	(1)	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$3	\$2	\$3	\$3	\$3
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established in 2000, to receive private contributions for the Commission on the Status of Women Program. The funds are to be used to develop long-range goals and coordinate research planning, programming, and action on the opportunities, needs, problems,

and contributions of women in Hawai'i with regard to education, homemaking, civil and legal rights, labor and employment, and expanded community horizons. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Dwelling Unit Revolving Fund, Section 201H-191, HRS

Financial Data for Fiscal Year 2006 (in thousands)

	FY2006
Beginning Fund Balance	\$75,668
Revenues	11,821
Interest	0
Expenditures	(4,414)
Transfers*	(2,464)
Ending Fund Balance	\$80,611
Encumbrances	\$0

*Transfers were made to the Private Housing Development & Ownership Fund (\$1,650,000) and to HHFDC's disbursing fund to reimburse administrative and audit costs (\$814,000).

Pursuant to Act 180, SLH 2006, the Dwelling Unit Revolving Fund was transferred from DHS to DBEDT effective July 1, 2006. The fund was established in 1970 to pay for administrative expenses, expand community facilities constructed in conjunction with housing projects, supplement building costs, pay for federal guarantees required for operational losses, and pay for all expenses related to federal requirements. Revenues are generated through loan repayments; sales of dwelling units, land, and other assets; rental payments and lease rent payments from dwelling owners; and investment interest. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets revolving fund criteria.

Fee Simple Residential Revolving Fund, Section 516-44, HRS

Financial Data for Fiscal Year 2006 (in thousands)

	FY2006
Beginning Fund Balance	\$52
Revenues	53
Interest	0
Expenditures	(4)
Transfers*	(101)
Ending Fund Balance	\$0
Encumbrances	\$0

*Transfers were made to the Broadened Homesite Ownership Fund (\$65,000) and to HHFDC's disbursing fund to reimburse administrative and audit costs (\$36,000).

Under Act 180, SLH 2006, the Fee Simple Residential Revolving Fund was transferred from DHS to DBEDT effective July 1, 2006. This fund was established in 1968 to account for revenues, receipts, and expenditures of the State's Land Reform Program. The fund also accounts for arbitration receipts and expenditures of the lease rent renegotiation program for single family dwellings and cooperative housing corporations. The purpose of the Land Reform Program is to promote fee-simple ownership of residential lots to ease the inflation of prices for both fee-simple and leasehold residential lots and to disburse ownership of fee-simple residential lots to as many people as possible. Revenues are derived from administrative and tract costs charged to lessees participating in the program. Receipts reimburse actual arbitration services performed by designated arbitrators. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets revolving fund criteria.

Hawai'i Youth Correctional Facility Trust Fund, Section 352-18, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$1	\$7	\$2	\$0	\$0
Revenues	6	1	0	0	2
Interest	0	0	0	0	0
Expenditures	0	(6)	(2)	0	(1)
Transfers	0	0	0	0	0
Ending Fund Balance	\$7	\$2	\$0	\$0	\$1
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established to account for the moneys of correctional facility youth until they are discharged. Revenues to the fund come from money received from parents or relatives and money earned through the Behavior Modification Program and working in the community. Individual ledger accounts are maintained for each ward and requests to withdraw funds are signed by the individual ward and approved by the cottage administrator. Monthly statements are issued to wards showing all deposits and withdrawals. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Health Care Revolving Fund, Section 346E-15, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$916	\$916	\$916	\$916	\$916
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$916	\$916	\$916	\$916	\$916
Encumbrances	\$0	\$0	\$0	\$0	\$0

This revolving fund was established in 1993 to receive all health care provider taxes. The tax was imposed on nursing homes and acute hospital facilities statewide to raise matching funds for the Medicaid Program. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets the criteria of a revolving fund. However, since there has been no activity since FY2003 and the fund was repealed by Act 178, SLH 2002, we recommend that the department consider terminating the fund.

Housing Finance Revolving Fund, Section 201H-80, HRS

Financial Data for Fiscal Year 2006 (in thousands)

	FY2006
Beginning Fund Balance	\$2,160
Revenues	1,792
Interest	0
Expenditures	(310)
Transfers*	(1,860)
Ending Fund Balance	\$1,782
Encumbrances	\$0

*Transfers were made to the Housing Finance Operating Fund (\$1,350,000) for administrative costs and to HHFDC's disbursing fund to reimburse administrative and audit costs (\$510,000).

Pursuant to Act 180, SLH 2006, the Housing Finance Revolving Fund was transferred from DHS to DBEDT effective July 1, 2006. The fund was established in 1985 to pay for long-term financing, other special financing, and administrative expenses of the Hawai'i Housing Finance and Development Corporation. The fund includes subaccounts for the Mortgage Credit Certificate Program, the Kahana Valley Loan Program, and the Low-Income Housing Tax Credit Program. Revenues are generated through loan repayments and interest payments. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and an appropriate financing mechanism for the program. The fund therefore meets revolving fund criteria. The department noted that pursuant to Act 79, SLH 2009, investment interest generated by this fund will be deposited into the State's general fund for fiscal years 2010 through 2015.

Housing for Elders Revolving Fund, Section 356D-72, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$2,355	\$2,296	\$1,506	\$1,950	\$1,810
Revenues	1,857	1,879	2,662	2,618	2,562
Interest	0	0	0	0	0
Expenditures	(1,769)	(2,658)	(2,201)	(2,751)	(3,083)
Transfers*	(147)	(11)	(17)	(7)	(21)
Ending Fund Balance	\$2,296	\$1,506	\$1,950	\$1,810	\$1,268
Encumbrances	\$153	\$351	\$334	\$447	\$322

*Transfers were made to the HPHA Administration Fund.

This revolving fund was created in 1976 to support the management, operation, and maintenance of housing for the elderly. Revenues to the fund come from rent collected from tenants and earned interest. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets revolving fund criteria.

Randolph-Sheppard Revolving Fund, Section 347-12.5, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$380	\$212	\$297	\$382	\$503
Revenues	446	565	460	569	441
Interest	15	19	24	11	9
Expenditures	(629)	(499)	(399)	(459)	(352)
Transfers*	0	0	0	0	(29)
Ending Fund Balance	\$212	\$297	\$382	\$503	\$572
Encumbrances	\$7	\$9	\$8	\$0	\$0

*Transfer in FY2010 was made to the Department of Accounting and General Services.

This revolving fund was established in 1991 to provide blind persons with remunerative employment to foster their independence and enable them to support themselves. The fund provides approximately 40 licensed blind vending facility operators with retirement and health benefits, periodic training, business management services, and the establishment of new vending machines. Revenues to the fund come from commissions earned on the income generated by the vending machines on federal, state, and county properties. Commissions are paid by the individuals or companies that have installed the machines. The fund is self-sustaining and does not require any general fund appropriations. However, there is no clear link between the benefit sought and charges made upon users as the revenues to the fund are received from the vending machine owners which are then used to benefit the blind vendors. The fund therefore does not meet all the revolving fund criteria.

Rental Assistance Revolving Fund, Section 201H-123, HRS

Financial Data for Fiscal Year 2006 (in thousands)

	FY2006
Beginning Fund Balance	\$24,152
Revenues	4,848
Interest	0
Expenditures	(1,789)
Transfers	0
Ending Fund Balance	\$27,211
Encumbrances	\$0

Pursuant to Act 180, SLH 2006, the Rental Assistance Revolving Fund was transferred from DHS to DBEDT effective July 1, 2006. The fund was established in 1982 to make payments under rental assistance contracts or to subsidize State tenants' rents. Revenues are derived from interim construction loan repayments and interest income from investments. Up to \$25 million from the fund, plus any bond proceeds, may also be used to provide interim construction financing to qualified sponsors or be used by the Hawai'i Housing and Finance Development Corporation to develop affordable rental housing. A clear link exists between the benefits sought and charges made upon users of interim construction financing. In addition, the fund is self-sustaining and does not require general fund appropriations. However, there is no benefits sought/charges made linkage in the case of the rental assistance program. We previously recommended that the rental assistance program be

budgeted through the general fund. The corporation reports that pursuant to Act 79, SLH 2009, investment interest generated by this fund will be deposited in the general fund for fiscal years 2010 through 2015.

Rental Housing Trust Fund, Section 201H-202, HRS

Financial Data for Fiscal Year 2006 (in thousands)

	FY2006
Beginning Fund Balance	\$25,182
Revenues	22,225
Interest	0
Expenditures	(5,597)
Transfers	0
Ending Fund Balance	\$41,810
Encumbrances	\$0

Under Act 180, SLH 2006, the Rental Housing Trust Fund was transferred from DHS to DBEDT effective July 1, 2006. This fund was established in 1993 to provide loans or grants for the development, predevelopment, construction, acquisition, preservation, and substantial rehabilitation of rental housing units. The fund can also be used for planning, design, land acquisition, costs of options, agreements of sale, down payments, equity financing, capacity-building of non-profit housing developers, and other housing development services or activities. Revenues are derived from a specified percentage of conveyance tax revenues, repayment of loans, and interest income.

The fund continues to serve the purpose for which it was originally created, and in prior reviews we concluded that this fund met the definition of a trust fund. However, upon closer scrutiny, the fund does not meet the definition of a trust fund, since there are no designated persons or classes of persons having a vested beneficial interest or equitable ownership in the assets of the fund as required by state law. This fund should be repealed or reclassified.

State Low Income Housing Revolving Fund, Section 356D-45, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$1,244	\$405	\$228	\$1,922	\$6,065
Revenues	5,155	2,343	22,473	21,275	20,281
Interest	0	0	0	0	0
Expenditures	(5,739)	(1,673)	(20,466)	(17,982)	(21,571)
Transfers*	(255)	(847)	(313)	850	(382)
Ending Fund Balance	\$405	\$228	\$1,922	\$6,065	\$4,393
Encumbrances	\$52	\$303	\$230	\$161	\$209

*Transfers were made to the HPHA Administration Fund for FY2006 (\$325,400); FY2007 (\$196,211); FY2008 (\$313,099); and FY2010 (\$382,000). In FY2007 there was also a transfer received in error (\$70,000), which was corrected the following year. Also in FY2007, a transfer was made to cover payroll expenses (\$581,307). In FY2009, a transfer was received for HPHA emergency appropriations (\$1,055,430).

This revolving fund was established in 1947 to support the activities of the Hawai'i Housing Authority in developing and administering public housing. Revenues to the fund come from rent and fees collected for the administration of the authority's rental housing projects for low income families. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets revolving fund criteria.

Teacher's Housing Operating Fund, Section 356D-82, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$671	\$777	\$905	\$921	\$6
Revenues	267	249	239	89	8
Interest	0	0	0	0	0
Expenditures	(22)	0	(3)	(102)	0
Transfers*	(139)	(121)	(220)	(902)	0
Ending Fund Balance	\$777	\$905	\$921	\$6	\$14
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers were made to the HPHA Administration Fund for FY2006 (\$24,500); FY2007 (\$11,500); FY2008 (\$10,900); and FY2009 (\$2,400). Transfers were also made to the Teachers Housing Revolving Fund for FY2006 (\$115,000); FY2007 (\$110,000); and FY2008 (\$209,000). Additionally, transfers were made in FY2009 to the Department of Education (\$918,600) and from Central Payroll (\$18,800).

This revolving fund was created in 1969 to support the development and administration of housing for teachers in the Department of Education. The fund is used for the operation and maintenance of teacher housing on the neighbor islands, where teacher housing was to be provided only in areas that lack adequate housing at a reasonable cost. Revenues to the fund come from rent collected from the teachers who utilize these accommodations. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets revolving fund criteria. However, effective July 1, 2008, this fund was repealed by Act 180, SLH 2006, and the department should close the fund.

Youth Correctional Facilities' Benefit Fund, Section 352-21, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$3	\$3	\$3	\$3	\$3
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$3	\$3	\$3	\$3	\$3
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established in 1980 for the welfare and recreation of youths committed to correctional facilities. The fund receives money from facility program activities, except those amounts credited to the committed persons' accounts pursuant to Section 352-18, HRS. Donations and any unauthorized money found in the possession of a ward are also credited to the fund. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Funds Established Under Administrative Authority

Commission on Fatherhood

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$16	\$29	\$19	\$6
Revenues	34	14	29	11	0
Interest	0	0	0	0	0
Expenditures	(18)	(1)	(39)	(24)	(4)
Transfers	0	0	0	0	0
Ending Fund Balance	\$16	\$29	\$19	\$6	\$2
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was transferred from the Office of the Lieutenant Governor to the Department of Human Services in FY2006. The fund provides for a statewide program to promote healthy family relationships between parents and children. Revenues to the fund come from donations and grants. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

DHS Homeless Trust Fund

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$57	\$3	\$3	\$3	\$1
Revenues	1	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(55)	0	0	(2)	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$3	\$3	\$3	\$1	\$1
Encumbrances	\$3	\$3	\$3	\$0	\$0

This trust fund was created in 2006 to support the operation of homeless facilities and other programs for the homeless. Revenues to the fund come from the Harry and Jeanette Weinberg Foundation. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations. The fund was transferred from the Hawai'i Public Housing Authority to the Department of Human Services in FY2011.

Donations for Sight Conservation

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$14	\$12	\$11	\$11	\$11
Revenues	0	0	0	0	40
Interest	0	0	0	0	0
Expenditures	(2)	(1)	0	0	(6)
Transfers	0	0	0	0	0
Ending Fund Balance	\$12	\$11	\$11	\$11	\$45
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established to record donations that are used to provide services, which cannot otherwise be paid for with public funds, to blind and visually impaired individuals. Donations to the fund come from the Lions Club, other civic organizations, individuals, private foundations, and bequests and are used to assist marginal income individuals who do not qualify for other programs such as Medicaid and Medicare. The fund provides financial assistance for eye examinations and for the purchase of eyeglasses or low-vision aids. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Donations for Social Services

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$120	\$120	\$120	\$145	\$457
Revenues	0	0	77	542	256
Interest	0	0	0	0	0
Expenditures	0	0	(52)	(230)	(559)
Transfers	0	0	0	0	0
Ending Fund Balance	\$120	\$120	\$145	\$457	\$154
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established as a holding account for private donations from various sources. The fund also receives donations and transfers from the Special Deposits trust account. The donations are used to meet the acute emergency needs of clients who need immediate cash to purchase food and other goods or services, and in selected cases, the fund is used for training and related expenses. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Electronic Benefit Transfer Accounts

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$493	\$504	\$489	\$612	\$486
Revenues	91,771	86,738	94,548	94,484	89,388
Interest	0	0	0	0	0
Expenditures	(91,760)	(86,753)	(94,425)	(94,610)	(89,352)
Transfers	0	0	0	0	0
Ending Fund Balance	\$504	\$489	\$612	\$486	\$522
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established in 1998 as a clearing account to accommodate Electronic Benefit Transfer transactions. Funds are transferred into this account when financial benefits are authorized to the department's clients and are then transferred daily to the Department of Human Services' contractor. The contractor issues the actual benefits to clients when they access their accounts electronically. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Equipment Rental Revolving Fund

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$723	\$721	\$752	\$788	\$803
Revenues	24	31	36	15	10
Interest	0	0	0	0	0
Expenditures	(26)	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$721	\$752	\$788	\$803	\$813
Encumbrances	\$0	\$0	\$0	\$0	\$0

This revolving fund was established prior to 1976 to purchase equipment for Hawai'i Public Housing Authority's administrative and area offices. Revenues to the fund come from the equipment rental fees, which are used to purchase replacements for retired equipment. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets revolving fund criteria.

Federal Maximization Revolving Fund

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This revolving fund was established in 1996 to receive federal reimbursements from the Department of Accounting and General Services (DAGS) Interagency Federal Revenue Maximization Revolving Fund. The DAGS fund receives proceeds collected from the federal government and third-party payers for costs not previously claimed by the State, with the exception of proceeds collected by the Hawai'i Health

Systems Corporation for services reimbursed by federal funds. Funds are transferred to the department for expenses related to federal fund reimbursement claims. The department uses the fund to pay for services necessary to improve gathering client and case data to increase federal reimbursement. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets revolving fund criteria. However, the fund should be repealed, since it is not being used following the return of \$384.47 to the State Treasury in FY2006.

Foster Grandparent Program Account

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$20	\$38	\$47	\$53	\$74
Revenues	18	9	19	23	5
Interest	0	0	0	0	0
Expenditures	0	0	(13)	(2)	(4)
Transfers	0	0	0	0	0
Ending Fund Balance	\$38	\$47	\$53	\$74	\$75
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established in May 2000 to account for a grant received from the Hawai'i Justice Foundation. The grant was used to enroll income-eligible seniors age 60 and older as foster grandparents to serve children with special and exceptional needs and to defray related expenses. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Geist Foundation

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$1	\$1	\$1	\$1	\$4
Revenues	0	0	0	3	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	(3)
Transfers	0	0	0	0	0
Ending Fund Balance	\$1	\$1	\$1	\$4	\$1
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established in 1997 to implement a comprehensive training program for prospective foster and adoptive parents. Funds received from a grant from the Victoria S. and Bradley L. Geist Foundation enables the department to involve and compensate currently licensed foster parents to co-train with the agency staff and foster and adoptive parent applicants. The program is intended to increase the recruitment and retention of foster and adoptive parents. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

HANA Electronic Benefit Transfer Account

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$130	\$30	\$101	\$194	\$239
Revenues	30,664	41,439	51,482	68,571	62,519
Interest	0	0	0	0	0
Expenditures	(30,764)	(41,368)	(51,389)	(68,526)	(62,562)
Transfers	0	0	0	0	0
Ending Fund Balance	\$30	\$101	\$194	\$239	\$196
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established in 2002 as a clearing account to accommodate Electronic Benefit Transfer transactions that were processed through the Hawai'i Automated Network for Assistance (HANA) system. Funds are transferred into this account when financial

benefits are authorized to the department's clients. The funds are then transferred daily to the Department of Human Services' contractor, which issues the actual benefits to clients when they access their accounts electronically. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

HPHA Administration

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$148	\$89
Revenues	0	0	59	0	0
Interest	0	0	0	0	0
Expenditures	(2,175)	(219)	(252)	(216)	(403)
Transfers*	2,175	219	341	157	403
Ending Fund Balance	\$0	\$0	\$148	\$89	\$89
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers were made from the State Low Income Housing Revolving Fund for FY2006 (\$325,400); FY2007 (\$196,300); FY2008 (\$313,100); FY2009 (\$205,000); and FY2010 (\$382,000). Transfers were made from the Housing for Elders Revolving Fund for FY2006 (\$147,200); FY2007 (\$11,200); FY2008 (\$17,000); FY2009 (\$6,800); and FY2010 (\$21,200). Transfers were also made from the Teachers Housing Revolving Fund for FY2006 (\$24,500); FY2007 (\$11,500); FY2008 (\$10,900); and FY2009 (\$4,200). Additionally, a transfer was made in FY2009 for audit fees (\$59,000) and HPHA was unable to account for transfers into the fund for FY2006 (\$1,678,000).

This revolving fund is being used as a temporary holding account to pay other state agencies for services provided to the Hawai'i Public Housing Authority. The fund is self-sustaining and does not require any general fund appropriations. However, there is no clear link between benefits sought and charges made upon users since funds are transferred from other accounts to pay for administrative expenses. This fund does not meet revolving fund criteria, and appears to operate more as a trust account. The department should repeal or reclassify this fund.

Kahikolu ‘Ohana O Wai‘anae Project

Financial Data for Fiscal Years 2007 – 2010 (in thousands)

	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$5,390	\$608	\$1
Revenues	0	0	0	0
Interest	0	0	0	0
Expenditures	(110)	(4,782)	(607)	0
Transfers*	5,500	0	0	0
Ending Fund Balance	\$5,390	\$608	\$1	\$1
Encumbrances	\$5,390	\$608	\$1	\$0

*Transfers in FY2007 were made from the General Fund to renovate homeless shelters and transitional housing and to provide services via Hawai‘i Helping the Hungry Have Hope.

This trust fund was established in 2007 to fund the activities of the Kahikolu ‘Ohana O Wai‘anae Project, which helps the homeless by providing emergency beds, transitional housing, affordable rentals, and job skills training. Although the fund continues to serve the purpose for which it was originally created, the fund required an initial transfer of general funds. Therefore, the fund does not meet trust fund criteria and should be closed or reclassified.

Kihara, et al vs. Chandler Settlement

Financial Data for Fiscal Years 2006 – 2008 (in thousands)

	FY2006	FY2007	FY2008
Beginning Fund Balance	\$3	\$3	\$3
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	(3)
Transfers	0	0	0
Ending Fund Balance	\$3	\$3	\$0
Encumbrances	\$0	\$0	\$0

This trust account was established in 2003 for a one-time settlement payment to be used for the claims of members of the class-action civil lawsuit, certified under the name Kihara, arising from several litigations against the State. Funds were appropriated for the settlement from the Department of the Attorney General. The fund met the trust account criteria, as it served the purpose for which it was originally created and did not require any general fund appropriations. The remaining funds were returned to the general fund in FY2008 and the fund has since been closed.

Leeward Homeless Shelter – Villages of Mā‘ili

Financial Data for Fiscal Years 2009 – 2010 (in thousands)

	FY2009	FY2010
Beginning Fund Balance	\$0	\$0
Revenues	0	500
Interest	0	0
Expenditures	0	(79)
Transfers	0	0
Ending Fund Balance	\$0	\$421
Encumbrances	\$0	\$0

This trust fund was established in 2009 to account for Office of Hawaiian Affairs funds entrusted to Department of Accounting and General Services that were to be transferred to the Hawai‘i Public Housing Authority to be used for homeless programs and services at the Villages of Mā‘ili. The fund meets trust fund criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Payroll Clearance - HPHA

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$(1,425)	\$0	\$0
Revenues	19,025	14,558	17,726	16,393	15,346
Interest	0	0	0	0	0
Expenditures	(18,951)	(16,057)	(16,301)	(16,393)	(15,346)
Transfers*	(74)	74	0	0	0
Ending Fund Balance	\$0	\$(1,425)	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfers in FY2006 and FY2007 represent the excess fund balance carried forward to the subsequent year.

This trust fund was established as an overdraft account to support the payroll activities of the Hawai'i Public Housing Authority. The authority has dual funding sources for their employees who are involved with both federal and state programs. Moneys are held in the fund and are then used to reimburse the State for payroll costs incurred relating to work performed on federal programs by authority employees. The fund continues to serve the purpose for which it was originally created and does not require any general fund appropriations. However, the fund appears to operate more as a trust account, and the department should consider reclassification as such.

Recruitment of Foster Parents (Respite Companion Services Program Account), Section 346-14 and 346-56, HRS

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$8	\$6	\$6	\$6	\$10
Revenues	0	0	0	4	0
Interest	0	0	0	0	0
Expenditures	(2)	0	0	0	(4)
Transfers	0	0	0	0	0
Ending Fund Balance	\$6	\$6	\$6	\$10	\$6
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established in 1987 to pay part-time respite companions their accumulated vacation credits (not to exceed 76 hours at \$5.75/hour) in the event that federal funding for the respite companion program is discontinued. Respite companions are low-income elderly individuals who are able to work 19 hours per week assisting frail, homebound elderly persons on O‘ahu. The Respite Companion Service Program is financed by federal funds from the U.S. Department of Labor. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Special Deposits

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$110	\$171	\$132	\$42	\$188
Revenues	88	59	34	216	152
Interest	0	0	0	0	0
Expenditures	(27)	(98)	(124)	(65)	(44)
Transfers*	0	0	0	(5)	0
Ending Fund Balance	\$171	\$132	\$42	\$188	\$296
Encumbrances	\$0	\$0	\$0	\$0	\$0

*Transfer in FY2009 was made to the SSI Dedicated Fund.

This trust account was established as a temporary holding account for supplemental or excess moneys received from a foster child’s guardian or from the federal government under the foster board program. The State receives federal funds for each child in the foster board program. Periodically, additional federal funds are received and deposited into this account. The funds are held in trust for the foster child on an as-needed basis. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

SSI Dedicated Funds

Financial Data for Fiscal Years 2009 – 2010 (in thousands)

	FY2009	FY2010
Beginning Fund Balance	\$0	\$14
Revenues	9	0
Interest	0	0
Expenditures	0	0
Transfers*	5	0
Ending Fund Balance	\$14	\$14
Encumbrances	0	0

*Transfer in FY2009 was made from the Special Deposits Fund.

This trust account was established in 2009 as a temporary holding account for federal funds received from the Social Security Administration for foster children that meet the administration's criteria. The fund provides for the medical needs of children in out-of-home care under the responsibility of the Department of Human Services. Supplemental Security Income (SSI) payments are made on behalf of the foster children and are deposited into this account. The funds are held and paid to the foster child upon leaving the care of the State. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Temporary Deposits

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established as a temporary holding account for checks or money orders received from welfare clients with insufficient documentation to explain the purpose of the payment. Moneys remain in this account until the department can resolve the purpose of the payment. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Temporary Deposits – Payroll Overpayment HCDCH

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$20	\$24	\$31	\$31	\$36
Revenues	7	7	0	5	10
Interest	0	0	0	0	0
Expenditures	(3)	0	0	0	(13)
Transfers	0	0	0	0	0
Ending Fund Balance	\$24	\$31	\$31	\$36	\$33
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust fund was established to serve as a temporary deposit account for payroll that is overpaid to Hawai'i Public Housing Authority employees. The fund collects reimbursements from the employees who have been overpaid and the funds are then returned to payroll. The fund continues to serve the purpose for which it was originally created and does not require any general fund appropriations. However, this fund seems to be operating as a holding account and the department should consider reclassifying the fund to a trust account.

Temporary Deposits – Payroll Overpayment

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$35	\$28	\$28	\$33	\$40
Revenues	14	20	25	35	43
Interest	0	0	0	0	0
Expenditures	(21)	(20)	(20)	(28)	(33)
Transfers	0	0	0	0	0
Ending Fund Balance	\$28	\$28	\$33	\$40	\$50
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account serves as a temporary holding account to receive staff overpayment reimbursements. Reimbursements are submitted by the employee by check, cash, or payroll deduction and are accumulated in the account until the overpayment has been satisfied. When all overpayment funds have been received from an employee, funds are reimbursed to the account from which the employee received the overpayment. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Temporary Deposits – SSI Benefit Payment Account

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$10	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	(10)	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established in 1995 as a temporary holding account for Supplemental Security Income (SSI) checks from the federal government. If welfare clients qualify for SSI payments, the State advances funds to them until SSI payments begin. When the first SSI payment is received from the federal government, it is deposited into this account until it can be determined how much must be repaid to the State for its advances to clients. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

Temporary Trust Fund Account – Medical

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$283	\$287	\$287	\$286	\$293
Revenues	4	0	0	7	173
Interest	0	0	0	0	0
Expenditures	0	0	(1)	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$287	\$287	\$286	\$293	\$466
Encumbrances	\$0	\$0	\$0	\$0	\$0

This trust account was established as a temporary holding account for checks or money orders received for medical assistance programs. Deposits are made into this account when payments are received without sufficient documentation as to their purposes or when third-party liability recoveries have not been settled by the Department of the Attorney General. Moneys remain in this account until the department can determine their proper disposition. The fund meets trust account criteria, as it continues to serve the purpose for which it was originally created and does not require any general fund appropriations.

UH Faculty Housing 1995 Bond Proceeds – RHS Revolving Fund

Financial Data for Fiscal Year 2006 (in thousands)

	FY2006
Beginning Fund Balance	\$374
Revenues	1,281
Interest	0
Expenditures	(1,235)
Transfers*	(18)
Ending Fund Balance	\$402
Encumbrances	\$0

*Transfers were made to HHFDC's disbursing fund to reimburse audit costs.

The UH Faculty Housing 1995 Bond Proceeds–RHS was transferred from DHS to DBEDT, effective July 1, 2006. This revolving fund was established in 1995 to account for the issuance and repayment of bond proceeds for the rental housing system of the University of Hawai‘i Faculty Housing Project. The Hawai‘i Housing Finance and Development Corporation, or its predecessors, included this project in its bond financing because the university could not issue its own bonds. Under an agreement between the university and the corporation, the university is responsible for repaying the bond principal and interest and also pays the corporation an administrative fee to service the bond. The fund continued to serve its original purpose and did not require any general fund transfers.

Vehicle Rental Revolving Fund

Financial Data for Fiscal Years 2006 – 2010 (in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
Beginning Fund Balance	\$481	\$409	\$427	\$447	\$455
Revenues	19	18	20	8	5
Interest	0	0	0	0	0
Expenditures	(91)	0	0	0	0
Transfers	0	0	0	0	0
Ending Fund Balance	\$409	\$427	\$447	\$455	\$460
Encumbrances	\$0	\$0	\$0	\$0	\$0

This revolving fund was established prior to 1976 to purchase vehicles for HPHA's administrative and area offices. Revenues to the fund come from the vehicle rental fees, which are used to purchase replacement vehicles. There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and does not require any general fund appropriations. The fund therefore meets revolving fund criteria.

Waiialua Sugar Workers Grant/Loan Program Revolving Fund

Financial Data for Fiscal Year 2006 (in thousands)

	FY2006
Beginning Fund Balance	\$23
Revenues	3
Interest	0
Expenditures	0
Transfers	0
Ending Fund Balance	\$26
Encumbrances	\$0

Pursuant to Act 196, SLH 2005, the administration of the Waiialua Sugar Workers Grant/Loan Program Revolving Fund was transferred from DHS to DBEDT effective July 1, 2006. This revolving fund was established in 1995 to provide low-interest emergency loans and rental subsidies to former employees and retirees of the Waiialua Sugar Company or their surviving spouses requiring assistance due to the plantation closure.

Original funding came from legislation appropriating moneys from the Rental Assistance Revolving Fund. Revenues are generated through loan repayments and interest payments.

There is a clear link between the benefit sought and charges made upon users. In addition, the fund is self-sustaining and no general fund appropriations have been required. While linkage exists for loans, since those who receive loans must repay the principal amount including interest, linkage does not exist for the subsidies provided, since that portion of the program operates more as a trust fund. Also, no subsidies have been made in the past five years and none are anticipated in the future since the fund is winding down. The department noted that although the fund continues to collect loan repayments, no new loans are being issued. The department should consider discontinuing the fund and transferring unused funds back to the Rental Assistance Revolving Fund.

Responses of the Affected Agencies

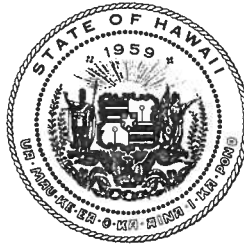
Comments on Agency Responses

On November 5, 2010 we transmitted a draft of this review to the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services. A copy of the transmittal letter to the Judiciary is included as Attachment 1. Similar transmittal letters were sent to the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services. A copy of the responses of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services are included as Attachments 2, 3, 4, 5, and 6 respectively.

The Judiciary was in general agreement with our review of its funds. The Department of Commerce and Consumer Affairs also agreed with our review of its funds, however, disagreeing only with the disposition of the remaining moneys in one of the funds recommended for closure. The Departments of Hawaiian Home Lands and Health were both in general agreement with our findings but did add points of clarification regarding some of their funds and accounts. The Department of Human Services provided a point of clarification regarding the Randolph-Sheppard Revolving Fund while in general agreement with the overall conclusion regarding the fund.

ATTACHMENT 1

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii'i 96813-2917



MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

November 5, 2010

COPY

The Honorable Mark E. Recktenwald
Chief Justice of the Supreme Court
The Judiciary
Ali'iōlani Hale
417 S. King Street
Honolulu, Hawai'i 96813

Dear Chief Justice Recktenwald:

Enclosed for your information are three copies, numbered 6 to 8, of our confidential draft report, *Review of Revolving Fund, Trust Funds, and Trust Accounts of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services*. We ask that you telephone us by Tuesday, November 9, 2010, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Monday, November 15, 2010.

The Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services; Governor; and presiding officers of the two houses of the Legislature have also been provided copies of this confidential draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa
State Auditor

Enclosures



Office of the Administrative Director of the Courts - THE JUDICIARY • STATE OF HAWAII
417 SOUTH KING STREET • ALI'IOLANI HALE • HONOLULU, HAWAII 96813-2943 • TELEPHONE (808) 539-4900 • FAX (808) 539-4855

Thomas R. Keller
ADMINISTRATIVE DIRECTOR

Walter M. Ozawa
DEPUTY ADMINISTRATIVE DIRECTOR

November 10, 2010

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2010 NOV 10 PM 2:59

OFC. OF THE AUDITOR
STATE OF HAWAII

The Honorable Marion M. Higa
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813-2917

Dear Ms. Higa:

Thank you for the opportunity to comment on your draft report entitled, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services*. We appreciate the efforts of your office in conducting the review.

We are pleased that your review found that the Judiciary's funds and accounts served the purposes for which they were created. Regarding the report's recommendations, we intend to terminate four funds (Appellate Judges Seminar - New Judges Series Fund, Pulama I Na 'Opio O Hawai'i Fund, State Justice Institute - 2006 New Appellate Judges Seminar Fund, and Volunteer Services Donation Fund) that are no longer required, and understand that the Temporary Deposits Fund was purged by the Department of Accounting and General Services due to inactivity.

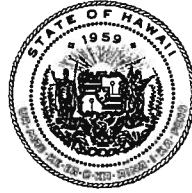
Again, we appreciate the opportunity to comment on the draft report.

Sincerely,

Thomas R. Keller
Administrative Director of the Courts

c: Chief Justice Mark E. Recktenwald

LINDA LINGLE
GOVERNOR



RONALD BOYER
DIRECTOR

RODNEY A. MAILE
DEPUTY DIRECTOR

STATE OF HAWAII
ADMINISTRATIVE SERVICES OFFICE
DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 302
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: 586-2830
Fax Number: 586-2877
www.hawaii.gov/dcca

November 10, 2010

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2010 NOV 10 PM 2:26

OFC. OF THE AUDITOR
STATE OF HAWAII

Ms. Marion M. Higa
State Auditor
Office of the Auditor
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917

Dear Ms. Higa:

Thank you for the opportunity to comment on the draft report entitled, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services*.

The Department of Commerce and Consumer Affairs ("Department") appreciates the efforts of your office in conducting the review. We are in agreement with the findings in your report and the recommendation to close the Travel Agency Recovery Fund. We are, however, in disagreement with the recommendation to transfer the \$22 balance (since FYE 6/30/94) in the Travel Agency Recovery Fund to the Travel Agency Education Fund. Instead, pursuant to Act 41, SLH 1994, the \$22 balance should become part of the compliance resolution fund for use in travel-agency related cases.

Again, we appreciate the opportunity to comment on the draft report and are pleased with your conclusion that the use of the trust funds and trust accounts by the Department is consistent with the purposes for which they were created.

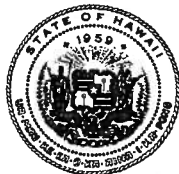
Very truly yours,

A large, stylized signature of Ronald Boyer, written in black ink, with a horizontal line underneath it.

Ronald Boyer
Director

c: Ms. Meoh-Leng Silliman, Business Management Officer
Ms. Celia Suzuki, Acting Licensing Administrator

LINDA LINGLE
GOVERNOR
STATE OF HAWAII



STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

P.O. BOX 1879
HONOLULU, HAWAII 96805

KAULANA H. R. PARK
CHAIRMAN
HAWAIIAN HOMES COMMISSION

ANITA S. WONG
DEPUTY TO THE CHAIRMAN

ROBERT J. HALL
EXECUTIVE ASSISTANT

November 15, 2010

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The Honorable Marion M. Higa
State Auditor
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917

2010 NOV 16 AM 8:13

OFC. OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

Subject: Review of Revolving Funds, Trust Funds and Trust
Accounts of the Judiciary and the Department of
Commerce and Consumer Affairs, Hawaiian Home Lands,
Health, and Human Services

Thank you for the opportunity to comment on the State Auditor's draft report, *Review of Revolving Funds, Trust Funds and Trust Accounts of the Judiciary and the Department of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services*. We are in general agreement with the findings of the review. However, we would like to clarify the names of the funds identified in the review to be consistent with the names of the funds as enumerated under Section 213 of the Hawaiian Homes Commission Act, 1920, as amended (HHCA). In addition, we would like to provide clarification in the narrative regarding the Hawaiian Home Operating Fund, the Native Hawaiian Rehabilitation Fund, and the Funds Established Under Administrative Authority.

1. In the narrative on page 45 relating to the Hawaiian Home Operating Fund, the asterisked sentence should be amended to read "The transfers made to the Planning and Development for Hawaiian Homesteads and Management and General Support for Hawaiian Homesteads Programs."

In the narrative on page 45, fourth sentence should read, "Monies to the fund may come from a quarterly transfer from the Hawaiian Home Receipts Fund." Revenues are recognized only once, only in the funds that the monies are originally deposited. Pursuant to §213(e) of the HHCA, transfers from

the Hawaiian Home Receipts Fund are subject to the Hawaiian Homes Commission (HHC) approval. In the absence of HHC approval at the end of quarter the funds may be transferred by formula as directed in the Department of Hawaiian Home Lands (DHHL) administrative rules.

2. In the narrative on page 48 relating to the Native Hawaiian Rehabilitation Fund, the fourth sentence should read "Revenues to the fund are from water license receipts and 30 percent of the state receipts derived from previously cultivated land and cultivated sugarcane land as of November 7, 1978."
3. In the fund headings on pages 48 and 49 relating to "Funds Established Under Administrative Authority," the "Hawaiian Home Operating Fund", should replace the fund headings of "Management and General Support for Hawaiian Homesteads" and "Planning and Development for Hawaiian Homesteads."

The "Management and General Support for Hawaiian Homesteads" and "Planning and Development for Hawaiian Homesteads" titles are program titles to describe DHHL's HHL602 and HHL625 programs. As of FY 2006, the Legislature has appropriated personnel costs of the Hawaiian Home Operating Fund through these two (2) programs.

The Hawaiian Home Operating Fund was established in 1948 as a revolving fund, and the Hawaiian Home Development Fund was established as a special fund in 1941 and merged into a special fund called the Hawaiian Home Operating Fund in 1986. Act 27, SLH 1998, later reclassified the Hawaiian Home Operating Fund as a trust fund.

As a matter of information, the Hawaiian Home Operating Fund and the Hawaiian Home Development Fund were included in a compact between the United States and the Territory of Hawaii as a condition of statehood. Section 4 of the Hawaii Admissions Act (Act of March 18, 1959, Pub. L. 86-3, 73 Stat 4) requires under the compact that the Hawaiian Home Development Fund and the Hawaiian Home Operating Fund may not be the subject of amendments that impair or reduce benefits without the consent of Congress. Consequently,

The Honorable Marion M. Higa
November 15, 2010
Page 3

the Hawaiian Home Operating Fund is managed as two separate portions, the "operating" portion and the "development" portion, to retain the characteristics and substance of the predecessors of this fund.

The asterisked sentences on pages 48 and 49 should read "Transfers are from other appropriations of the Hawaiian Home Operating Fund."

On page 48, first sentence should read "This trust fund was established in 1998 to construct and maintain revenue-producing activities intended principally to serve the occupants of Hawaiian home lands; purchase goods and services that are resold, rented, or furnished to the Hawaiian home lands occupants; and pay for appraisals, studies, and consultant services. The "Management and General Support for Hawaiian Homesteads" program, HHL602 program, was established in FY 2006."

On page 49, the first sentence should read "This trust fund was established in 1998 and may be used for improvements and development for present and future Hawaiian home land occupants; improvements, additions, and repairs to all assets owned or leased by the department; engineering, architectural, and planning services for properties; consultant services; purchase or lease of equipment or real property; and construction to benefit the Hawaiian Homes Commission Act beneficiaries. The "Planning and Development for Hawaiian Homesteads" program, HHL625 program, was established in FY 2006."

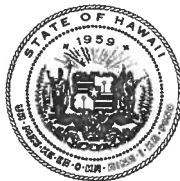
We appreciate the opportunity to comment on the draft report and are pleased with the diligent review performed on the department's revolving and trust funds.

Aloha and mahalo,

A handwritten signature in black ink, appearing to read "Kaulana H.R. Park".

Kaulana H.R. Park, Chairman
Hawaiian Homes Commission

LINDA LINGLE
GOVERNOR OF HAWAII



CHIYOME LEINAALA FUKINO, M.D.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. BOX 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to
File:

ASO-F/11-158

November 8, 2010

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2010 NOV 12 AM 8:53

OFC. OF THE AUDITOR
STATE OF HAWAII

TO: The Honorable Marion M. Higa
State Auditor

FROM: *[Signature]*
Chiyome Leinaala Fukino, M.D.
Director of Health

SUBJECT: Review of Draft on Revolving Funds, Trust Funds, and Trust Accounts of
the Departments of Health

Thank you for the opportunity to comment on your draft report. We have reviewed the report and respectfully provide the following comment:

Environmental Response Revolving Funds (ERRF), Section 128D-2, HRS

Auditor's recommendations: There is no link between the benefit sought and charges made upon users; however, it does not meet all the criteria of a revolving fund. This recommendation is consistent with the previous report.

Response: We realize that the Environmental Response Revolving Funds does not meet the criteria of a revolving fund. However, the purpose and use of the ERRF are set statutorily in reference to Section 128D-2, HRS.

Again, we appreciate the efforts of your office in conducting this review. If you have any questions, please contact Ms. Sharon S. Abe, Administrative Services Officer at 586-4550.

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER, ESQ
DIRECTOR

HENRY OLIVA
Deputy Director

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P.O. Box 339
HONOLULU, HAWAII 96809-0339

November 15, 2010

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The Honorable Marion Higa
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813-2917

2010 NOV 18 AM 9:13

OFC. OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

Thank you for your letter dated November 5, 2010 requesting comments on the draft report, "Review of Revolving Funds, Trust Funds, and Trust Accounts of the Judiciary and the Departments of Commerce and Consumer Affairs, Hawaiian Home Lands, Health, and Human Services." We have reviewed Chapter 6 of the draft report, and offer comments on the following revolving fund:

Randolph-Sheppard Revolving Account, Section 347-12.5 HRS

The fund is self-sustaining, and all deposits into and expenditures from the fund are made in accordance with the terms of the statute establishing the fund. Because the deposits and expenditures are not limited to state agencies, the fund does not fall strictly within the description of revolving fund as defined in this report. The reference to "trust fund" has legal implications that may be unwarranted under the terms of the fund.

If there are any questions regarding the Randolph-Shepherd Revolving Account, please contact Joe Cordova at 586-9741. Again thank you for the opportunity to review and comment on your draft report.

Sincerely,

A blue ink signature of Lillian B. Koller, Esq. is written over a circular stamp. The signature is stylized and appears to read "Lillian B. Koller".

Lillian B. Koller, Esq.
Director