



October 26, 2022

**VIA EMAIL**

The Honorable Ronald D. Kouchi  
Senate President  
415 South Beretania Street  
Hawai'i State Capitol, Room 409  
Honolulu, Hawai'i 96813

**VIA EMAIL**

The Honorable Scott K. Saiki  
Speaker, House of Representatives  
415 South Beretania Street  
Hawai'i State Capitol, Room 431  
Honolulu, Hawai'i 96813

Re: *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Human Resources Development, Report No. 22-12*

Dear President Kouchi and Speaker Saiki:

Please find attached a copy of Report No. 22-12, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Human Resources Development*, along with a copy of the Auditor's Summary.

This report presents a five-year summary for each special fund, revolving fund, trust fund, and trust account maintained by the Department of Human Resources Development, evaluates the original intent and purpose of each fund and account, and determines the degree to which each fund and account achieves its stated and claimed purpose.

The report is accessible through the Office of the Auditor's website at:  
<https://files.hawaii.gov/auditor/Reports/2022/22-12.pdf>.

The summary is also accessible through the Office of the Auditor's website at:  
<https://files.hawaii.gov/auditor/Overviews/2022/22-12AuditorSummary.pdf>.

If you have any questions about the report, please contact me.

Very truly yours,

Leslie H. Kondo  
State Auditor

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Attachments

cc/attach: Members of the Senate  
Members of the House of Representatives  
Carol Taniguchi, Senate Chief Clerk  
Brian Takeshita, House Chief Clerk

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# Auditor's Summary

## Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Human Resources Development

Report No. 22-12

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### One fund did not meet criteria

**OUR REVIEW** of the one special fund and two trust funds of the Department of Human Resources Development (DHRD) found the special fund did not meet criteria and should be reclassified to a revolving fund.

Section 23-12, Hawai'i Revised Statutes (HRS), requires the Auditor to review all existing special, revolving, and trust funds every five years. Reviews are scheduled so that each department's funds are reviewed once every five years. Although not mandated by statute, we included trust accounts as part of our review. This is our sixth review of DHRD's revolving funds, trust funds, and trust accounts. It is our second review of the special funds held by DHRD since Act 130, Session Laws of Hawai'i 2013, amended Section 23-12, HRS, to require review of special funds along with revolving funds and trust funds.

We used criteria developed by the Legislature and by our office based on public finance and accounting literature. For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use. We did not audit the financial data, which is provided for informational purposes. We do not present conclusions about the effectiveness of programs or their management, or whether the programs should be continued.

### Reporting shortfall

**WE NOTED** that DHRD did not file statutorily required reports relating to funds totaling approximately \$2.75 billion. Accurate and complete reporting will greatly improve the Legislature's oversight and control of these funds.

### Agency response

**DHRD CONCURRED WITH THE FINDINGS** and will take appropriate action to reclassify a special fund that functions more like a revolving fund. DHRD also stated that it will ensure compliance with all reporting requirements.



#### FUND TYPES

##### **SPECIAL FUNDS**

are used to account for revenues earmarked for particular purposes and from which expenditures are made for those purposes.

##### **REVOLVING FUNDS**

such as loan funds, are often established with an appropriation of seed money from the general fund and must demonstrate the capacity to be self-sustaining.

##### **TRUST FUNDS**

such as a pension fund, invoke the State's fiduciary responsibility to care for and use the assets held to benefit those with a vested interest in the assets.

##### **TRUST ACCOUNTS**

are typically separate holding or clearing accounts and are often used as accounting devices for crediting or charging state agencies or projects for payroll and other costs.

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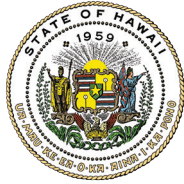
# Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Human Resources Development

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

Report No. 22-12  
October 2022



**OFFICE OF THE AUDITOR**  
STATE OF HAWAII



## OFFICE OF THE AUDITOR STATE OF HAWAII

### Constitutional Mandate

Pursuant to Article VII, Section 10 of the Hawai'i State Constitution, the Office of the Auditor shall conduct post-audits of the transactions, accounts, programs and performance of all departments, offices and agencies of the State and its political subdivisions.

The Auditor's position was established to help eliminate waste and inefficiency in government, provide the Legislature with a check against the powers of the executive branch, and ensure that public funds are expended according to legislative intent.

Hawai'i Revised Statutes, Chapter 23, gives the Auditor broad powers to examine all books, records, files, papers and documents, and financial affairs of every agency. The Auditor also has the authority to summon people to produce records and answer questions under oath.

### Our Mission

*To improve government through independent and objective analyses.*

We provide independent, objective, and meaningful answers to questions about government performance. Our aim is to hold agencies accountable for their policy implementation, program management, and expenditure of public funds.

### Our Work

We conduct performance audits (also called management or operations audits), which examine the efficiency and effectiveness of government programs or agencies, as well as financial audits, which attest to the fairness of financial statements of the State and its agencies.

Additionally, we perform procurement audits, sunrise analyses and sunset evaluations of proposed regulatory programs, analyses of proposals to mandate health insurance benefits, analyses of proposed special and revolving funds, analyses of existing special, revolving and trust funds, and special studies requested by the Legislature.

We report our findings and make recommendations to the Governor and the Legislature to help them make informed decisions.

*For more information on the Office of the Auditor, visit our website:*  
<https://auditor.hawaii.gov>



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## Foreword

This is a report of our review of the special funds, revolving funds, trust funds, and trust accounts of the Department of Human Resources Development.

Section 23-12, Hawai‘i Revised Statutes (HRS), required the Auditor to review all existing special, revolving, and trust funds, once every five years. Although not mandated by statute, we include trust accounts as part of our review. This is our sixth review of the revolving funds, trust funds, and trust accounts of the Department of Human Resources Development. It is our second review of its special funds since Section 23-12, HRS, was amended by Act 130, Session Laws of Hawai‘i 2013, to include reviews of special funds.

We wish to express our appreciation for the cooperation and assistance extended to us by the Department of Human Resources Development.

Leslie H. Kondo  
State Auditor

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# Chapter 1

## Introduction

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This review encompasses the special funds, revolving funds, trust funds, and trust accounts administered by the Department of Human Resources Development (DHRD). Section 23-12, Hawai‘i Revised Statutes (HRS), requires the Auditor to review each state department’s special, revolving, and trust funds every five years. Although not mandated by Section 23-12, HRS, we have included trust accounts as part of our review. Trust accounts, like special, revolving, and trust funds, are funded outside of the general fund appropriation process and are therefore generally subject to less legislative scrutiny than the State’s General Fund. For each fund and account, our review included:

1. An evaluation of the original intent and purpose of the fund, both as expressed by the Legislature and as understood by the expending agency;
2. The degree to which the fund achieves its stated and claimed purposes;
3. An evaluation of the fund’s performance standards as 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 balance for each fiscal year.

This is our sixth review of DHRD’s revolving funds, trust funds, and trust accounts.<sup>1</sup> It is our second review of the Department of Human Resources Development’s special funds, since Act 130, Session Laws of Hawai‘i (SLH) 2013, amended Section 23-12, HRS, to require review of special funds along with revolving funds and trust funds. We last examined these funds and accounts in 2017.

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<sup>1</sup> Prior to 2013, Section 23-12, HRS, did not require reviews of departments’ special funds.

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## **Description of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts**

### ***Special funds***

Section 37-62, HRS, defines a special fund as one that is “dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds.” According to the State’s Accounting Manual, special funds are funds used to account for revenues earmarked for particular purposes and from which expenditures are made for those purposes.

### ***Revolving funds***

Section 37-62, HRS, defines a revolving fund as one “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 or funds.” 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.

### ***Trust funds***

Section 37-62, HRS, defines a trust fund as one 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 an example of a trust fund. Contributions and payments are to be held for the beneficiaries of the pension fund. Another example is tenants’ security deposits, which are held in trust 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 (DAGS) defines a trust account as a separate holding or clearing account for state agencies. Trust accounts also serve as accounting devices to credit or charge agencies or projects for payroll or other costs.



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## **Criteria for Reviewing Special Funds, Revolving Funds, Trust Funds, and Trust Accounts**

### ***Special and revolving fund criteria***

In 2002, the Legislature set the requirements for establishing and continuing special and revolving funds. Sections 37-52.3 and 37-52.4, HRS, state that special and revolving funds may only be established by statute. The criteria used to review special and revolving funds are the extent to which each fund:

- Serves a need, as demonstrated by: (a) the purpose of the program to be supported by the fund; (b) the scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and (c) an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
- Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries, or a clear link between the program and the sources of revenue – as opposed to serving primarily as a means to provide the program or users with an automatic means of support, removed from the normal budget and appropriation process;
- Provides an appropriate means of financing for the program or activity that is used only when essential to the successful operation of the program or activity; and
- Demonstrates the capacity to be financially self-sustaining.

### ***Trust fund and trust account criteria***

Unlike the requirements for special and revolving funds, the law is silent on whether a trust fund or trust account must be established by statute. The criteria used in this report to review trust funds and trust accounts are the extent to which each fund and account:

- Continues to serve the purpose and intent for which it was originally created, and
- Meets the definition of a trust fund or trust account, respectively.

The first criterion is derived from the objectives of Section 23-12, HRS, which requires the Auditor to evaluate the original intent of each fund and the degree to which each fund achieves its stated purpose. The second criterion assesses whether a fund is held by the State only for the benefit of those with a vested interest in the assets or an account is held as a separate or clearing account.

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### **Objectives of the Review**

1. Identify and review all special funds, revolving funds, trust funds, and trust accounts of DHRD.
2. For each special fund, revolving fund, trust fund, and trust account, determine whether the fund or account meets the respective criteria.
3. Provide a five-year (FY2018 – FY2022) unaudited financial summary for each fund and account of DHRD.

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### **Scope and Methodology**

We reviewed all special funds, revolving funds, trust funds, and trust accounts directly administered by the Department of Human Resources Development during the five-year period under review (FY2018 – FY2022). Funds and accounts included those established by statute as well as by administrative authority.

To identify funds subject to this review, we used a variety of sources, including our prior reviews, accounting reports from DAGS, non-general fund reports, legislative budget briefing documents, and other records. To gain an understanding of fund operations, we reviewed applicable agency administrative rules and interviewed key fiscal and program personnel, as necessary.

We obtained a summary statement for each fund that reflects total fund transactions in the preceding five fiscal years (July 1, 2017 to June 30, 2022), including beginning fund balances, total revenues, amount of interest earned, total expenditures, transfers, and ending

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fund balances for each fiscal year. We requested explanations for discrepancies between ending balances for FY2017 reported in our last review and opening balances reported for FY2018. We did not audit the department's financial data, which we provide for informational purposes only.

Procedures were performed on each fund using relevant criteria as stated above. We reviewed fund information for consistency with the intent of each fund's use and to ascertain the relationship between charges on users and expenditures. We reviewed information on performance standards established for the funds or accounts and performed other procedures as necessary.

Where appropriate, we relied on our prior reports, including Report No. 17-09, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Human Resources Development*.

Our review was conducted from August 2022 to September 2022. Recommendations were made where applicable.



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# Chapter 2

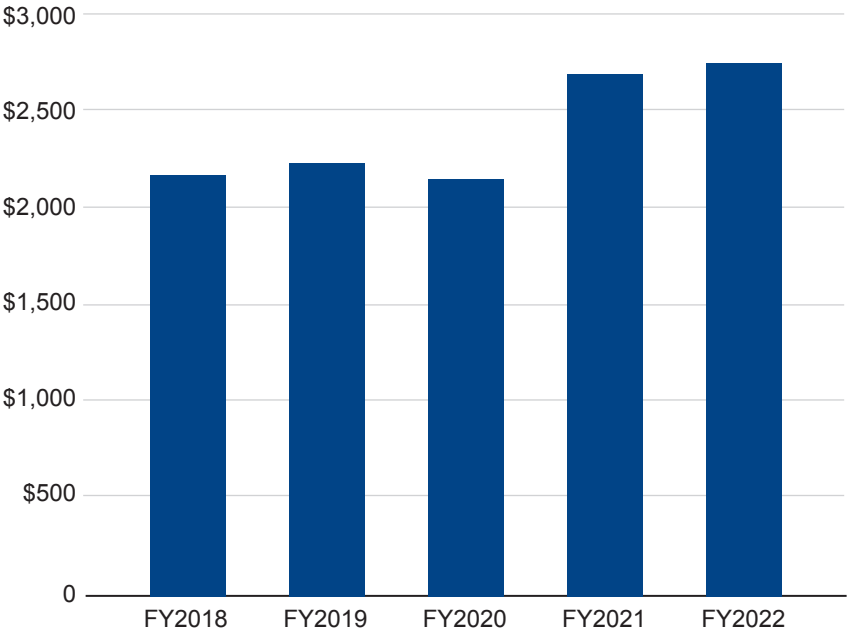
## Department of Human Resources Development

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This chapter presents the results of our review of one special fund and two trust funds. Total fund fiscal year-end balances for DHRD amounted to at least \$2.1 billion per year during the period reviewed.

Exhibit 2.1 summarizes the totals for these fund balances at the end of each fiscal year.

**Exhibit 2.1**  
**Cash Balances for the Department of Human Resources Development’s Non-General Funds FY2018 – FY2022**  
**(in millions)**



Source: Office of the Auditor

In FY2022, the special fund and trust funds collected approximately \$214 million and spent or transferred approximately \$157.3 million.

Exhibit 2.2 presents totals for the combined revenue and interest, expenses and transfers, and ending fund balances for the different fund types for FY2022.

**Exhibit 2.2  
Fund and Account Totals by Type, FY2022**

Fund Type	Revenue and Interest	Expenses and Transfers	FY2022 End Cash Balance
Special Funds	\$217,000	\$107,000	\$595,000
Trust Funds	213,741,000	157,158,000	2,751,016,000
<b>Total</b>	<b>\$213,958,000</b>	<b>\$157,265,000</b>	<b>\$2,751,611,000</b>

Source: Office of the Auditor

For each fund and account, we present a five-year financial summary, the purpose of the fund, and conclusions about its use and whether it meets the definition of the type of fund or account. This review does not include an assessment of the effectiveness of the program or its management. Funds are presented in alphabetical order.



Exhibit 2.3 presents DHRD funds that did not meet criteria for continuance and should be closed or reclassified.

**Exhibit 2.3  
Fund(s) Not Meeting Criteria**

<b>Fund Name</b>	<b>Fund Type</b>	<b>FY2022 Ending Balance</b>	<b>No longer serves original purpose and/ or does not serve a need</b>	<b>No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources</b>	<b>Inappropriate financing mechanism</b>	<b>Not financially self-sustaining</b>	<b>Does not meet special fund, revolving fund, trust fund, or trust account definition</b>
Human Resources Development Special Fund	Special Fund	\$594,937					✓
<b>Total</b>		<b>\$594,937</b>					

Source: Office of the Auditor

**Human Resources  
Development Special  
Fund**

**Financial Data for Fiscal Years 2018 – 2022 (in thousands)**

	FY2018	FY2019	FY2020	FY2021	FY2022
Beginning Balance	\$1,790	\$1,875	\$2,016	\$2,197	\$485
Revenues	142	214	264	172	217
Interest	0	0	0	0	0
Expenditures	(57)	(73)	(83)	(84)	(107)
Transfers	0	0	0	(1,800)*	0
<b>Ending Balance</b>	<b>\$1,875</b>	<b>\$2,016</b>	<b>\$2,197</b>	<b>\$485</b>	<b>\$595</b>
Encumbrances	\$0	\$0	\$0	\$22	\$31

\*Transfer to the General Fund of \$1.8 million pursuant to Act 87, SLH 2021.

**Fund Summary**

<b>Account Type</b>	Special fund
<b>How was the fund created?</b>	Section 26-5(g), HRS (SLH 2001)
<b>Why was it created?</b>	The fund is used to support the department’s entrepreneurial initiatives including claims management fees for administering workers compensation claims for charter schools and other administrative fees, and fees from training activities, programs, and administration.
<b>Fund meets criteria?</b>	This fund does not meet the criteria of a special fund because it functions more like a revolving fund, as defined by Section 37-62, HRS; however, the fund continues to serve the purpose for which it was originally established. As noted below, the costs for services are replenished through fees assessed for those services. The fund should be reclassified as a revolving fund.
<b>Performance standards</b>	No, the fund does not have performance standards.
<b>Revenues</b>	Revenues are from fees assessed for services provided under entrepreneurial initiatives; participant fees for in-service training programs; and moneys directed to the department from other sources such as gifts, grants, and awards.
<b>Expenditures</b>	Expenditures include administrative and operating costs used to support and administer the entrepreneurial initiatives, training activities, and programs. This includes expenses associated with open enrollment, administrative rule changes, subscriptions to assist staff in administering cafeteria plans and workers’ compensation claims; office/program supplies and equipment; staff training; and special fund assessments.
<b>Reported pursuant to Section 37-47, HRS</b>	Yes.
<b>Reported pursuant to Section 37-52.5, HRS</b>	Not applicable, the fund was statutorily established.

**State Deferred  
Compensation Plan for  
Part-Time, Temporary,  
and Seasonal/Casual  
Employees Trust Fund**

**Financial Data for Fiscal Years 2018 – 2022 (in thousands)**

	FY2018	FY2019	FY2020	FY2021	FY2022
Beginning Balance	\$118,946	\$125,463	\$132,447	\$136,238	\$142,265
Revenues	13,235	13,175	10,015	11,450	16,722
Interest	0	0	0	0	0
Expenditures	(6,718)	(6,191)	(6,224)	(5,423)	(19,463)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$125,463</b>	<b>\$132,447</b>	<b>\$136,238</b>	<b>\$142,265</b>	<b>\$139,524</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

**Fund Summary**

<b>Account Type</b>	Trust fund
<b>How was the fund created?</b>	Administratively established (1997)
<b>Why was it created?</b>	The fund is used to hold sums deferred and interest earned under the State Deferred Compensation Plan for Part-Time, Temporary, and Seasonal/Casual Employees (Plan). The Plan is an eligible deferred compensation plan under Sections 457 and 3121 of the United States Internal Revenue Code and was established as a tax-deferred alternative retirement program for part-time, temporary, and seasonal/casual employees of the State (and participating counties) who are not eligible for membership in the Employees' Retirement System. Participation in the Plan is mandatory and a mandatory payroll deduction of seven and one-half per cent (7.5%) of an employee's gross monthly wages (in lieu of social security contributions) is contributed to the Plan. All employee contributions and interest earned are held in trust for the exclusive benefit of the participants (and their beneficiaries).
<b>Fund meets criteria?</b>	This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established.
<b>Performance standards</b>	No, the fund does not have performance standards.
<b>Revenues</b>	Revenues are from participant contributions and interest earned.
<b>Expenditures</b>	Expenditures include distributions to participants and their designated beneficiaries and administrative fees associated with the Plan.
<b>Reported pursuant to Section 37-47, HRS</b>	Yes.
<b>Reported pursuant to Section 37-52.5, HRS</b>	No.

**State Deferred Compensation Plan Trust Fund**

<b>Financial Data for Fiscal Years 2018 – 2022 (in thousands)</b>					
	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
Beginning Balance	\$1,701,780	\$2,046,583	\$2,101,113	\$2,010,399	\$2,552,168
Revenues	594,328	173,656	29,558	654,399	197,019
Interest	0	0	0	0	0
Expenditures	(249,525)	(119,126)	(120,272)	(112,630)	(137,695)
Transfers	0	0	0	0	0
<b>Ending Balance</b>	<b>\$2,046,583</b>	<b>\$2,101,113</b>	<b>\$2,010,399</b>	<b>\$2,552,168</b>	<b>\$2,611,492</b>
Encumbrances	\$0	\$0	\$0	\$0	\$0

<b>Fund Summary</b>	
<b>Account Type</b>	Trust fund
<b>How was the fund created?</b>	Administratively established (1983)
<b>Why was it created?</b>	The fund is used to separately hold employee contributions and investment earnings for the exclusive benefit of Deferred Compensation Plan (Plan) participants and their beneficiaries. The Plan is an eligible deferred compensation plan under Section 457 of the United States Internal Revenue Code and is established as a voluntary tax-deferred supplemental retirement savings plan. The Plan is overseen by a board of trustees and is open to all employees who are members of the State's Employees' Retirement System and employed by either the State, County of Hawaii, County of Maui, or County of Kaua'i. Employee contributions and investment earnings are held in trust for the exclusive benefit of the participants and their designated beneficiaries.
<b>Fund meets criteria?</b>	This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally established.
<b>Performance standards</b>	No, the fund does not have performance standards.
<b>Revenues</b>	Revenues are from participant contributions and changes in the value of the Plan's investment product options.
<b>Expenditures</b>	Expenditures include distributions to participants and their designated beneficiaries and administrative fees associated with the Plan.
<b>Reported pursuant to Section 37-47, HRS</b>	Yes.
<b>Reported pursuant to Section 37-52.5, HRS</b>	No.

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# Chapter 3

## Observations on Reporting and Accounting for Funds

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Special, revolving, and other types of non-general funds are not subject to the same level of legislative scrutiny as the General Fund. Accurate and complete reporting of all funds, as required by law, would greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility. Fund reports are one of the primary means through which the Legislature tracks non-general funds. The reports are used to monitor fund balances and identify excess moneys for possible transfer to the General Fund.

### **Non-General Funds Were Not Reported as Required by Law**

Section 37-47, HRS, requires departments to submit to the Legislature an annual report of each non-general fund account, including information such as the intended purpose of the fund, current program activities supported by the fund, and financial data. The Director of Finance annually issues a memorandum requesting all departments complete and submit Form 37-47, *Report on Non-General Fund Information*, to the Department of Budget and Finance for each of their non-general funds. The Department of Budget and Finance compiles a report of all non-general fund accounts and submits it to the Legislature prior to the start of each legislative session.

We did not identify any issues related to reporting required by Section 37-47, HRS.

However, we noted noncompliance with reporting required by Section 37-52.5, HRS.

Section 37-52.5, HRS, requires the Judiciary and any department that administratively establishes a new fund or account to submit a report to the Legislature. The report must be filed within 30 working days of a fund or account's creation and should include a justification for the fund or account and identification of its sources of revenue. In addition, prior to the start of each legislative session, the law also requires each department to submit to the Legislature a listing of all administratively established funds or accounts along with a statement of their revenues, expenditures, encumbrances, and ending balances for each fund or

account. This report is separate from the non-general fund report required under Section 37-47, HRS.

As shown in Exhibit 3.1, DHRD had non-general funds that were administratively created with balances totaling approximately \$2.75 billion that were not reported to the Legislature as required by Section 37-52.5, HRS.

**Exhibit 3.1  
Non-General Funds and Administratively Created Funds Not Reported to the Legislature**

Fund Name	Fund Type	HRS §37-52.5 (Admin Created)	FY2022 Ending Balance (rounded)
State Deferred Compensation Plan for Part-Time, Temporary, and Seasonal/Casual Employees Trust Fund	Trust Fund	✓	\$139,524,000
State Deferred Compensation Plan Trust Fund	Trust Fund	✓	2,611,492,000
<b>Total</b>			<b>\$2,751,016,000</b>

Source: Office of the Auditor

**New Reporting Requirements**

Section 37-48, HRS, enacted by the Legislature through Act 87 in 2021, requires departments to submit to the Legislature an annual program measures report of each non-general fund account, including information such as program objectives, program activities, metrics for target population, and metrics for assessing effectiveness over the ensuing six fiscal years. The report must be filed no later than October 1 annually. As the first such required report is due after our review period, we did not assess compliance with reporting required by Section 37-48, HRS.

Section 37-49, HRS, also enacted by the Legislature through Act 87 in 2021, requires departments to submit to the Legislature an annual cost element report of each non-general fund account, including information such as budget details by cost element and non-general fund names and account codes for each item or object code. The report must be filed no later than October 1 annually. As the first such required report is due after our review period, we did not assess compliance with reporting required by Section 37-49, HRS.



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# Office of the Auditor's Comments on the Department of Human Resources Development's Response

## Comments on Agency Response

**WE TRANSMITTED** a draft of this review to DHRD on October 10, 2022.

We received a formal response to the report from DHRD on October 24, 2022. DHRD concurred with the findings and will take appropriate action to reclassify a special fund that functions more like a revolving fund. DHRD also stated that it will ensure compliance with all reporting requirements.

The formal response from DHRD is reprinted as Attachment 1.

DAVID Y. IGE  
GOVERNOR



RYKER WADA  
DIRECTOR  
ANDREW T. GARRETT  
DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT**  
235 S. BERETANIA STREET  
HONOLULU, HAWAII 96813-2437

October 21, 2022

VIA EMAIL ([LAO.Auditors@hawaii.gov](mailto:LAO.Auditors@hawaii.gov))

The Honorable Leslie H. Kondo, State Auditor  
Office of the Auditor  
465 S. King Street, Room 500  
Honolulu, HI 96813

Re: Review of Special Funds, Revolving Funds, Trust Funds and Trust  
Accounts of the Department of Human Resources Development

Dear Mr. Kondo:

Thank you for providing us with an opportunity to comment on the draft report, Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Human Resources Development.

We concur with the recommendation to reclassify the Human Resources Development special fund as a revolving fund and will work with the Department of Budget and Finance on implementing this change. We will also take appropriate measures to ensure our trust fund accounts that were administratively created comply with the reporting required by Section 37-52.5, Hawaii Revised Statutes.

Sincerely,

*Ryker J. Wada*

RYKER WADA  
Director