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# Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Judiciary

## Report No. 15-16, December 2015

*Thirty-six special funds, revolving funds, trust funds, and trust accounts were reviewed*

### **One special fund and five trust funds did not meet criteria**

Our review of special funds, revolving funds, trust funds, and trust accounts of the Judiciary found one special fund and five trust funds did not meet criteria.

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. This is our fifth review of the revolving funds, trust funds and trust accounts of the Judiciary. It is our first review of the Judiciary special funds since enactment of Act 130, Session Laws of Hawai'i 2013, amended Section 23-12, HRS, to include reviews of all special funds statewide.

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 for benefit for 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.

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 the program or their management, or whether the program should be continued.

### **Reporting shortfall**

We also noted inconsistent adherence by the Judiciary when filing statutorily required reports for non-general funds and for administratively created funds and accounts. Accurate and complete reporting, as well as timely closing of funds, will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility.

### **Agency response**

We transmitted a draft of this review to the Judiciary. The Judiciary generally agreed with our review and will take appropriate action to ensure compliance with reporting requirements.