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# Auditor's Summary

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

*29 special funds, revolving funds, trust funds, and trust accounts were reviewed*

Report No. 20-17

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### Two funds did not meet criteria

**WE REVIEWED 29 FUNDS AND ACCOUNTS** administered by the Judiciary – specifically, 6 special funds, 2 revolving funds, 17 trust funds, and 4 trust accounts. We found 1 special fund and 1 trust fund did not meet criteria. We recommended the special fund, which does not appear to be financially self-sustaining, be repealed and the trust fund be reclassified to a special fund.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 the Judiciary's revolving funds, trust funds, and trust accounts, and our second review of the Judiciary's special 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 THE JUDICIARY** did not file statutorily required reports for non-general funds totaling more than \$47 million. Accurate and complete reporting will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility.

### Agency response

**THE JUDICIARY** generally agreed with our findings but disagreed with our assessment that one trust fund should be reclassified to a special fund. We maintain that the fund does not meet the criteria of a trust fund because it functions as, and meets the criteria for, a special fund and should be reclassified.

As to our observations on the Judiciary's reporting of non-general funds, the Judiciary stated that it will take immediate corrective action to ensure compliance with 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.