



**TESTIMONY OF MARION M. HIGA, STATE AUDITOR,
ON HOUSE BILL NO. 2908, RELATING TO AUDIT RECOMMENDATIONS**

House Committee on Finance

February 26, 2008

Chair Oshiro and Members of the Committee:

Thank you for this opportunity to testify in support of H.B. No. 2908. This bill would require our submittal of a report to the Legislature each year of each audit recommendation more than a year old that has not been implemented by the audited agencies. The report would include the agencies' most recent explanations on the status of each recommendation. Any agency notified by my office that it has not implemented a recommendation will be required to submit a written report to us, the Senate president, and the speaker of the House. That written report would have to be submitted to us not later than 30 days after notification and must explain why the audit recommendation was not implemented and the estimated date of implementation.

This proposal follows a model enacted in California in 2006, which took effect in 2007. The California Bureau of State Audits (BSA) released its first report on January 18, 2008. I have been in contact with the BSA coordinator of the report. She says it may be too soon to gauge the impact of the new mandate although the BSA had been soliciting similar agency responses on its own before 2006. Under the voluntary program, the respective committee chairs have used the agencies' claims of progress in their budget discussions.

My office has actually been doing something similar to what H.B. No. 2908 proposes. Ever since I became State Auditor, we have published an Annual Report. And in that report is a section in which we list each recommendation from every audit of the previous year and the

audited agencies' updates on the recommendations' status. We do not check on the agencies' claims, but the nature of the responses factors into my decision on which follow-up audits to conduct as time permits. I have noticed that, as agencies became aware that we would publish their responses in a subsequent year and their responses could become a basis for follow-up audits, their original reactions to our recommendations have tended to be more constructive. Adding the elements of compulsion and notification to legislative leadership, as proposed in H.B. No. 2908, ought to further reinforce the Legislature's message that it is serious about audit recommendations.

Operationally, I should tell you that H.B. No. 2908 would probably take more staff time than our Annual Report now takes. I appreciate that the bill allows my office the leeway to determine the intervals of agency updating, unlike the California legislation. But I can foresee that we would probably have to put more effort into determining the accuracy of agency claims of progress.

This bill ought to be considered further by the Legislature. I would be pleased to answer any questions you may have.