



GOV. MSG. NO. 667

EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

April 25, 2008

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fourth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

Re: House Bill No. 2908 SD1

On April 24, 2008, House Bill No. 2908, entitled "A Bill for an Act Relating to Audit Recommendations" became law without my signature, pursuant to Section 16 of Article III of the Constitution of the State of Hawaii.

The bill would require the Legislative Auditor to submit an annual report on audit recommendations more than a year old that have not yet been implemented. It further requires the audited agency to submit within thirty days to the Auditor, Senate President, and House Speaker a report explaining why the audit recommendations were not implemented and an estimated date when they will be implemented. Finally, the bill requires the Executive Branch agencies to provide periodic progress reports at intervals specified by the Auditor.

This Administration respects the audit process and recognizes that the Legislative Auditor already prepares an annual listing of recommendations from the previous year and executive agency updates on these recommendations. This provides an opportunity to revisit audit findings that are still timely and may warrant further review. Further, we believe the Legislative Auditor already has the ability to follow-up on audit items that are more than one year old to determine to what extent they are still applicable and are being addressed by the audited agency.

This measure is troubling because it would require the compilation of audit findings without regard to how long ago these were issued and their relevancy today. This would place Executive Branch agencies in the position of refuting or explaining that these findings do not have a bearing on how they perform the public services entrusted to departments and agencies.

HB 2908 is also problematic because it implies that all recommendations contained in an audit are valid, have credence, and should be implemented. This simply is not true. Often,

The Honorable Colleen Hanabusa, President
and Members of the Senate

Page 2

departments have explained that certain audit findings were based on partial information, are not relevant to how they conduct their business, or do not have merit. To force Executive Branch agencies and offices to comment on questionable findings year after year and explain why they are not being implemented serves no useful public purpose. Further, requiring agencies to respond within a thirty day window and then requiring updates at the discretion of the Legislative Auditor is not a wise use of public resources and can result in time taken away from the main purpose of the departments and agencies—namely, carrying out the programs and projects that fall within their jurisdiction.

I am proud of the record of this Administration in responding to legislative audit matters that have relevance and validity. We welcome constructive criticism and respond positively to suggestions that merit proper revisions in procedures and programs. But, we should not engage in paperwork exercises that do not promote or enhance the delivery of public services.

For the foregoing reasons, I allowed House Bill No. 2908 to become law as Act 36, effective April 24, 2008, without my signature.

Sincerely,



LINDA LINGLE

A BILL FOR AN ACT

RELATING TO AUDIT RECOMMENDATIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 23, Hawaii Revised Statutes, is amended
2 by adding a new section to be appropriately designated and to
3 read as follows:

4 "§23- Audit recommendations; annual report. (a) Not
5 later than twenty days prior to the regular session of 2009, and
6 each regular session thereafter, the auditor shall submit a
7 report to the legislature of each audit recommendation the
8 auditor has made that is more than one year old and that has not
9 been implemented by the audited agency. The report shall
10 clearly identify:

- 11 (1) The state agency audited;
- 12 (2) The audit title and number that contained the
13 recommendation;
- 14 (3) A brief description of the recommendation;
- 15 (4) The date that the audit was issued; and
- 16 (5) The most recent explanation provided by the agency to
17 the auditor on the status of the recommendation.



1 (b) Any agency that is notified by the auditor that it has
2 not implemented a recommendation made pursuant to this chapter
3 more than one year prior shall submit a written report to the
4 auditor, the president of the senate, and the speaker of the
5 house of representatives not later than thirty days after the
6 notification explaining why the audit recommendation was not
7 implemented and the estimated date of implementation of the
8 recommendation."

9 SECTION 2. Section 23-4, Hawaii Revised Statutes, is
10 amended to read as follows:

11 **"§23-4 Duties.** (a) The auditor shall conduct postaudits
12 of the transactions, accounts, programs, and performance of all
13 departments, offices, and agencies of the State and its
14 political subdivisions. The postaudits and all examinations to
15 discover evidence of any unauthorized, illegal, irregular,
16 improper, or unsafe handling or expenditure of state funds or
17 other improper practice of financial administration shall be
18 conducted at least once in every two years after the close of a
19 fiscal year, and at any other time or times during the fiscal
20 year as the auditor deems necessary or as may be required by the
21 legislature for the purpose of certifying to the accuracy of all
22 financial statements issued by the respective accounting



1 officers and of determining the validity of expenditures of
2 state or public funds.

3 (b) Each department, office, or agency of the State or
4 political subdivision thereof that is the subject of an audit
5 performed pursuant to this chapter shall provide updates on its
6 progress in implementing the recommendations made by the
7 auditor, at intervals prescribed by the auditor.

8 [~~b~~] (c) The auditor, in conducting postaudits, to the
9 extent practicable and applicable to the audit scope and
10 objectives, shall review and assess the audited agency's rules
11 as defined in section 91-1."

12 SECTION 3. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 4. This Act shall take effect upon its approval.

APPROVED this day of , 2008

GOVERNOR OF THE STATE OF HAWAII

