APPENDIX K

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TESTIMONY BEFORE THE INTERIM HIGHER EDUCATION COMMITTEE

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Testimony Presented by
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Chairman Skarphol and members of the interim Higher Education Committee, I am here to present information requested by this Committee relating to policies in other states for agencies that fail to implement audit recommendations.

We obtained information from several other states by visiting their websites. We have attached a brief description of the state and the laws/rules/policies that pertain to audit recommendations that have not been implemented.

Based on our review, Nevada has the most complete laws, while Minnesota has the most complete policies related to agency implementation of audit recommendations.

In the majority of states we looked at, a report of those agencies and recommendations that have not been implemented is forwarded to various legislative committees including the appropriations committee and/or other relevant legislative committees and/or to legislative leaders. In at least two states (Nevada and Washington), failure to implement audit recommendations may result in appropriated funds being withheld from the agency.

Arizona:
The joint legislative audit committee has the specific legislative power to require state agencies to comply with findings regarding sunset, performance, special, and financial audits.

California:
The state auditor reports each year to the Joint Legislative Budget Committee each recommendation that was reported one year prior and not fully implemented. The agency is directed to either provide a written report to the State Auditor and all applicable legislative oversight committees and the Department of Finance explaining why the recommendation(s) were not implemented or notify the same agencies that it will begin implementation within 90 days and include the estimated date of full implementation.

Colorado:
The legislative audit committee may require an agency to submit periodic progress reports to the committee to ensure action is taken to implement audit recommendations:

Idaho:
Approximately 90 days after report is released, Legislative Auditors contact the agency regarding implementation of recommendations. A report is distributed to the Joint Legislative Appropriation Committee and other interested parties summarizing the status of all recommendations.

Louisiana:
The legislative audit advisory council is charged with resolving audit findings issued by the legislative auditor and private accounting firms. If the council determines, based upon its review and investigation, that without appropriate cause, an auditee has not complied with the recommendations contained in an audit report of such auditee, the council shall forward its determination of noncompliance to the Joint Legislative Committee on the Budget and the appropriate oversight committees of the House of Representatives and the Senate.

Maryland:
Executive Director of the Legislative Joint Audit Committee may recommend to the Governor and Controller that the unit implement the recommendation and advise the committee within 45 days as to the action taken.

Michigan:
Implementation plan is required to be submitted to the Department of Management and Budget with copies to the relevant house and senate appropriation committees, fiscal agencies, and the executive office.

Minnesota:
Each governor has directed the MMB commissioner to review findings of the OLA's Financial Audit Division, and to follow-up with agencies on their efforts to implement the OLA's prior audit recommendations. Quarterly, the MMB commissioner requests progress reports on issues identified in management letters. If these issues are not resolved at the end of a quarter, continued status reports are required at 90-day intervals until implementation. Failure to fully satisfy an audit issue on a timely basis will result in a repeat audit report comment. These comments increase the likelihood that Admin's executive management will be required to explain to the Legislative Audit Commission reasons why the audit issue is not fully satisfied.

Nebraska:
The agency director is directed in statute to make every effort to fully implement performance audit recommendations within the limits of current appropriation. For those recommendations which require additional appropriations or the drafting of legislation, the committee shall sponsor the legislation or present the proposal for additional or revised appropriations to the Appropriations Committee of the Legislature.

Nevada:
The Director of the Department of Administration may, if the Director determines that such an order is necessary and in the public interest, order the withholding of any portion of the money appropriated to an agency, including the salary of an officer of the agency in the unclassified service of the state, for the failure or refusal to submit or perform pursuant to a plan for corrective action.

Texas:
Agencies are required to report the status of their implementation of recommendations to the State Auditor's Office. Recommendations they do not plan to implement to the governor, lieutenant governor, speaker of the house, secretary of state, legislative reference library and each member of the governing body and the administrative head of each entity that is the subject of the report.

Washington:
The state auditor may report failures to resolve management or performance issues to appropriate committees of the legislature and to the director of financial management. The director of financial management is duty bound to cause corrective action to be taken within six months up to an including the withholding of funds. The director of financial management annually at December 31 reports the status of audit resolution to the appropriate committee of the legislature, the state auditor and the attorney general.

Wyoming:
The director of the state department of audit may request those in authority to remove an officer who refuses to conform with the instructions of the director.