

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Audit of the Annual-Report Costs of State Agencies

Summary

Many departments and other units of state government in Hawaii issue annual reports on such subjects as their mission, goals, activities, accomplishments, and budget. Concerns have arisen about the costs of producing annual reports and whether these costs are diverting government resources from more pressing public needs.

Because of these concerns, we initiated this audit of annual-report costs. We surveyed 81 selected agencies and found that 53 of them produce annual reports meeting our definition. Most annual reports are required by law.

Our survey captured mainly the agencies' costs of contracting with vendors for key production work on their reports—such as graphic design, editorial services, photography, and printing—and such in-house costs as mailing and photocopying if reported by the agency. The survey did not seek information on the cost of in-house staff time.

We found that state agencies vary widely in the costs of producing and distributing their annual reports. The reported costs of an annual report range from negligible amounts to over \$20,000. The 53 agencies spent a total of \$632,596 on their annual reports for FY1991-92, FY1992-93, and FY1993-94.

An attractive and readable annual report can be a useful means of communicating an agency's mission, activities, achievements, and finances. It may also reinforce the agency's identity, build external support, contribute to pride within the organization, and help achieve the agency's goals. In pursuit of these goals, many state agencies in Hawaii are choosing to spend substantial sums on their annual reports.

However, we found that no overall cost guidelines exist specifically for agencies' annual reports. Each agency decides how to produce and distribute its annual report and how much it will spend. As a result, the reasonableness of the costs incurred is a matter of opinion and we found some of the costs questionable.

A few agencies account for the lion's share of annual report costs, and the need for these higher costs is debatable. Not surprisingly, the higher-priced annual reports were "fancier" than the others. They tended to have glossier paper, more photographs, and often used several colors, particularly on the cover. Many of the



fancier annual reports are used as marketing tools, for example to promote private sector investment in Hawaii. In the absence of guidelines, it will always be difficult to resolve whether a fancy annual report is appropriate.

The amounts spent on annual reports are relatively minor compared to the total costs of state government. However, annual-report costs are not insignificant, and the State should constantly be looking for ways to reduce unnecessary expenditures and to diminish any public perception of waste and inefficiency. Many agencies have already demonstrated that they can lower their annual-report costs.

We concluded that flexible guidelines for annual reports, issued by the governor, could produce cost savings while acknowledging agencies' differing missions and needs.

Recommendation and Response

We recommend that the governor consider issuing annual-report guidelines in the form of suggestions to the agencies on how to produce and distribute a readable annual report at a reasonable cost. The guidelines should cover such topics as the following: (a) the purpose and content of the annual report; (b) the importance of weighing the costs of in-house production and distribution versus the costs of contracting out; (c) the need to consider the use of the correctional industries print shop; (d) cost-effective graphic design, layout, colors, photos, number of pages, and paper stock; and (e) ways to save on distribution costs.

We transmitted a draft of our report to the governor and invited his comments. The governor did not submit a response.

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