
Audit of the Annual-Report Costs of State Agencies

A Report to the
Governor
and the
Legislature of
the State of
Hawaii

Report No. 95-20
September 1995

THE AUDITOR
STATE OF HAWAII

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Submitted by

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STATE OF HAWAII

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Foreword

This audit was initiated because of concerns about the costs state agencies incur in producing their annual reports. We focused on identifying expenditures and recommending cost control measures.

We wish to thank the many agency officials who responded to our survey questionnaire by providing cost data, other information about their annual reports, and ideas for possible savings. We are also grateful for the information and suggestions shared by other knowledgeable persons whom we interviewed during the course of the audit.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

Many departments and other units of state government in Hawaii issue annual reports. Concerns have arisen about the costs of producing these reports and whether these costs are diverting government resources from more pressing public needs.

Because of these concerns, the State Auditor initiated this audit of annual-report costs. The audit was performed pursuant to Section 23-4, Hawaii Revised Statutes, which requires the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all state agencies.

Background

State agencies issue a wide variety of annual reports. These include reports covering entire departments, administratively attached agencies, or programs. The focus of an annual report may be broad, including the agency's mission, activities, budget, and other information. Or the focus may be specific, for example annual statistics on particular subjects such as crime or health. Some annual reports are required by statute or other mandate, while others are issued by agencies of their own accord.

There appears to be no current compilation of the number and costs of agencies' annual reports. According to legislative testimony, a 1983 compilation by the Office of the Governor identified approximately 70 annual reports. These included annual reports required by the Hawaii Revised Statutes or the federal government, and those published at agencies' own initiative. Of the 70 annual reports, 51 were mandated by statute. The total publishing cost for the 70 annual reports was estimated at \$425,000. The estimated cost of publishing the 51 mandated reports was \$383,000.¹

In Act 71, SLH 1985, the Legislature found that there was a proliferation of annual reports published by departments and agencies in the executive branch. The Legislature said the original purpose of these reports was to provide information on programs to the Legislature, governor, general public, and other governmental agencies. However, the Legislature also observed that with the enactment of Act 185, SLH 1970—the Executive Budget Act—the majority of the information provided in the annual reports was available to every legislator and the public in the form of program and financial plans, program memoranda, variance reports, and so on.

To “better utilize the manpower and financial resources of the State,” Act 71 amended Section 93-12, HRS to authorize the governor to waive annual-report requirements if the information is available in other reports and is acceptable for the purpose required or is deemed no longer pertinent for program reporting purposes. The law required consolidation of annual reports if there is duplication of information in annual reports within an agency. As an alternative to individual annual reports by various agencies, the law also authorized the governor to submit a consolidated annual report for the executive branch or to direct the consolidation of one or more reports. Apparently the governor has never exercised the authority provided by Act 71.

Objectives of the Audit

The objectives of this audit were to:

1. Identify the costs of annual reports being produced by state agencies and their administratively attached agencies.
2. Assess the reasonableness of annual-report costs and identify areas where savings can be realized.
3. Make recommendations for improvement as appropriate.

Scope and Methodology

For this audit, we defined annual reports as agency-wide annual reports covering such subjects as the agency’s mission, goals, activities, accomplishments, and budget. Excluded from our definition were special-purpose annual reports such as statistical reports. We examined the costs of annual reports issued for FY1991-92, FY1992-93, and FY1993-94.

Our approach consisted primarily of a survey and an analysis of the results. We also interviewed knowledgeable persons in both the public and private sectors for additional information, ideas, and suggestions.

We sent questionnaire surveys to 81 agencies as follows: the 18 executive branch departments (including the University of Hawaii and the Department of Education); the Office of Hawaiian Affairs; the Judiciary; 52 agencies that are “administratively attached” to these agencies or to the Office of the Governor; 8 other agency sub-units that we believed would enhance the survey; and the Hawaii Visitors Bureau. Appendix 1 lists the agencies included in our survey. Because the survey was selective, our audit does not include all annual-report costs in state government.

If an agency's annual reports met our definition, the questionnaire asked the agency to give us information on reports prepared for FY1991-92, FY1992-93, and FY1993-94. The agencies were asked to identify whether the key production work—graphic design, layout, editorial services, photography, printing, and distribution—was carried out by in-house staff or contracted out to vendors. The survey captured mainly the costs of contracting out and such in-house costs as mailing and photocopying if reported by the agency. The survey did not seek information on in-house staff time.

The questionnaire also asked the agencies for their reasons for making annual reports and other pertinent information. We invited the agencies' comments and suggestions for controlling costs. We asked for copies of each agency's annual reports for the three years under review.

We received completed questionnaires from 80 of the agencies. Of the 80 agencies, 54 produce annual reports meeting our definition. All of these agencies sent us copies of their annual reports as requested. Because the Hawaii Visitors Bureau is not part of state government, we did not include it in our cost calculations but did use its reports for illustrative purposes. Appendix 1 identifies with an asterisk the remaining 53 agencies that are the focus of this report.

We selectively followed up on the survey responses through interviews with agency officials. For the most part we did not independently verify the accuracy of the cost information provided by the agencies in the survey.

Our work was performed from January 1995 through August 1995 in accordance with generally accepted government auditing standards.

Chapter 2

Findings and Recommendation

This chapter examines the annual-report costs of the state agencies that responded to our survey. While these costs are small compared with the total state budget, we believe they are significant enough to warrant cost control measures.

Summary of Findings

1. 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.
2. The lack of statewide guidelines for annual reports has led to some questionable costs.
3. Flexible guidelines could bring about cost savings while acknowledging agencies' differing missions and needs.

Annual-Report Costs Vary Widely

Of the state agencies responding to our survey, 53 agencies issued an annual report meeting our definition for one or more of the years included in our audit (FY1991-92, FY1992-93, FY1993-94). Most of the 53 agencies issued a report for each of the three years. However, a few did so for only one or two of the years: 48 agencies issued a FY1991-92 annual report (cost information was available for 46 of these), 48 issued a FY1992-93 report (47 had cost information), and 47 issued or will soon issue a FY1993-94 report (all had cost information).

We found that the costs of these annual reports varied greatly from agency to agency. Some agencies reported spending nothing on their annual report; others reported spending many thousands of dollars. Over the three-year period, annual-report costs increased at some agencies and decreased at others. Total costs of all the agencies appear to be decreasing. Appendix 2 shows the costs.

Reported costs range from minimal to over \$20,000

The reported cost of an annual report ranged from nothing to over \$20,000 depending on the agency. The range of costs narrowed slightly over the three-year period: zero to \$20,884 for the FY1991-92 reports, zero to \$19,870 for FY1992-93, and zero to \$18,663 for FY1993-94.

For example, at one end of the spectrum was the FY1992-93 annual report of the Medical Claims Conciliation Panel and the Design Professional Conciliation Panel in the Department of Commerce and Consumer Affairs. The panels reported no costs for producing and distributing this report. All of the work was done in-house. The two panels combined their annual reports into a short, plain document and made 100 photocopies, primarily for distribution to the Legislature.

At the other end of the spectrum was the FY1992-93 annual report of the Department of Business, Economic Development and Tourism. The report was a glossy, 60-page, photo-filled publication costing \$19,870 to produce and distribute. Graphic design, photography, and printing were contracted out. The department printed 2,000 copies for distribution to businesses, government, and others.

The largest number of agencies has consistently been in the zero-to-\$2,500 range, as shown in Exhibit 2.1. The number of agencies in this range rose and the number of agencies in the over-\$10,000 range fell during the three years. Similarly, the amount spent by all agencies in the zero-to-\$2,500 range increased as a percentage of total annual-report costs while spending in the over-\$10,000 range decreased as a percentage of total costs (see Exhibit 2.2).

Some agencies' costs are increasing, others are decreasing

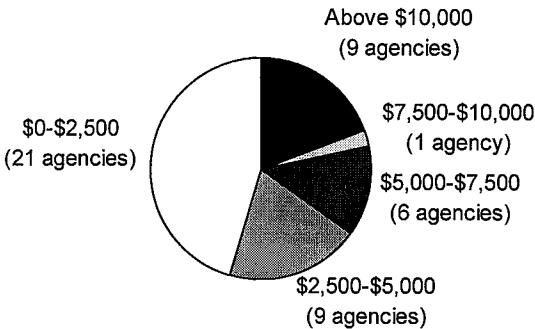
Trends in individual agencies' costs vary. From FY1991-92 to FY1992-93, 20 increased the costs of their annual reports, 17 decreased their costs, and 7 remained the same. From FY1992-93 to FY1993-94, 20 agencies increased the costs of their annual reports, 17 decreased their costs, and 5 agencies remained the same.

The increases or decreases were minor in some cases and major in others. The following are examples of agencies with major changes during the three years:

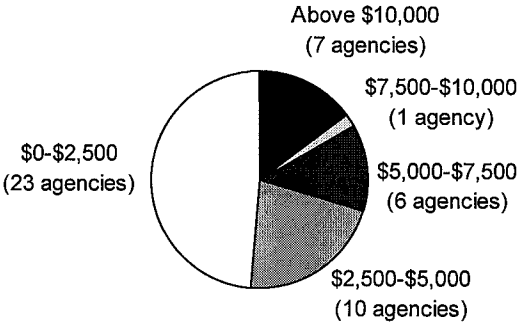
- the annual-report costs of the Department of Transportation dropped from \$16,177 to \$3,790 and then increased to \$4,000;
- the costs of the Housing Finance and Development Corporation dropped from \$18,768 to \$10,851 to \$9,082;
- the costs of the Department of Agriculture decreased from \$4,953 to \$4,574 to \$2,202;
- the costs of the Hawaii Community Development Authority dropped from \$20,884 to \$2,985 and then rose to \$10,416; and
- the costs of the High Technology Development Corporation rose from \$3,749 to \$10,315 to \$13,046.

**Exhibit 2.1
Number of Agencies at Various Annual-Report Spending Levels**

FY1991-92



FY1992-93



FY1993-94

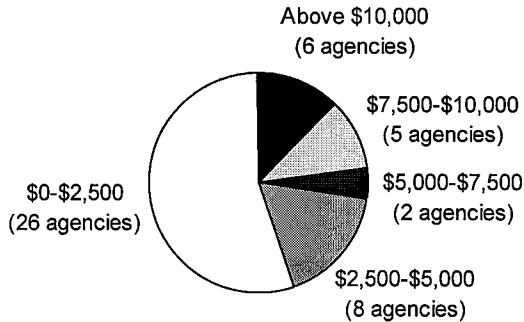
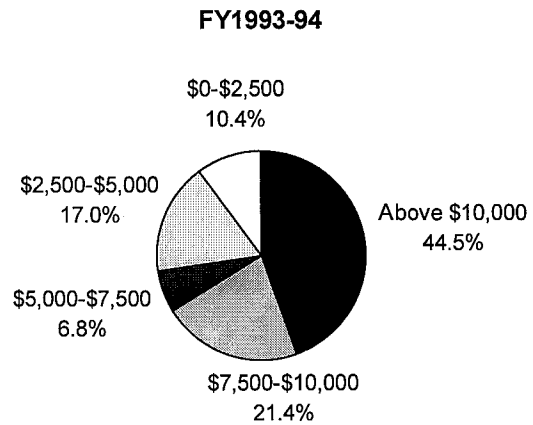
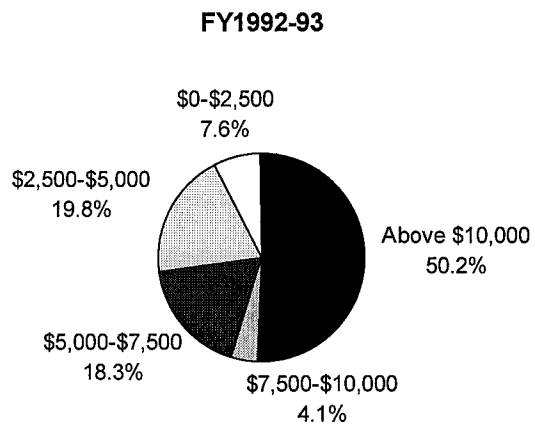
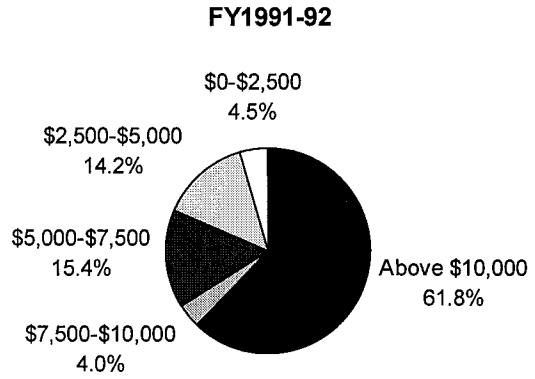


Exhibit 2.2
Spending at Various Levels as a Percentage of Total Annual-Report Spending



Total costs are decreasing

Total costs of producing and distributing annual reports decreased over the three years. Agencies spent a total of \$230,125 for FY1991-92. They spent \$207,294 for FY1992-93 (a 10 percent decrease from FY1991-92), and they spent \$195,177 for FY1993-94 (a decrease of 6 percent from FY1992-93 and 15 percent from FY1991-92).

Unit costs are stable

While the total costs of annual reports decreased, the overall unit cost (cost per copy) varied little. The unit cost was \$5.79 for FY1991-92, \$5.70 for FY1992-93, and \$5.79 again for FY1993-94.

Any variations in unit cost reflect the changing relationship between the total costs and the total number of copies of annual reports printed—\$230,125 spent on 39,773 annual reports for FY1991-92, \$207,294 spent on 36,347 reports for FY1992-93, and \$195,177 spent on 33,708 reports for FY1993-94. Printing fewer copies of an annual report at a given total cost raises the unit cost.

The unit cost varies with the agency. The range of costs was zero to \$27 for FY1991-92, zero to \$39 for FY1992-93, and zero to \$40 for FY1993-94.

Lack of Guidelines Leads to Questionable Costs

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

However, currently no overall cost guidelines exist specifically for annual reports. Each agency decides how to produce and distribute its report and how much it will spend. These decisions depend on many factors including the purpose of the annual report, its priority in the agency, the funding available, the skills of agency staff, and so on. The agencies need only follow general state procurement laws, executive memoranda, distribution instructions, and the like.

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 total annual-report costs, and the need for these higher costs is debatable. We believe that statewide guidelines for annual reports would help establish what costs are reasonable and keep costs down.

A few agencies account for most of the costs

A high percentage of the total annual-report costs that we identified through our survey can be attributed to just a few agencies. The following six agencies spent more than \$10,000 each for their annual reports for FY1993-94:

- the State Foundation on Culture and the Arts at \$16,434;
- the Department of Business, Economic Development and Tourism at \$14,025;
- the Hawaii Community Development Authority at \$10,416;
- the High Technology Development Corporation at \$13,046;
- the Department of Land and Natural Resources at \$18,663 (projected); and
- the Office of Hawaiian Affairs at \$14,276.

Six agencies, then, accounted for a total of \$86,860, or 45 percent, of the total of \$195,177 spent by 47 agencies on their FY1993-94 annual reports.

If we include in the “higher-priced” group all agencies that spent more than \$7,500—the six listed above plus the Housing Finance and Development Corporation at \$9,082, the Department of Education at \$7,717, the Department of Hawaiian Homelands at \$7,903, the Judiciary at \$9,009, and the Research Corporation of the University of Hawaii at \$7,987—then just eleven agencies accounted for \$128,558, or 66 percent, of the total of \$195,177 spent by 47 agencies for FY1993-94.

The need for “fancy” annual reports is debatable

Not surprisingly, the annual reports of the agencies spending the most on their annual reports were “fancier” than the others. They tended to have glossier paper, more photographs, and often used several colors, particularly on the cover.

These agencies claimed a variety of purposes for their reports—for example marketing. Although the purposes may have some merit, it is not clear that the higher-cost approach is necessary. We offer a few examples to frame the debate.

State Foundation on Culture and the Arts

One example is the stunningly attractive FY1993-94 annual report of the State Foundation on Culture and the Arts. The foundation’s mission includes the preservation and promotion of culture, the arts, and the humanities. Section 9-3(9), HRS requires the foundation to submit an

annual report with recommendations to the governor and Legislature, including the number and amounts of gifts received, payroll disbursements, contracts entered into, and progress and accomplishments.

The foundation's FY1993-94 report includes most of the requested information. But the report also includes much more—an individual photograph of the governor, individual photos of the foundation's board members, a group photo of the board's staff, and many high-quality photos of works of art and cultural activities, some in full color. The narrative, facts and figures, and artwork are displayed in an engaging layout on glossy paper stock. The report has a “coffee table” quality—it is a pleasure to read and display.

This report cost \$16,434. This included \$7,248 for graphic design, \$6,996 for printing, and \$2,189 for imaging. The foundation informed us that the purpose of the annual report is to inform the Legislature, the general public, and art organizations about art activities in Hawaii. The foundation also said the report serves as a brochure and program guide. A more simply designed and printed publication would neither serve this purpose nor be a work of art itself, according to the foundation.

From the foundation's standpoint, its annual report has multiple purposes consistent with its mission of art promotion and the money is well spent. The foundation might argue that members of the public who support art and culture will be won over, not offended, by the elegance of the annual report. The foundation could point to the often unattractive and uninteresting documents issued by government agencies as examples to be avoided.

Yet others could argue that the foundation should simply issue a “minimal” annual report communicating to the governor and Legislature the essential information required by law. Such a report could save money and the foundation could avoid any public perception that public funds were being wasted. The foundation could use other publications such as brochures to reach its wider audience.

In the absence of guidelines, it will always be difficult to resolve whether a fancy annual report is appropriate.

Other “marketing” agencies

Many of the fancier annual reports have a “marketing” rationale. The Housing Finance and Development Corporation, the Department of Business, Economic Development and Tourism, the Hawaii Community Development Authority, and the High Technology Development Corporation all indicated that their annual reports serve as marketing tools. Again, however, their rationale and the costs involved raise questions.

For example, the Hawaii Community Development Authority spent \$10,416 on its FY1993-94 annual report. The glossy, 28-page, photo-filled report required \$3,125 for graphic design and \$7,291 for printing. This was a sharp drop from the authority's FY1991-92 report, which cost \$20,884, but it still represents a considerable sum.

The mission of the authority is to plan and redevelop geographical areas designated by the Legislature. The authority informed us that it uses its annual report to promote private sector investment in Kaka'ako, the currently designated area. The report is part of a "primary information packet" sent to private and public organizations, the general public, and investors from around the world who ask about the Kaka'ako district and the authority.

On the one hand, \$10,416 does not seem an unreasonable expenditure for this purpose. On the other hand, some other agencies with similar missions spend far less on their annual reports.

For example, the mission of the Convention Center Authority is to oversee the process of developing, managing, operating, and maintaining a world class convention center for Hawaii. The authority's FY1993-94 annual report cost \$90. It is a simple six-page document printed in-house and stapled, summarizing recent activities and financial data.

Some might argue that the Convention Center Authority's report was minimal simply because construction on the convention center had not yet begun and nothing existed to market—unlike the situation of the Hawaii Community Development Authority, which has substantial development projects to showcase. However, another development organization whose projects were well underway in FY1993-94—the Aloha Tower Development Corporation—also had a minimal annual report.

The mission of the corporation is to redevelop certain land around the Aloha Tower in order to strengthen the international economic base of the community, better serve maritime uses, and enhance the beauty of and access to the waterfront. The corporation's seven-page annual report for FY1993-94 is typed on letterhead with a single staple. The report cost \$300—for photocopying and mailing.

Department of Land and Natural Resources

Even greater questions arise when an agency with less of a "marketing" mandate spends many thousands of dollars on its annual report. The Department of Land and Natural Resources provides an example. The department spent \$15,675 for its FY1991-92 annual report, \$18,020 for FY1992-93, and a projected \$18,663 for FY1993-94.

Again, it is not clear that these costs are needed. The department's glossy reports run about 100 pages. In addition to basic information, they contain individual photographs of members of the Board of Land and Natural Resources, many staff of the department, and a variety of natural wonders and department activities.

Flexible Guidelines Could Produce Savings

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.

As noted earlier in this report, many agencies already have demonstrated that they can lower their annual-report costs. We believe that flexible guidelines for annual reports, issued by the governor, could reinforce this trend by increasing cost-consciousness and helping agencies determine and implement a reasonable approach.

Examples of cost savings

There seems little doubt that cost savings are possible. Many agencies included in our survey reported successful cost cutting measures. From the FY1992-93 annual reports to the FY1993-94 reports, 17 agencies reduced their costs, some by \$2,000 or more.

One organization that sharply reduced its costs was the Hawaii Visitors Bureau. We did not include the bureau's reports in our cost totals because the bureau is not, strictly speaking, a state agency. However, the case of the bureau offers some insights into cost reduction. The bureau spent over \$32,000 to produce its FY1992-93 report but cut this in half for its FY1993-94 report.

The two reports compare favorably despite the cost difference. The FY1992-93 report is dramatic, resembling a coffee table book. It includes a photograph of a colorful Kauai sunset on the cover. Inside are breathtaking before-and-after photos of Kauai's Tunnel of Trees ravaged by Hurricane Iniki and in recovery several months later. The FY1993-94 report is more modest in approach. It conveys much of the same information in an attractive format, but without all the "trimmings."

Another example of cost savings is the Natural Energy Laboratory of Hawaii Authority. The authority reduced its annual-report costs from just over \$10,300 to just over \$6,800 in one year. It did this primarily by cutting the amount contracted out for printing.

Some agencies favor guidelines

Our survey asked the agencies whether they felt that guidelines are needed. Of the 53 agencies whose annual report met our definition, 20 respondents or 38 percent favored guidelines; 33 respondents or 62 percent thought guidelines are not needed.

One respondent who did not favor guidelines said that the budget and utility of annual reports may vary yearly and are best determined by the agency.

However, a respondent who favored guidelines said that without guidelines, the procedure (for annual reports) remains “open to the imagination.”

The same respondent observed that some leeway would be needed in the guidelines so that annual reports used for marketing would look professional. We believe that guidelines could be crafted to give the agencies sufficient flexibility.

Flexible approach to guidelines

While we recognize that opinions differ on the need for guidelines, we believe the State would be better served by guidelines for the production and distribution of annual reports by state agencies. These guidelines would apply directly to agencies in the executive branch, but would also be useful to the Judiciary and the Office of Hawaiian Affairs.

Instead of rigid guidelines that could stifle agencies’ creativity, we recommend flexible guidelines in the form of a set of written suggestions to the agencies. The guidelines should convey the fundamental message that agencies should strive for cost-effectiveness in producing and distributing their annual reports. The goal would be to produce an annual report that meets a clearly defined purpose in a readable format at the lowest possible cost. As one interviewee put it:

The goal is a reader-friendly report that gets the idea across—that gets attention without being ostentatious.

The guidelines should encourage each agency to evaluate its success in meeting this goal and to make improvements as needed.

One respondent to our survey suggested ways to save on costs:

Cost savings can be realized by decreasing the number of ink colors and types; minimizing the use of photographs; lessening the number of pages; selecting cost effective text and cover paper stocks; and, where possible, preparing camera-ready layouts using available in-house desktop publishing equipment and staff knowledgeable in the production of publications.

Another respondent, however, raised cautions:

The effectiveness and usefulness of the report is greatly affected by its visual presentation and readability. Cost savings should be realized in the production and distribution of annual reports without compromising on their visual integrity and accessibility.

A balanced approach, then, is needed. As one interviewee put it:

You need a happy medium. If the report is shoddy and unattractive, people won't read it and the money spent on it is wasted. On the other hand it needn't look like the Bank of America's annual report.

We suggest that one way to achieve a "happy medium" is through guidelines from the governor covering the following topics. These topics are based on suggestions from the agencies that we surveyed and our interviews with other knowledgeable persons.

Purpose and content of annual reports

The guidelines should encourage agencies to give careful attention to the purpose of their annual report. Perhaps the annual report is not necessary for some agencies. (Although we found that 44 of the 53 agencies are required by law to prepare annual reports, the remaining 9 are not required to do so.) Or perhaps the agency could combine its annual report with a "parent" agency's report, or could make its report shorter or less fancy.

The purpose of an annual report may differ from agency to agency. An obvious distinction is between agencies that have a marketing purpose and those that do not. Even for those that do marketing, it can be useful to re-examine their publications strategy. For example, the Hawaii Community Development Authority now issues a fancy annual report for marketing purposes. But the authority informed us that it is considering issuing a more basic annual report and introducing a separate marketing piece.

In addition, the guidelines should remind agencies to examine the contents of their annual report. The guidelines could (1) suggest appropriate contents such as a statement of the agency's mission, an organization chart, basic financial information, and recent activities and (2) identify contents that may be less appropriate, such as many individual photographs of staff. Because the number of pages is a key cost factor, annual reports should be no longer than necessary.

Work conducted in-house or contracted out

The results of our survey suggested that agencies might save considerable amounts by performing much of their annual-report work

in-house instead of contracting out. However, this is by no means certain, especially since our survey did not capture the number of staff hours dedicated to producing annual reports in-house.

For example, one agency reported that money could be saved by doing graphic design work in-house. However, the agency also pointed out that this complex work requires having an individual with the necessary skills, resources, and time. Another agency reported spending several hundred hours of staff time to produce its annual report, which meant neglecting other agency duties and responsibilities. This agency reported that it printed and distributed its annual report for under \$100. However, its actual costs would have been greater if staff time were counted.

We should also note that savings are possible by contracting with an art director who can orchestrate the entire production with both attractiveness and cost effectiveness in mind. Similarly, contracting for a professional writer could save much staff time.

Any guidelines that are issued should suggest that agencies weigh the costs and benefits of contracting out all or part of the work. If work is contracted out, agencies should be encouraged to follow all applicable procurement requirements. Respondents to our survey observed that soliciting bids can produce cost savings.

Use of correctional industries print shop

Section 354D-6(d), HRS, requires that agencies obtain goods and services, if possible, through the Hawaii Correctional Industries under the Department of Public Safety. Currently, the only service provided by the correctional industries is printing. To have annual reports printed elsewhere, agencies must obtain an exemption from the administrator of the correctional industries program for such reasons as time constraints or not being equipped to handle the type of printing requested.

Some agencies use the correctional industries print shop for their annual reports. However, our survey and interviews generated ambiguous data regarding the print shop's capabilities.

Some agencies reported that the print shop offers limited printing options, that some quality problems and delays exist, and that costs may not be competitive. However, other agencies reported that the quality and timeliness of the print shop's work have improved. Still other agencies reported cost savings from using the print shop.

Guidelines should encourage agencies to use the print shop for their reports where feasible.

Graphic design, layout, photos, colors, paper stock

The guidelines should contain suggestions for cost savings in all of these areas. Some general considerations apply:

- Black-and-white reports are generally the least costly. Added colors tend to increase the cost.
- Expensive paper stock should be avoided if possible.
- A limit should be set on the use of photographs. File photos or photos taken by staff or by a relatively inexpensive photographer should be encouraged.
- The length (number of pages) of the report and the number of reports printed should be restrained.
- Design and layout are very important to readability and to cost control and should not be neglected.

Distribution

Guidelines should encourage agencies to produce only as many annual reports as are necessary. It is *not* appropriate to print extra copies for the sake of reducing the unit cost (per copy cost). What counts is the total cost to the agency, which will normally be higher the more copies are produced.

Cost limits

The guidelines could suggest a cost limit for annual reports. This would be a clear expression of what the governor considers reasonable. However, a cost limit might have the unintended effect of encouraging the lower-spending agencies to spend up to the limit.

If the governor wishes to set a cost limit, the limit should be on total costs, not unit costs. Otherwise, agencies might be tempted to print more copies, raising total costs in an effort to reduce unit cost.

Recommendation

The governor should 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 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.

Notes

Chapter 1

1. Testimony on Senate Bill No. 1179 submitted by Jensen S.L. Hee, Director, Department of Budget and Finance, State of Hawaii, to the House Committee on Public Employment and Government Operations, March 18, 1985.

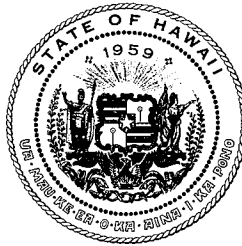
Response of the Affected Agency

Comments on Agency Response

We transmitted a draft of this report to the governor on September 7, 1995. A copy of the transmittal letter is included as Attachment 1. The governor did not submit a response.

ATTACHMENT 1

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



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State Auditor

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September 7, 1995

COPY

The Honorable Benjamin J. Cayetano
Governor of the State of Hawaii
State Office Tower, 15th Floor
Honolulu, Hawaii 96813

Dear Governor Cayetano:

Enclosed for your information are three copies, numbered 1 to 3 of our draft report, *Audit of the Annual-Report Costs of State Agencies*. We ask that you telephone us by Monday, September 11, 1995, on whether or not you intend to comment on our recommendation. If you wish your comments to be included in the report, please submit them no later than Thursday, September 21, 1995.

The term "draft" means that the report is not in its final form and has not been released for general distribution. Copies have been transmitted to the President of the Senate and the Speaker of the House of Representatives. The report will be released by our office after it is published in its final form.

Sincerely,

A handwritten signature in cursive script that reads "Marion M. Higa".

Marion M. Higa
State Auditor

Enclosures

Appendix 1
Agencies Included in the Survey

Office of Affirmative Action
Executive Office on Aging*
Governor's Agricultural Coordinating Committee*
Office of Children and Youth*
Office of Collective Bargaining*
Office of Information
Office of State Volunteer Services and Special Projects
Office of State Planning
Department of Accounting and General Services
King Kamehameha Celebration Commission
Stadium Authority
State Foundation on Culture and the Arts*
Department of Agriculture*
Department of the Attorney General
Hawaii Education Council
Office of Information Practices
Child Support Enforcement Agency
Department of Budget and Finance
Hawaii Information Network Corporation*
Employees Retirement System*
Hawaii Public Employees Health Fund*
Housing Finance and Development Corporation*
Office of the Public Defender
Public Utilities Commission*
Department of Business, Economic Development and Tourism*
Office of Space Industry
Tourism Office
Hawaii Visitors Bureau
International Business Center of Hawaii*
Aloha Tower Development Corporation*
Convention Center Authority*
Hawaii Community Development Authority*
Hawaii Strategic Development Corporation*
High Technology Development Corporation*
Land Use Commission
Natural Energy Laboratory of Hawaii Authority*
Department of Commerce and Consumer Affairs*
Hawaii Public Broadcasting Authority*
Medical Claims Conciliation Panel*
Hawaiian Home Lands Trust Individual Claims Review Panel*
Design Professional Conciliation Panel*
Department of Defense*
Department of Education*
Hawaii State Public Library System*
Department of Hawaiian Home Lands*
Department of Health*

Commission on Persons with Disabilities*
Office of Environmental Quality Control*
Department of Human Services*
Hawaii Housing Authority*
Office of Youth Services*
State Commission on the Status of Women*
Department of Labor and Industrial Relations*
Hawaii Labor Relations Board*
Labor and Industrial Relations Appeals Board
Civil Rights Commission*
Hawaii Job Training Coordinating Council*
Advisory Commission on Employment and Human Resources
Office of Community Services
Hawaii State Occupational Information Coordinating Committee
Department of Land and Natural Resources*
Hawaii Historic Places Review Board
Hawaii Aquaculture Advisory Council*
Department of Human Resources Development*
Board of Trustees Deferred Compensation Plan
Public Employees Compensation Appeals Board
Martin Luther King, Jr. Commission*
Civil Service Commission
Department of Public Safety*
Hawaii Paroling Authority*
Criminal Injuries Compensation Commission*
Department of Taxation*
Natural Disaster Claims Commission
Department of Transportation*
University of Hawaii*
State Post-Secondary Education Commission
Western Interstate Commission for Higher Education
Research Corporation of the University of Hawaii*
Office of the Chancellor for Community Colleges*
Judiciary*
Office of Hawaiian Affairs*

Note: Marked with an asterisk (*) are state agencies that produced an annual report meeting our definition. Their annual-report costs are reflected in Appendix 2.

Appendix 2
Annual-Report Costs by Agency

	FY1991-92 Annual Report	FY1992-93 Annual Report	FY1993-94 Annual Report	Total Cost
Executive Office On Aging	\$193	\$6,277	N/A	\$6,470
Governor's Agricultural Coordinating Committee	\$320	\$390	\$477	\$1,187
Office of Children and Youth	N/A	\$620	\$985	\$1,605
Office of Collective Bargaining	\$0	\$0	\$0	\$0
State Foundation on Culture and the Arts	\$19,972	\$18,020	\$16,434	\$54,426
Department of Agriculture	\$4,953	\$4,574	\$2,202	\$11,729
Hawaii Information Network Corporation	\$6,415	\$4,438	\$4,790	\$15,643
Employees Retirement System	\$4,911	\$4,348	\$4,094	\$13,353
Hawaii Public Employees Health Fund	U	\$1,195	\$1,215	\$2,410
Housing Finance and Development Corporation	\$18,768	\$10,851	\$9,082	\$38,701
Public Utilities Commission	\$120	\$145	N/A	\$265
Department of Business, Economic Development and Tourism	\$16,228	\$19,870	\$14,025	\$50,123
International Business Center of Hawaii	N/A	N/A	\$4,320	\$4,320
Aloha Tower Development Corporation	\$200	\$200	\$300	\$700
Convention Center Authority	\$187	\$112	\$90	\$389
Hawaii Community Development Authority	\$20,884	\$2,985	\$10,416	\$34,285
Hawaii Strategic Development Corporation	\$1,200	\$4,784	\$1,614	\$7,598
High Technology Development Corporation	\$3,749	\$10,315	\$13,046	\$27,110
Natural Energy Laboratory of Hawaii Authority	\$9,279	\$10,332	\$6,833	\$26,444
Department of Commerce and Consumer Affairs	\$2,539	\$1,440	N/A	\$3,979
Hawaii Public Broadcasting Authority	N/A	N/A	\$156	\$156
Medical Claims Conciliation Panel	\$0	\$0	\$0	\$0
Hawaiian Home Lands Trust Individual Claims Review Panel	\$0	\$554	\$478	\$1,032
Design Professional Conciliation Panel	\$0	\$0	\$0	\$0
Department of Defense	\$5,124	\$4,173	\$3,919	\$13,216
Department of Education	\$12,155	\$7,424	\$7,717	\$27,296
Hawaii State Public Library System	\$1,155	\$1,300	\$600	\$3,055
Department of Hawaiian Home Lands	\$7,469	\$7,462	\$7,903	\$22,834
Department of Health	N/A	\$5,465	N/A	\$5,465

	FY1991-92 Annual Report	FY1992-93 Annual Report	FY1993-94 Annual Report	Total Cost
Commission on Persons with Disabilities	\$350	\$350	\$350	\$1,050
Office of Environmental Quality Control	\$323	\$437	\$1,055	\$1,815
Department of Human Services	\$3,868	\$2,000	U-P	\$5,868
Hawaii Housing Authority	\$3,130	\$3,984	\$3,790	\$10,904
Office of Youth Services	\$268	\$549	\$550	\$1,367
State Commission on the Status of Women	U	U	\$10	\$10
Department of Labor and Industrial Relations	\$1,550	\$1,289	\$1,695	\$4,534
Hawaii Labor Relations Board	\$77	\$83	\$33	\$193
Civil Rights Commission	\$641	\$558	\$579	\$1,778
Hawaii Job Training Coordinating Council	\$3,110	\$3,560	\$3,930	\$10,600
Department of Land and Natural Resources	\$15,675	\$18,020	\$18,663	\$52,358
Hawaii Aquaculture Advisory Council	\$1,852	\$2,173	\$1,931	\$5,956
Department of Human Resources Development	N/A	N/A	\$1,085	\$1,085
Martin Luther King, Jr. Commission	\$274	\$373	\$1,380	\$2,027
Department of Public Safety	\$1,640	N/A	\$1,640	\$3,280
Hawaii Paroling Authority	\$3,003	\$2,015	\$1,820	\$6,838
Criminal Injuries Compensation Commission	\$0	\$0	\$0	\$0
Department of Taxation	\$3,498	\$4,360	\$4,337	\$12,195
Department of Transportation	\$16,177	\$3,790	\$4,000	\$23,967
University of Hawaii	\$5,611	N/A	N/A	\$5,611
Research Corporation of the University of Hawaii	\$5,249	\$5,629	\$7,987	\$18,865
Office of the Chancellor for Community Colleges	\$5,625	\$5,625	\$6,361	\$17,611
Judiciary	\$11,632	\$8,505	\$9,009	\$29,146
Office of Hawaiian Affairs	\$10,751	\$16,720	\$14,276	\$41,747
TOTAL COSTS:	\$230,125	\$207,294	\$195,177	\$632,596

Note: This appendix includes only state agencies whose annual reports met our definition.

N/A = Did not prepare an annual report; U = Annual report issued but cost unknown.

U-P = Annual report pending; cost unknown.

In a few cases, FY1993-94 costs were projected by the agency for annual reports still under development.