

PEER REVIEW

HAWAII OFFICE OF THE  
AUDITOR





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STATE OF HAWAII  
OFFICE OF THE AUDITOR



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December 2022



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- To improve the quality and effectiveness of state legislatures.
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- To ensure state legislatures a strong, cohesive voice in the federal system.

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# INTRODUCTION

## Peer Review Purpose

The Hawaii Office of the Auditor (HOA) follows Government Auditing Standards (i.e., the Yellow Book or GAGAS) published by the Comptroller General of the United States for its performance audits. These standards require the office to undergo a peer review every three years.

The purpose of the peer review was to identify whether HOA's system of quality control was suitably designed and followed during the review period to provide HOA with reasonable assurance that its performance audit engagements conform with Government Auditing Standards in all material respects. In addition to applicable audit standards, the peer review team also considered various professional best practices in program evaluation and performance auditing when reviewing HOA's performance audit engagements. HOA recognizes the importance of an external peer review for ensuring the quality of its legislative audit work.

## NCSL/NLPES Peer Review Methodology

HOA contracted with the National Conference of State Legislatures (NCSL) to perform its 2022 peer review to assess the office's system of quality control and overall quality of reports in a sample of performance audits completed during the period from 2019 to 2022 (see Appendix A). The NCSL staff liaison to the National Legislative Program Evaluation Society (NLPES) organized a peer review team consisting of two experienced and respected program evaluators from Louisiana and Utah (see Appendix B).

As noted above, HOA follows Government Auditing Standards. This peer review compared HOA's policies and performance to Yellow Book requirements and the knowledge base of peers from similar offices. The review provided a collective assessment of HOA's quality assurance and review processes, including how those processes were used to develop HOA's performance audits, and the qualifications and independence of HOA staff.

Specifically, the peer review team sought to determine whether the sample of reports reviewed, as well as the processes that underlie the reports, met the following criteria:

- 1) Work is professional, independent, and objectively designed and executed.
- 2) Evidence is competent and reliable.
- 3) Conclusions are supported.
- 4) Products are fair and balanced.
- 5) Staff is competent to perform work required.

On Nov. 18, 2022, a conference call was held with the state auditor, deputy auditor, HOA general counsel, HOA IT manager and the peer review team. During the call, the peer review team was briefed on HOA's operations, and an overview of the NCSL/NLPES peer review process was provided.

An onsite visit took place Dec. 4-9, 2022. The peer review team reviewed documentation relating to HOA's function, its audit-related policies and procedures, four sampled reports (three performance audits and one sunrise review). The sampled reports were selected by members of the peer review team from a list of audits released between 2019 and 2022 (Appendix A). Each peer review team member took lead responsibility for reviewing two reports. This included assessing the performance audit through review of the final issued audit report, review of the supporting working paper documentations and interviews with current staff who worked on the performance audit.

The peer review team conducted interviews with the state auditor, deputy auditor, general counsel, and selected HOA staff who worked on the sampled audits. The peer review team was available to all staff throughout the course of the engagement, and it met with the entire HOA staff at the beginning and end of the peer review.

To evaluate staff competence, continuing professional education (CPE) records were reviewed to determine whether staff receive 80 hours of training every two years.

The team discussed its preliminary conclusions with the state auditor and deputy auditor. An all-staff meeting was held to inform employees that HOA had passed its peer review and to answer questions.

Appendix A lists the performance audits reviewed by the peer review team. Appendix B describes the qualifications of the peer review team members. Appendix C provides a general profile of program evaluation offices.

# COMPLIANCE WITH YELLOW BOOK STANDARDS AND BEST PRACTICES

Section 5.72 of Government Auditing Standards, 2018 Revision Technical Update (i.e., the Yellow Book, or GAGAS) by the Comptroller General of the United States allows the peer-reviewed agency to receive one of three possible ratings: pass, pass with deficiencies or fail.

In the peer review team's opinion, the Hawaii Office of the Auditor has a quality control system that was suitably designed and followed during the period reviewed to provide the Hawaii Office of the Auditor with reasonable assurance that its performance audit engagements conform with applicable Government Auditing Standards in all material respects. Based on its professional judgment, the peer review team gives a rating of pass to the Hawaii Office of the Auditor.

The peer review team found many positive aspects of the Hawaii Office of the Auditor's work including:

- Staff are dedicated and believe in the work of HOA.
- The office's continuing professional education (CPE) tracking program is easy to use, and explanatory memoranda about CPE carryover during the COVID pandemic and prorated CPE requirements for new staff were well done.
- The addition of graphics and other visualizations has improved report "readability."
- HOA's audit summary document is an effective tool to summarize and communicate a report's main themes.

**Reliability/Quality Control and Assurance.** HOA performs its audits in conformity with Government Auditing Standards, and the office undergoes periodic external quality control reviews conducted by an independent organization that has experience in conducting performance audits. HOA has internal procedures for planning audits, supervising staff, obtaining evidence and documenting and reporting that ensure its reliability. The peer review team recommends that documentation for HOA reports be consistently thorough and audit findings are consistently supported with specific evidence. Also, while the current HOA's manual of guides is comprehensive, its references are being updated to the Government Auditing Standards 2018 Revision Technical Update.

**Independence.** The Hawaii Office of Auditor is authorized by State Constitution Article VII, Section 10. Hawaii Revised Statutes, Chapter 23, gives the auditor broad powers to examine all books, records, files, papers and documents, and financial affairs of every agency. These authorities provide HOA with considerable assurance that the office can function independently and exercise its responsibilities in conformity with the Yellow Book.

HOA has a process for internal disclosure of potential impairments to independence on the part of staff assigned to audits. The process is set forth in HOA's manual of guides. The auditor reviews and assesses the independence of staff when assigning them to an audit project. Staff also complete independence statements.

**Objectivity/Professional Judgment.** Auditors use professional judgment in planning and performing audits. HOA's work process provides for the application of collective professional judgment of the office.

**Competence.** The competence standard addresses technical knowledge requirements for analysts assigned to audits. Technical knowledge is defined broadly to include any specialized subject matter. HOA staff appear to be well-qualified. HOA staff hold a variety of advanced degrees, and their diverse backgrounds and skill sets are beneficial to HOA's work. The peer review team, however, recommends HOA continue its efforts to recruit candidates for open positions who have prior performance audit experience.

Competence may be maintained through a commitment to continued learning and development. Continuing professional education plays an integral part in maintaining competence. Professional judgment must be exercised to select suitable educational activities and comply with CPE requirements. Supervisors and analysts identify training needs and interests, and a supervisor or analyst may convey the information to the CPE coordinator. The CPE coordinator uses an electronic system to track continuing professional education records and periodically sends CPE updates to HOA staff. Staff may check their CPE status online at any time.

**Suggestions for Improvement.** During its review, the peer review team provided suggestions for management to consider. The suggestions were provided as opportunities to enhance its practice of the audit profession and did not affect the peer review team's overall judgment of HOA or its compliance with Government Auditing Standards.



## APPENDIX A. PERFORMANCE AUDITS REVIEWED

Audit of the Agribusiness Development Corporation, Report No. 21-01, January 2021

Audit of the Department of Public Safety, Report No. 22-05, June 2022

Audit of the Office of Language Access, Report No. 22-10, October 2022

Sunrise Analysis: Regulation of Community Health Workers, Report No. 22-08, September 2022

## APPENDIX B: PEER REVIEW TEAM

### **Karen Leblanc**

Karen Leblanc is the assistant legislative auditor and director of Performance Audit Services with the Louisiana Legislative Auditor's Office. She began working for the Performance Audit Services Division in 1997, starting as a staff auditor. She served as a Peace Corps volunteer in Thailand. She received her undergraduate degree in English and a master's degree in social work from Louisiana State University.

Karen Leblanc  
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### **Kade Minchey**

Kade Minchey has worked at the Utah Office of the Legislative Auditor General for more than 20 years. In 2018, he was appointed Utah's legislative auditor general and director of the office. Prior to this, he was an audit manager. He also has been an adjunct instructor at Salt Lake Community College and Brigham Young University, teaching political ideologies and program evaluation courses. He graduated with a bachelor's degree in philosophy from Utah State University and earned his master's degree in public administration from the University of Utah.

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### **Brenda Erickson**

Brenda Erickson is a program principal in the Legislative Management Program at NCSL. She specializes in legislative processes and serves as the NCSL liaison to NLPES. She coordinated peer reviews for the Office of the District of Columbia Auditor, Montana Legislative Audit Division, Nebraska Legislative Audit Office, South Carolina Legislative Audit Council, Washington Joint Legislative Audit and Review Committee, West Virginia Performance Evaluation and Research Division, and West Virginia Post Audit Division. She also has participated in numerous assessments of legislative process and staffing, including studies in Arizona, Arkansas, Maine, Oregon, Tennessee and Virginia. She has worked at NCSL for 38 years. Before joining NCSL, she worked for the Minnesota House of Representatives for five years. She received her bachelor's degree in math from Bemidji State University.

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## APPENDIX C. PROFILES OF PROGRAM EVALUATION OFFICES

Among the many roles state legislatures play—debating public policy, enacting laws and appropriating funds—is the fundamental responsibility to oversee government operations and ensure that public services are effectively and efficiently delivered to citizens.

To help meet this oversight responsibility, most state legislatures have created specialized offices that conduct research studies and evaluate state government policies and programs. These studies—variously called policy analyses, program evaluations, performance audits or sunset reviews—address whether agencies are properly managing public programs and identify ways to improve them. Similar offices in legislatures around the country serve a vital function. They significantly bolster legislatures’ ability to conduct independent oversight of the other branches of government and determine if legislative program priorities are adequately fulfilled.

Most legislative program evaluation offices have been in operation for several decades. According to a 2019 NLPES survey of legislative audit offices, about 25% of these offices have served their legislatures for more than 50 years. Approximately two-third of audit offices were created during the 1970s, 1980s and 1990s. At least six offices have been created since 2000. Hawaii has had a performance audit function in place since 1965.

To help ensure they produce high-quality work, audit offices use professional standards to guide their activities. Approximately 65% of offices follow Government Auditing Standards, issued by the by the Comptroller General of the United States. One quarter of offices use either American Evaluation Association or internally developed standards. Only a handful of offices have not adopted formal standards. The Hawaii Office of the Auditor conducts its performance audits in accordance with the generally accepted government auditing standards for performance audits contained in the *Government Auditing Standards* (2018 Revision), internal operating guidelines and professional best practices.

Legislative program evaluation offices vary substantially in size, reflecting the diversity among states and legislatures. According to a 2019 NLPES survey, 22% of legislative audit offices reported having fewer than 10 staff, 50% have 11-30 evaluation staff, 9% have 31-50 staff, and 19% of the offices have 51 or more staff. The Hawaii Office of the Auditor currently has 20 audit staff, so its staff size aligns with most of its peer legislative audit offices.