

We were not able to determine states' true financial conditions for the following reasons:

- For some states the date of the most recent actuarial valuation of their pension plans was different than the date of the financial statements. In some cases the actuarial calculation reported was a year earlier than the date of the CAFR.
- Some state pension systems are commingled with the pension systems of local governments in their state.
- GASB GAAP has not required state and local governments to disclose the unfunded liability for other post-employment programs, such as health care.

The inability to determine state liabilities for post-employment benefits, made it impossible for us to ascertain each state's true financial condition.

MANY STATE ANNUAL REPORTS ARE PUBLISHED LATE

The Government Financial Officer's Association has set a six month standard for the issuance of the state's annual reports. This association's members include treasurers and comptrollers who produce their state's annual reports. When compared to the federal regulations imposed on publicly traded companies, this six month standard seems somewhat self-serving. Even under this rather lax standard only slightly more than half of the states issue their annual reports within this standard. We have ranked the timeliness of the issuance of the state's annual reports in Chart A on page 35.

The State of Michigan produces the nation's most timely CAFR. According to its Office of Financial Management, the Michigan CAFR is required, by statute, to be issued within 180 days of the fiscal year end. Nevertheless, in four of the last five years, the Michigan Office of the State Budget has issued its CAFR within ninety days of its fiscal year end. This stellar performance is based on two major factors. First, the state's governors—notably of both political parties—have had a sustained commitment to meet this goal. Second, Michigan has a centralized accounting system.

John M. Engler was Michigan's governor from 1991 to 2003. Gov. Engler requested that the CAFR for FYE September 30, 2002 be issued before he left office on December 31 or approximately ninety days after the FYE. The governor's goal was achieved, despite the fact that he was a "lame duck" and would be succeeded by a new governor of the opposite political party. His successor, current Governor Jennifer Granholm, has encouraged state agencies to continue to prepare the financial information, so the CAFR can be issued within ninety days. The uniform use of the same accounting system by all state agencies, and the re-engineering of some financial management processes, have enabled the Michigan Office of the State Budget to meet the governor's request for timeliness. As a result of this timely issuance, Michigan's legislators can use the important information included in the CAFR as they engage in the budget process.

FACTORS AFFECTING THE TIMELINESS OF A CAFR

Our study identified the following four main factors that are predictive of a timely CAFR:

- Commitment of governmental officials;
- Capacity of accounting systems;
- Adequate resources, including personnel; and
- The desire to receive the GFOA certificate.

COMMITMENT OF GOVERNMENT OFFICIALS

The most important factor is the commitment to report to the state citizens. Absent a legal requirement for the issuance of the CAFR by a certain date, the commitment of a state governor and legislature to issue the CAFR timely greatly enhances the quality of the report and the probability of timeliness. Only when all officials involved in the process understand the importance of a timely CAFR is a state likely to succeed in achieving the goal of issuing a report 180 days after the FYE.

One particular impediment to a timely reporting occurs in states where the agency or department preparing the CAFR does not have compelling authority over the executive branch agencies. This is problematic because it is the agency directors who accumulates and submits the financial data needed to complete the CAFR. For example, the Illinois CAFR is prepared by the state comptroller, who is a constitutional officer elected by the citizens and he is not part of the executive branch. Because the agency directors are part of the executive branch and report directly to the governor, the comptroller can only request that the agencies provide him with the necessary data on a timely basis. In these situations, the governor must exert his authority to ensure the agencies produce and transmit data to the right parties in time to meet the GFOA 180-day timeline. The Illinois annual reports for 2006 and 2007 were issued almost a year after the state's fiscal years.

CAPACITY OF ACCOUNTING SYSTEMS

A well-managed, centrally controlled computer system provides the capacity to generate dependable data and maintain it in comparable formats. This, in turn, aids in the production and presentation of the financial data. Adequate information management capacity and tools are found to be a prerequisite for a timely and accurate CAFR reporting.

THE DESIRE TO RECEIVE THE GFOA CERTIFICATE

The Government Finance Officers Association (GFOA) awards its Certificate of Achievement for states that issue CAFRs within six months of its FYE. Earning this certificate is a worthwhile professional distinction and the GFOA has done an excellent job of using the certificates to encourage states and their officials to issue their annual reports on a timely basis. Using this 180-day benchmark, our analysis shows that only about half the states are eligible to earn this important distinction.³

³ It is important to note that the GFOA often issues the certificate, even though the states do not meet the six months requirement, citing extenuating circumstances.

ADEQUATE RESOURCES, INCLUDING PERSONNEL

A great deal of staff time and effort in a condensed period of time is needed to produce the CAFR on a timely basis. Therefore, the office that prepares the CAFR must have the resources needed to make this possible.

IS THE FEDERAL AND CORPORATE STANDARD OF 45 DAYS POSSIBLE?

The federal government and most corporate financial reports are issued within forty-five days of their respective FYEs. Many question why states cannot meet this goal. Our interviews with people who have state government accounting experience reveal that most believe it would be impossible to prepare a state CAFR in less than ninety days, much less forty-five days. Besides the internal difficulties of accumulating and auditing the necessary financial information, obstacles outside the CAFR preparer's control may exist.

For example, the federal government is slow at reimbursing state Medicaid costs. This makes it difficult to determine the amount the state owes its medical providers at FYE. The state of Michigan uses estimates to work around these types of issues. In other cases, proposed legislation may affect the FYE financial data, forcing the CAFR preparers to wait until the legislation is signed (or not signed) into law before the CAFR may be completed.

In summary, the GFOA 180-day benchmark is the most useful criterion in determining whether a state has issued a timely CAFR. This timeframe allows legislators and other officials the opportunity to review the state financial performance as they prepare future budgets. The ability to review prior years' financial reports before the next year's budget process begins provides citizens and their elected officials with critical financial information needed to be knowledgeable participants in this crucial decision making process.

Chart A: Summary of Timeliness of CAFR Release
State CAFR Timeliness Rankings

Timely	Avg.	Tardy	Avg	Worst	Avg
22 States		21 States		6 States	
Alaska	168	Alabama	182	Arizona	318
Arkansas	175	California	279	Connecticut	332
Colorado	172	Delaware	196	Illinois	316
Idaho	168	Florida	226	New Mexico	602
Iowa	171	Georgia	196	Ohio	295
Maryland	158	Hawaii	261	South Dakota	299
Massachusetts	176	Indiana	182		
Michigan	120	Kansas	183		
Minnesota	156	Kentucky	205		
Montana	172	Louisiana	214		
Nebraska	177	Maine	202		
Nevada	168	Mississippi	207		
North Carolina	162	Missouri	221		
North Dakota	180	New Hampshire	232		
Oregon	180	New Jersey	212		
Pennsylvania	175	New York	205		
South Carolina	145	Oklahoma	212		
Tennessee	169	Rhode Island	232		
Utah	139	Texas	181		
Virginia	167	Vermont	193		
Washington	171	West Virginia	250		
Wisconsin	167	Wyoming	186		
Average	165		212		360
Best		Median		Worst	

Note: These are the average number of days between the end of the state's respective FYE 2005, 2006 and 2007 and the release of the CAFR by the state official statutorily responsible for producing the report.