Department of Legislative Services
Office of Legislative Audits

Follow-up Process and Repeat Audit Findings

Presentation to
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Joint Audit Committee

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Overview of Repeat Audit Findings

- OLA issues about 70 fiscal compliance audit reports each year, containing more than 300 recommendations.
- Virtually all recommendations are accepted by agencies.
- As of **June 2002, 43%** of findings were repeated in the first subsequent audit report.
- As of **June 2009, 33%** of findings were repeated in the first subsequent audit report, indicating some gradual improvement since the follow-up process was originally implemented in 2002.
- As of June 2009, 14% of findings were repeated after the second subsequent audit.

Authority for the Follow-up Process

- Chapter 512, Laws of Maryland 2006, effective October 1, 2006, addressed the issue of repeat audit findings.
- Agencies with five or more repeat audit findings are required to begin providing status reports to OLA on corrective actions taken on all audit findings within nine months of the related audit reports.
- Updated status reports must be provided quarterly until OLA determines that satisfactory progress has been made on all findings, or until the next audit begins.
- The goal is to have agencies focus on audit issues and increase their commitment to resolving audit findings by requiring them to periodically report their implementation efforts.
- OLA had implemented a similar follow-up process in 2002, which over a four-year period involved 67 agencies. That process was essentially continued under the 2006 law.

Results of the Follow-up Process Since 2006

- To date, 30 audits (involving 25 agencies) had five or more repeat findings, requiring the applicable agencies to submit quarterly status reports.

- One or more quarterly reports have been submitted for 25 audits to collectively report the status of 347 audit findings.

- For the 5 remaining audits, the first status reports are due over the next nine months. These audits collectively had 62 audit findings.

- The status report process has concluded for 17 agencies.

Results of the Follow-up Process (continued)

- For the 17 agencies for which the status report process has concluded
  - 4 agencies reported that satisfactory progress had been achieved on all 44 findings, and
  - 13 agencies collectively reported that satisfactory progress had been achieved on 79% of their findings. Although full compliance had not been achieved, status reports were discontinued because the subsequent audits had begun.
- The subsequent audits have been completed for 6 of these 17 agencies.
  - Subsequent audits generally showed that agencies' progress in implementing audit recommendations was less than what was reported.
  - 5 of the 6 agencies again required follow-up.

Results of the Follow-up Process (continued)

- While overall results show some improvement, repeat audit findings continue to persist in certain agencies:
  - The **Dept of Juvenile Services** has seen the least progress of participating agencies. After the 5th status report, 11 of 16 findings in the July 2007 report remain unresolved.
  - DHR's **Child Support Enforcement Administration** is participating in the follow-process for the second time. Its October 2008 report contained 15 findings, including 10 repeat findings.
  - DHCD - **Division of Development Finance's** March 2009 report contained 8 findings, including 5 repeat findings. Two findings on multifamily project cash flow loans have been included in audit reports since 1998.

Conclusion

- The follow-up processes used by OLA since 2002 have shown that the increased emphasis on implementing audit recommendations has contributed to an overall reduction in repeat audit findings.
- Since 2002, the percentage of repeat audit findings has decreased from 43% to 33% in 2009.
- OLA will continue to monitor the impact of the repeat finding law on future audits.

Exhibit

Summary Analysis of Report Items and Repeat Findings
Fiscal/Compliance Audits – FY 1996 - 2009

Audit Cycle Ended June 30th	Number of Audits	Number of Current Audit Report Items	% of Prior Report Items Repeated
1996	205	925	35%
1997	206	927	35%
1998	206	954	33%
1999	206	909	32%
2000	206	922	37%
2001	203	861	39%
2002	203	840	43%
2003	203	859	43%
2004	205	944	46%
2005	205	1,027	45%
2006	204	1,026	40%
2007	207	1,045	36%
2008	207	1,041	35%
2009	205	982	33%

Analysis of Fiscal/Compliance Audits
Audit Report Items by General Area of Government
as of June 30, 2009

General Area of Government	Number of Audits	Current Report Items	Prior Report Total Items	Prior Report Repeats	Prior Report Repeat %
Judicial (includes Clerks of Court)	37	79	68	23	34%
Executive and Administrative Control	23	96	98	36	37%
Financial and Revenue Administration	13	59	85	22	26%
Budgetary and Personnel Administration	3	28	26	9	35%
Retirement & Pension Systems Admin.	3	7	2	1	50%
General Services	3	26	9	6	67%
Transportation	9	90	85	29	34%
Natural Resources and Recreation	2	13	16	4	25%
Agriculture	2	10	13	9	69%
Health, Hospitals and Mental Hygiene	25	124	128	38	30%
Human Resources	7	56	68	24	35%
Labor, Licensing and Regulation	7	33	39	13	33%
Public Safety and Correctional Services	13	64	65	26	40%
Public Education	23	205	218	62	28%
Housing and Community Development	3	12	18	6	33%
Business and Economic Development	3	17	9	1	11%
Environment	2	17	15	5	33%
Juvenile Services	2	18	19	12	63%
State Police	1	20	28	10	36%
Registers of Wills	24	8	6	1	17%
Totals	205	982	1,015	337	33%

Notes:

- Number of audits is based on agency audit schedule as of July 1, 2008
- "Audit Report Items" are the fiscal/compliance items contained in latest audit report for all entities subject to audit

Analysis of Fiscal/Compliance Audits
Audit Report Items by Functional Area (Summary)
as of June 30, 2009

Audit Report Item	Total Items	(%)
Program Compliance	285	(29.0%)
Procurement/Disbursements	201	(20.5%)
Information Systems	182	(18.5%)
Cash Receipts	87	(9.0%)
Accounts Receivable	50	(5.1%)
Property	47	(4.8%)
Payroll/Personnel	29	(3.0%)
Universities/Colleges	25	(2.5%)
Federal Funds	22	(2.2%)
Bank Accounts/Working Funds	20	(2.0%)
Materials and Supplies	18	(1.8%)
Other Areas	16	(1.6%)
TOTAL	982	(100%)