



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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Department of Legislative Services Office of Legislative Audits

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 2010**, **30%** of findings were repeated in the first subsequent audit report, indicating gradual improvement since the follow-up process was originally implemented in 2002.
- As of **June 2009**, **11%** 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.
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Results of the Follow-up Process Since 2006

- To date, 38 audits (involving 28 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 31 audits to collectively report the status of 423 audit findings.
- For the 7 remaining audits, the first status reports are due over the next nine months. These audits collectively had 92 audit findings.
- The status report process has concluded for 24 agencies.



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Results of the Follow-up Process (continued)

- For the 24 agencies for which the status report process has concluded
 - 5 agencies reported that satisfactory progress had been achieved on all 58 findings, and
 - 19 agencies collectively reported that satisfactory progress had been achieved on 78% 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 16 of these 24 agencies.
 - For 11 agencies, the subsequent audits showed that agencies' progress in implementing the audit recommendations was less than what was reported.
 - 10 of the 16 agencies again required follow-up.



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 30% in 2010.
- While overall results show improvement, some agencies continue to have challenges in reducing repeat audit findings.
- 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 - 2010

Audit Cycle Ended June 30 th	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%
2010	203	927	30%

**Analysis of Fiscal/Compliance Audits
Audit Report Items by General Area of Government
as of June 30, 2010**

<u>General Area of Government</u>	Number of <u>Audits</u>	Current Report <u>Items</u>	<u>Prior Report</u>		
			<u>Total Items</u>	<u>Repeats</u>	<u>Repeat %</u>
Judicial (includes Clerks of Court)	37	77	76	23	30%
Executive and Administrative Control	23	86	95	34	36%
Financial and Revenue Administration	13	55	72	15	21%
Budgetary and Personnel Administration	4	31	35	9	26%
Retirement & Pension Systems Admin.	3	4	6	0	0%
General Services	2	15	22	5	23%
Transportation	9	77	91	27	30%
Natural Resources and Recreation	2	13	16	4	25%
Agriculture	2	10	10	6	60%
Health, Hospitals and Mental Hygiene	25	123	134	37	28%
Human Resources	6	60	61	23	38%
Labor, Licensing and Regulation	7	33	39	13	33%
Public Safety and Correctional Services	13	62	66	26	39%
Public Education	23	198	227	64	28%
Housing and Community Development	3	12	18	6	33%
Business and Economic Development	3	16	14	3	21%
Environment	2	17	14	4	29%
Juvenile Justice	1	16	17	11	65%
State Police	1	14	20	5	25%
Registers of Wills	<u>24</u>	<u>8</u>	<u>7</u>	<u>2</u>	<u>29%</u>
Totals	203	927	1,040	317	30%

Notes:

- Number of audits is based on agency audit schedule as of July 1, 2009
- "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, 2010**

<u>Audit Report Item</u>	<u>Total Items (%)</u>	
Program Compliance	270	(29.1%)
Procurement/Disbursements	196	(21.1%)
Information Systems	169	(18.2%)
Cash Receipts	79	(8.5%)
Accounts Receivable	48	(5.2%)
Property	45	(4.9%)
Payroll/Personnel	26	(2.8%)
Federal Funds	23	(2.5%)
Bank Accounts/Working Funds	21	(2.3%)
Universities/Colleges	20	(2.2%)
Materials and Supplies	16	(1.7%)
Other Areas	<u>14</u>	<u>(1.5%)</u>
 TOTAL	 <u>927</u>	 <u>(100%)</u>