



Department of Legislative Services
Office of Legislative Audits

Follow-up Process and Repeat Audit Findings

Presentation to
Maryland General Assembly
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 250 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 2012**, **25%** of findings were repeated in the first subsequent audit report, indicating some improvement since the follow-up process was originally implemented in 2002.
- As of June 2012, **9%** of findings were repeated after the second subsequent audit.



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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 provide an initial status report 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, 39 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 all 39 audits to collectively report the status of 526 audit findings.
- The status report process has concluded for 37 agencies.



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Results of the Follow-up Process (continued)

- For the 37 agencies for which the status report process has concluded
 - 8 agencies reported that satisfactory progress had been achieved on all 100 findings, and
 - 29 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 30 of these 37 agencies.
 - For 17 agencies, the subsequent audits showed that agencies' progress in implementing the audit recommendations was less than what was reported.
 - 11 of the 30 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 25% in 2012.
- 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 1998 - 2012

Audit Cycle Ended June 30 th	Number of Audits	Number of Current Audit Report Items	% of Prior Report Items Repeated
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%
2011	202	844	26%
2012	199	740	25%

**Analysis of Fiscal/Compliance Audits
Audit Report Items by General Area of Government
as of June 30, 2012**

<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	62	80	18	23%
Executive and Administrative Control	24	75	94	25	27%
Financial and Revenue Administration	14	47	63	15	24%
Budgetary and Personnel Administration	3	15	36	4	11%
Retirement & Pension Systems Admin.	3	1	8	0	0%
General Services	2	14	26	6	23%
Transportation	9	56	90	11	12%
Natural Resources and Recreation	2	5	13	2	15%
Agriculture	2	9	8	6	75%
Health, Hospitals and Mental Hygiene	23	96	120	24	20%
Human Resources	5	40	60	16	27%
Labor, Licensing and Regulation	6	29	35	14	40%
Public Safety and Correctional Services	13	50	69	16	23%
Public Education	22	167	215	65	30%
Housing and Community Development	3	16	13	6	46%
Business and Economic Development	3	9	17	3	18%
Environment	2	12	17	4	24%
Juvenile Justice	1	14	16	5	31%
State Police	1	14	20	5	25%
Registers of Wills	<u>24</u>	<u>9</u>	<u>9</u>	<u>3</u>	<u>33%</u>
Totals	199	740	1,009	248	25%

Notes:

- Number of audits is based on agency audit schedule as of July 1, 2011
- "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, 2012**

<u>Audit Report Item</u>	<u>Total Items (%)</u>	
Program Compliance	228	(30.8%)
Procurement/Disbursements	142	(19.2%)
Information Systems	134	(18.1%)
Cash Receipts	58	(7.8%)
Property	36	(4.9%)
Accounts Receivable	30	(4.1%)
Bank Accounts/Working Funds	25	(3.4%)
Payroll/Personnel	24	(3.2%)
Universities/Colleges	18	(2.4%)
Federal Funds	16	(2.2%)
Materials and Supplies	13	(1.7%)
Other Areas	<u>16</u>	<u>(2.2%)</u>
 TOTAL	 <u>740</u>	 <u>(100%)</u>