



Department of Legislative Services  
Office of Legislative Audits

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# Follow-up Process and Repeat Audit Findings

Presentation to  
Maryland General Assembly  
Joint Audit Committee

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### Overview of Repeat Audit Findings

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- OLA issues about 70 fiscal compliance audit reports each year, containing more than 220 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 2013**, **21%** of findings were repeated in the first subsequent audit report, indicating significant improvement since the follow-up process was originally implemented in 2002. (See Exhibit)
- As of June 2013, only 7% of findings were repeated after the second subsequent audit.



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### Authority for the Follow-up Process

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- 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

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- To date, 40 audits (involving 29 agencies) have had five or more repeat findings, requiring the applicable agencies to submit quarterly status reports.
- The status report process has concluded for 39 audits which collectively included 526 audit findings.
- The status report process for the 40<sup>th</sup> audit will begin in July 2014.



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### Results of the Follow-up Process (continued)

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- For the 39 agencies for which the status report process has concluded,
  - 9 agencies reported that satisfactory progress had been achieved on all 111 findings, and
  - 30 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 35 of these 39 agencies.
  - For 20 agencies, the subsequent audits showed that agencies' progress in implementing the audit recommendations was less than what was reported.
  - 12 of the 35 agencies again required follow-up.



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### Budget Language Restrictions

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- The April 2013 Joint Chairmen's Report (JCR) also contained language addressing repeat audit findings.
  - Five agencies with four or more repeat audit findings are required to take corrective action with respect to repeat findings by January 1, 2014.
  - These 5 agencies collectively had 21 repeat audit findings in their most recent audit reports.
  - A portion of the administrative appropriations for FY 2014 is being withheld from these agencies until OLA submits a report to the Budget Committees stating that all repeat findings have been corrected.
  - To date, one agency has submitted a report to OLA stating that the findings have been corrected. OLA is in the process of reviewing this report.
  - OLA will review the other agency reports, when received, and report our conclusions to the Budget Committees.
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## Conclusion

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- 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 21% in 2013.
- 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 1999 - 2013

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Audit Cycle Ended June 30 <sup>th</sup>	Number of Audits	Number of Current Audit Report Items	% of Prior Report Items Repeated
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%
2013	195	662	21%

**Analysis of Fiscal/Compliance Audits  
Audit Report Items by General Area of Government  
as of June 30, 2013**

<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	54	80	19	24%
Executive and Administrative Control	23	78	86	25	29%
Financial and Revenue Administration	14	45	62	15	24%
Budgetary and Personnel Administration	3	15	36	4	11%
Retirement & Pension Systems Admin.	3	1	4	0	0%
General Services	2	14	26	6	23%
Transportation	9	57	77	8	10%
Natural Resources and Recreation	2	5	13	2	15%
Agriculture	2	5	9	4	44%
Health, Hospitals and Mental Hygiene	23	91	113	19	17%
Human Resources	5	40	60	16	27%
Labor, Licensing and Regulation	6	23	32	9	28%
Public Safety and Correctional Services	10	28	56	9	16%
Public Education	22	150	195	47	24%
Housing and Community Development	3	11	12	2	17%
Business and Economic Development	3	6	16	2	13%
Environment	2	10	17	4	24%
Juvenile Justice	1	14	16	5	31%
State Police	1	5	14	3	21%
Registers of Wills	<u>24</u>	<u>10</u>	<u>8</u>	<u>1</u>	<u>13%</u>
Totals	195	662	932	200	21%

Notes:

- Number of audits is based on agency audit schedule as of July 1, 2012
- "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, 2013**

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<u>Audit Report Item</u>	<u>Total Items (%)</u>	
Program Compliance	206	(31.1%)
Procurement/Disbursements	122	(18.4%)
Information Systems	125	(18.9%)
Cash Receipts	51	(7.7%)
Property	30	(4.5%)
Payroll/Personnel	29	(4.4%)
Accounts Receivable	27	(4.1%)
Bank Accounts/Working Funds	19	(2.9%)
Universities/Colleges	18	(2.7%)
Federal Funds	14	(2.1%)
Other Areas	<u>21</u>	<u>(3.2%)</u>
 TOTAL	 <u>662</u>	 <u>(100%)</u>