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 50 fiscal compliance audit reports each year containing about 150 recommendations.
- Virtually all recommendations are accepted by agencies.
- As of June 2006, **40%** of findings were repeated in the first subsequent audit report.
- As of June 2017, **23%** of findings were repeated in the first subsequent audit report, indicating significant improvement since 2006. Since 2013, the overall repeat percentage has been stable, although the number of repeat findings has declined (See Exhibit).
- As of June 2017, 6% of findings were repeated after the second subsequent audit.

Follow-up Processes for Repeat Audit Findings

- State Government Article, §2-1224(h) requires agencies with 5 or more repeat audit findings to provide
  - an initial status report to OLA on corrective actions taken on **all findings** within 9 months of the related audit reports, and thereafter,
  - quarterly status reports until satisfactory progress has been made on all findings, or until the next audit begins.

- Budget bill language and committee narrative (Joint Chairmen's Report), instituted annually since the 2013 Session, has restricted the appropriations for agencies with 4 or more repeat audit findings until
  - Corrective action has been taken by the agencies for the **repeat findings**, and
  - OLA submits reports on its determination regarding the actions taken.

Results for the SG §2-1224(h) Follow-up Process

- From 2006 to October 2010, 38 audit reports (involving 30 agencies) have had five or more repeat findings, requiring the applicable agencies to submit quarterly status reports.

- From October 2010 through calendar year 2016, 4 audit reports had five or more repeat findings; the status report process for 3 of these audits has concluded.

  - For those 3 audits, the agencies collectively reported that 3 of the 36 findings had not been resolved, but the subsequent audits found that 5 findings were actually unresolved.
  - The status report process for the other audit is ongoing.

- During calendar year 2017 through November 2017, 2 audit reports had five or more repeat findings, but the status report process has not yet begun.

Results for JCR Follow-up Process

- The April 2016 Joint Chairmen's Report (JCR) contained budget bill language restrictions for 2 agencies with four or more repeat audit findings.
  - Based on OLA's review, the 2 agencies collectively addressed 2 of the 9 findings.
  - The restricted funds were fully released for 1 agency. The funds for the remaining agency were not released.

- The April 2017 JCR contained budget language restrictions for 2 agencies.
  - Both reports have been submitted to OLA.
  - OLA will review these reports and will report our conclusions regarding the corrective actions taken on the 8 repeat findings to the budget committees within 45 days prior to the end of fiscal year 2018.

Conclusion

- The results of the follow-up processes have shown that the increased emphasis on implementing audit recommendations has contributed to an overall reduction in repeat audit findings.

- Since 2006, the overall percentage of repeat audit findings has decreased from 40% to 23% in 2017. Since 2013, the percentage of repeat findings has remained virtually unchanged, but the number of repeat findings continues to decline.

- OLA will continue to follow-up on audits with high numbers of repeat findings and advise the committee of the results.

Exhibit

Summary Analysis of Report Items and Repeat Findings
Fiscal/Compliance Audits – FY 2003 – 2017

Audit Cycle Ended June 30th	Number of Audits	Number of Current Audit Report Items	% of Prior Report Items Repeated
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%
2014	193	615	23%
2015	192	554	23%
2016	190	568	23%
2017	189	546	23%

Analysis of Fiscal/Compliance Audits
Audit Report Items by General Area of Government
as of June 30, 2017

General Area of Government	Number of Audits	Current Report Items	Prior Report Total Items	Prior Report Repeats	Prior Report Repeat %
Judicial and Legal Review (incl. Clerks of Court)	37	38	47	16	34%
Executive and Administrative Control	23	61	73	17	23%
Financial and Revenue Administration	13	37	37	16	43%
Budget, Personnel and Info. Technology	3	14	19	6	32%
Retirement & Pension Systems Admin.	2	2	1	0	0%
General Services	2	8	19	3	16%
Transportation	9	33	55	4	7%
Natural Resources and Recreation	2	6	5	2	40%
Agriculture	2	2	5	2	40%
Health	22	73	86	17	20%
Human Services	5	31	40	15	38%
Labor, Licensing, and Regulation	6	21	23	7	30%
Public Safety and Correctional Services	7	26	28	5	18%
Public Education	23	131	139	22	16%
Housing and Community Development	2	9	9	2	22%
Commerce	3	11	6	1	17%
Environment	2	11	10	2	20%
Juvenile Services	1	12	14	4	29%
State Police	1	12	5	1	20%
Registers of Wills	24	8	9	1	11%
Totals	189	546	630	143	23%

Notes:
- Number of audits is based on agency audit schedule as of July 1, 2016
- "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, 2017

Audit Report Item	Total Items	(%)
Program Compliance	153	(28.0%)
Information Systems	144	(26.4%)
Procurement/Disbursements	98	(18.0%)
Cash Receipts	54	(9.9%)
Activities Unique to Universities/Colleges	21	(3.8%)
Payroll/Personnel	19	(3.5%)
Property	17	(3.1%)
Accounts Receivable	12	(2.2%)
Federal Funds	11	(2.0%)
Bank Accounts/Working Funds	9	(1.6%)
Other Areas	8	(1.5%)
TOTAL	546	(100%)