



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 and Evaluation Committee

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### Overview of Repeat Audit Findings

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- 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 2019, **26%** of findings were repeated in the first subsequent audit report, indicating significant improvement since 2006. Since 2013, the overall repeat percentage had been relatively stable, although in the past two years, the number of repeat findings appears to be rising slightly (See Exhibit).
- As of June 2019, **6%** of findings were repeated after the second subsequent audit, which represents no change from the previous year.



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### Follow-up Processes for Repeat Audit Findings

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- 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.



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

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- From 2006 to October 2010, 38 audit reports (involving 28 agencies) had five or more repeat findings, requiring these agencies to submit quarterly status reports, which are subject to OLA desk review.
  - From October 2010 through December 2016, 4 audit reports had five or more repeat findings and the status report process has concluded.
    - For 3 audits, the agencies collectively reported that 3 of the 36 findings had not been resolved; the subsequent audits found that 5 findings were actually unresolved.
    - For the 4<sup>th</sup> report, the subsequent audit found that 4 of the 8 findings remained unresolved.
  - During calendar years 2017 and 2018, 4 audit reports had five or more repeat findings and have also been subject to the more comprehensive JCR follow-up process and/or the OLA follow-up review process for agencies with unsatisfactory ratings. Subsequent audits for these agencies have not been finalized.
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### Results for the SG §2-1224(h) Follow-up Process

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- During calendar year 2019, 1 audit report had five or more repeat findings and will be subject to an OLA follow-up review process for agencies with unsatisfactory ratings in the near future, as well as the quarterly status report process.



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### JCR Follow-up Process - Background

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- Beginning with the April 2013 Joint Chairmen's Report, in response to JAC concerns, the Chairmen of the Senate Budget and Taxation Committee and the House Appropriations Committee instituted a process to restrict funding for agencies with four or more repeat audit findings, until the submission of a report by OLA on the status of related corrective actions.
- The annual amount of funds restricted for each agency generally is \$100,000, but has recently ranged from \$50,000 to \$250,000.
- The determination of whether to release funding is at the sole discretion of the budget committees.



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### JCR Follow-up Process – Recent Results

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- The April 2018 Joint Chairmen’s Report (JCR) contained budget bill language restrictions for 6 agencies with four or more repeat audit findings (see chart on page 8).
  - Based on OLA’s review, the 6 agencies made progress in addressing 24 of the 33 findings.
  - We were advised that OPA recommended to the budget committees the release of restricted funds to 5 of the 6 agencies.
  
- The April 2019 JCR did not contain any budget language restrictions related to OLA audit findings.



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### April 2018 JCR Follow-up Process

Agency	Report Date	Number of Repeats	Funds Restricted
Department of Human Services (DHS) – Family Investment Administration	4/9/2015 <sup>1</sup>	4	\$250,000
DHS – Office of the Secretary	9/12/2017	4	\$100,000
Maryland Department of Health (MDH) – Office of the Secretary	8/30/2017	6	\$100,000
MDH – Medical Care Programs Administration	8/18/2017	6	\$100,000
Uninsured Employers’ Fund	1/3/2018	7	\$100,000
State Department of Assessments and Taxation	2/22/2018	6	\$100,000

<sup>1</sup> OLA previously reviewed the actions taken by DHS to resolve these findings, in accordance with a requirement in the April 2016 JCR. DHS had not taken corrective actions to resolve 3 of the 4 findings.



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### Conclusion

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- We believe that the various follow-up processes provide useful tools to compel State agencies to generally take meaningful corrective action to implement audit recommendations.
- Since 2006, the overall percentage of repeat audit findings has decreased from 40% to 26% in 2019. While the percentage of repeat findings had remained virtually unchanged for several years, during 2018 and 2019 the number and percentage of repeat findings have again started to increase slightly.

## Exhibit

### Summary Analysis of Report Items and Repeat Findings Fiscal/Compliance Audits – FY 2005 – 2019

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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
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%
2018	188	572	24%
2019	188	593	26%

**Analysis of Fiscal/Compliance Audits  
Audit Report Items by General Area of Government  
as of June 30, 2019**

<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 and Legal Review (incl. Clerks of Court)	36	41	38	19	50%
Executive and Administrative Control	21	44	76	12	16%
Financial and Revenue Administration	13	37	39	15	38%
Budget, Personnel and Info. Technology	4	20	16	5	31%
Retirement & Pension Systems Admin.	2	7	2	0	0%
General Services	2	13	14	3	21%
Transportation	9	41	38	6	16%
Natural Resources and Recreation	2	4	6	3	50%
Agriculture	2	2	5	2	40%
Health	22	84	80	27	34%
Human Services	5	49	31	14	45%
Labor, Licensing, and Regulation	6	22	20	6	30%
Public Safety and Correctional Services	7	27	25	6	24%
Public Education	24	138	143	25	17%
Housing and Community Development	2	9	9	2	22%
Commerce	3	14	5	1	20%
Environment	2	12	6	2	33%
Juvenile Services	1	12	12	3	25%
State Police	1	12	5	1	20%
Registers of Wills	<u>24</u>	<u>5</u>	<u>8</u>	<u>0</u>	<u>0%</u>
Totals	<u>188</u>	<u>593</u>	<u>578</u>	<u>152</u>	<u>26%</u>

**Notes:**

- Number of audits is based on agency audit schedule as of July 1, 2018
- "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, 2019**

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<u>Audit Report Item</u>	<u>Total Items (%)</u>	
Program Compliance	179	(30.2%)
Information Systems	137	(23.1%)
Procurement/Disbursements	110	(18.5%)
Cash Receipts	54	(9.1%)
Universities/Colleges	32	(5.4%)
Payroll/Personnel	29	(4.9%)
Property	17	(2.8%)
Federal Funds	13	(2.2%)
Accounts Receivable	11	(1.9%)
Other Areas	<u>11</u>	<u>(1.9%)</u>
 TOTAL	 <u>593</u>	 <u>(100%)</u>