



Department of Legislative Services  
Office of Legislative Audits

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# Summary of Audit Reports and Follow-up Activity Recommendations for Letters of Concern

Presentation to Joint Audit and Evaluation Committee

Brian S. Tanen, CPA, CFE  
Christine A. Timanus, CPA

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## OLA Audit Requirements

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The State Government Article provides for OLA to conduct various audits.

- § 2-1220(a)(2) requires OLA to conduct a fiscal/compliance audit of each Executive and Judicial branch agency of State government at an interval ranging from 3 to 4 years.
- § 2-1220(d) requires OLA to review audit reports prepared under §§ 16-305 through 16-308 of the Local Government Article, with respect to a county, municipal corporation, or taxing district and § 16-315 of the Education Article, with respect to a community college.
- § 2-1220(e) requires OLA to conduct an audit of each local school system to evaluate the effectiveness and efficiency of the financial management practices of each local school systems at least once every 6 years (unless an exemption is received).



## OLA Audit Requirements – continued

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- § 2-1220(f) & (g) requires OLA to conduct a performance audit of the Liquor Boards for Baltimore City and Prince George's County at least once every 6 years.
- § 2-1220(h) requires OLA to conduct an audit of the Baltimore Police Department at least once every 6 years.



## Confidentiality

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- § 2-1224(f) states that OLA's reports are available to the public except for cybersecurity findings that are redacted from public reports in accordance with § 2-1224(i). Contents of OLA's reports must remain confidential until posted on OLA's public website.
- § 2-1226 states that information OLA obtains during an examination is confidential.



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## Summary of FY 2025 Reports Issued

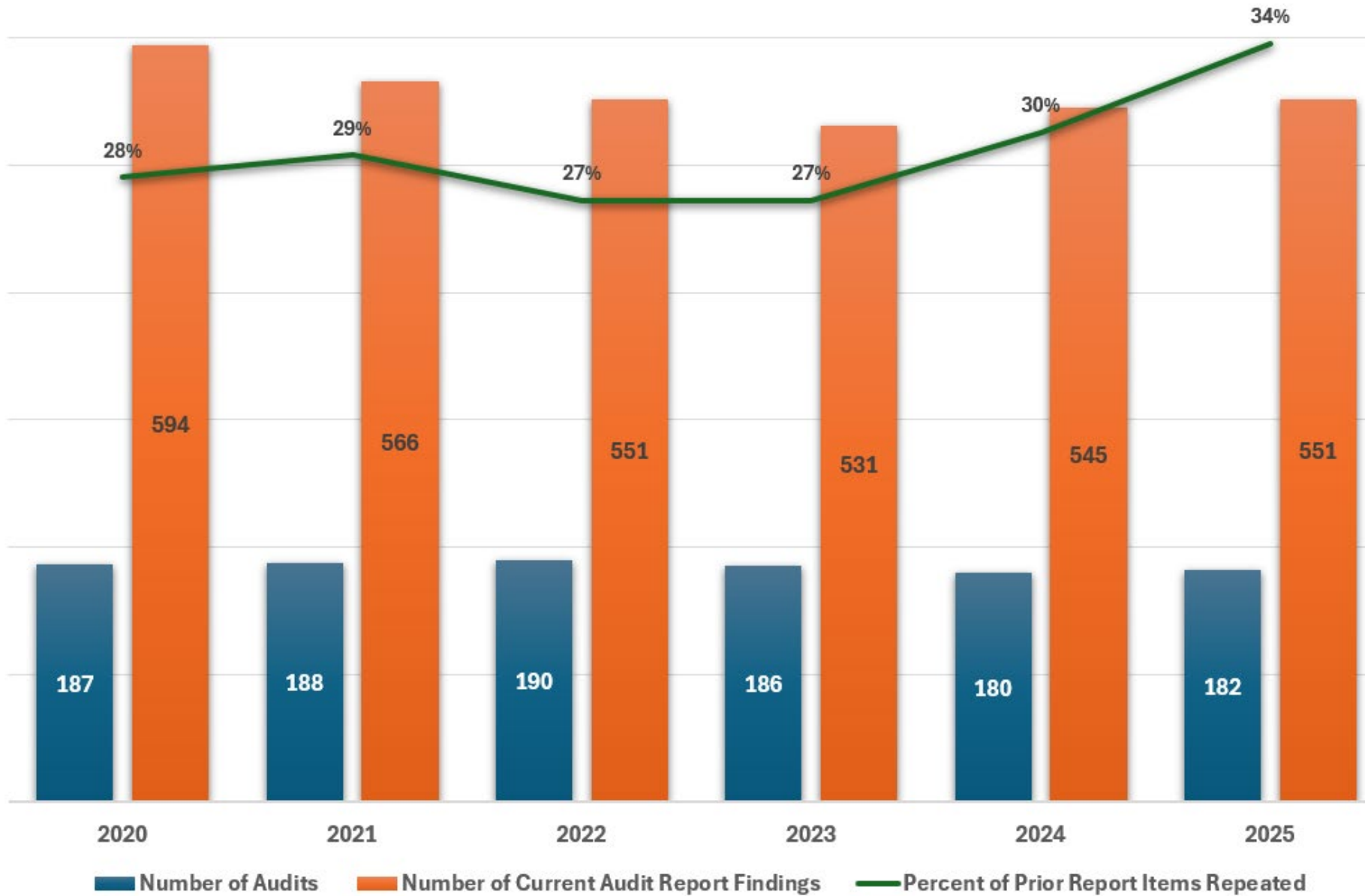
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In fiscal year 2025, OLA issued

- 68 fiscal compliance reports
- 8 local school system reports
- 1 report on the review of local government audit reports (including 77 separate communications to 61 local governments for deficiencies)
- 1 report on the review of community college audit reports
- 2 liquor board reports (Baltimore City and Prince George's County)
- 2 special reports (Closeout report/PTE Tax Credits special letter)
- 6 reports on agency repeat audit findings in response to the JCRs
- 3 follow-up reviews of unsatisfactory reports



## Overview of Audit Findings – Statistics (audit cycle)



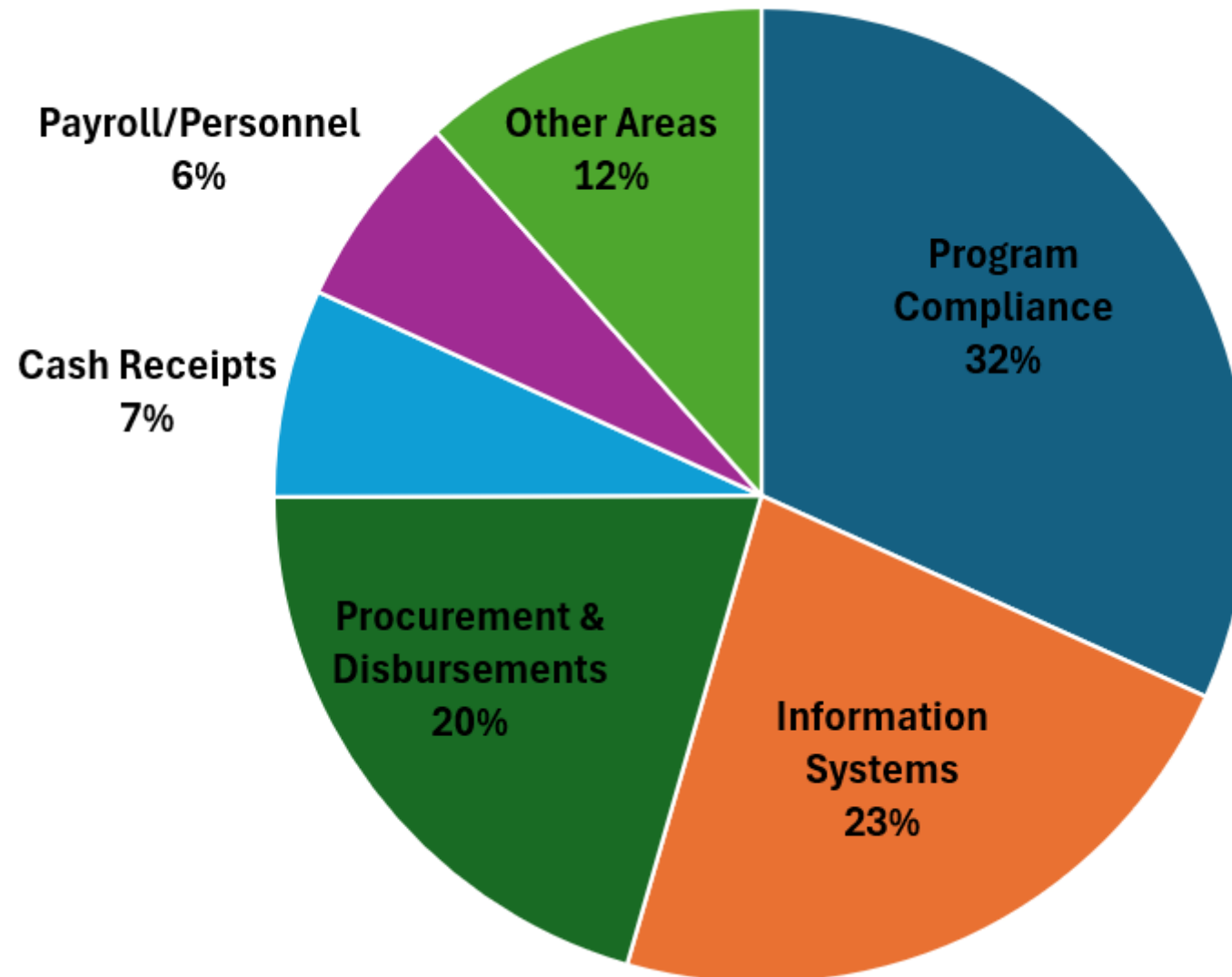
**Number of findings are increasing including repeat findings**

**34% of findings were repeated**

**10% were repeated in two or more audits**



## Overview of Audit Findings – Functional Areas (audit cycle)



**32% of the findings in the most recent audit cycle related to program compliance (such as lack of compliance with terms of a program or grant, background checks, and licensing)**



## FY 2025 Losses Identified

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OLA audit reports routinely identify potential or actual losses primarily related to agencies not having comprehensive procedures including:

- Untimely recovery of federal funds resulting in certain funds no longer being available
  - MDL – accrued federal fund revenue entries totaling \$204.7 million not supported, including \$67.6 million no longer recoverable
  - DNR – \$603,000 in federal funds not recoverable because costs deemed ineligible by federal granting agency
  
- Overpayments to vendors, grantees, employees
  - DHS – Office of the Secretary – improper payments to 36 former employees totaling \$109,000
  - Prince George’s LEA – one employee overpaid \$7.4 million
  - MIA – improper refunds of premium taxes totaling \$800,000



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## FY 2025 Losses Identified - continued

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- Lost investment income due to untimely collections or recovery of federal funds
  - MDEM – failed to recover \$691.6 million in federal reimbursement of public assistance grant expenditures resulting in lost investment income of at least \$19.2 million
  - DDA – recovery of prospective payments to providers not pursued timely resulting in lost investment income of \$4.5 million
  
- Payments for goods and services not received
  - UMGC – an IT project being developed for Ventures was not adequately monitored, which was ultimately determined to be unusable and abandoned after UMGC expended \$25.7 million
  - FSU – adequate due diligence and compliance with certain procurement policies for a new financial aid system were not exercised and FSU discontinued the contract, resulting in the loss of \$680,000 expended on the system
  
- Failure to collect liquidated damages
  - DPSCS – Healthcare Contracts – liquidated damages of \$10.5 million on the mental health contract were not assessed and liquidated damages were not properly calculated for the medical contract resulting in DPSCS failing to assess damages of \$809,000



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## Agency Vacancy Rates

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- Vacancies can have a significant impact on maintaining effective controls and resolving audit findings.
- Agencies frequently cite staffing/turnover as a reason for audit findings or for not addressing prior report findings.
- OLA started including agency vacancy information in our audit reports in March 2023.
- During fiscal year 2025, 24 reports have been issued with vacancy rates over 10%, of which 14 reports indicate that the vacancies may have contributed, at least in part, to the findings in our reports.



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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.

- The annual amount of funds restricted for each agency is generally \$100,000 but has recently ranged as high as \$500,000.
- Funds are withheld until corrective action has been taken for **all repeat findings**, and OLA submits reports on its determination regarding the actions taken. The determination of whether to release funding is at the sole discretion of the budget committees.



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## SG § 2-1224(h) Follow-up Process – Recent Results

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During calendar year 2025, there were 6 audits subject to the quarterly status report process:

- Quarterly status reports are ongoing for 1 audit report. OLA's review of the most recent status reports submitted by this agency concluded that 70% of the collective findings are still in progress.
- Quarterly status reports for 4 audit reports initiated in June 2023, December 2023, February 2024, and August 2024 concluded in CY'25 due to subsequent audits starting before satisfactory progress was made to address all findings (3 reports) or due to satisfactory progress being made to address all findings (1 report).
- Quarterly status reports for 1 audit report would have been initiated in June 2025; however, after OLA conducted a formal follow-up review that showed a number of unresolved findings and as a result of the agency's unwillingness to implement several findings, quarterly status reports were not requested.



## JCR Follow-up Process – Recent Results

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- The April 2024 JCR contained budget bill language restrictions for 5 agencies with a combined 25 repeat findings. OLA's review of the status reports submitted by these agencies in calendar year 2025 concluded that all 5 agencies had not fully resolved the findings, with about 60% of the collective findings still in progress. The budget committees did not release the restricted funds for these agencies.
- The April 2025 JCR contained budget bill language restrictions for 4 agencies with a combined 15 repeat findings. OLA will review the reports submitted by these agencies and will report our conclusions regarding the corrective actions to the budget committees during the 2026 Session.
- In addition to the above, there were budget language restrictions in April 2024 and 2025 for cybersecurity-related findings.



## Letters of Concern

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OLA is recommending Letters of Concern for the following agencies:

- University of Maryland Global Campus – Report Date August 20, 2024
- Department of Public Safety and Correctional Services (Healthcare Contracts)  
– Report Date November 25, 2024
- MDH Regulatory Services – Report Date April 9, 2025
- Department of Juvenile Services – Report Date May 1, 2025
- Baltimore City Register of Wills Special Review – Report Date July 24, 2025
- Department of General Services – Report Date July 28, 2025



## Conclusion

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- Since 2009, the overall percentage of repeat audit findings had decreased significantly to as low as 21% in 2013 but the percentage has continued to steadily increase to 34% in 2025.
- We believe that agency vacancy rates may be contributing to the number of repeat findings.
- It does not appear that the various follow-up processes are having a substantive impact for State agencies to take meaningful corrective action to implement audit recommendations.
- OLA will continue to monitor this trend and make any additional recommendations to the Committee in the future.