Department of Legislative Services
Office of Legislative Audits

Follow-up Process and Repeat Audit Findings

Presentation to the Joint Audit Committee

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Overview of Repeat Audit Findings

- OLA issues about 65 fiscal compliance audit reports each year, containing about 200 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 2014, **23%** of findings were repeated in the first subsequent audit report, indicating significant improvement. (See Exhibit)
- As of June 2014, **8%** 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 during the 2013 Session, restricted the appropriations for agencies with 4 or more repeat audit findings until
  - corrective actions have 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

- Since 2006, 41 audit reports (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. (Only 3 audit reports issued after October 2010 have required follow-up.)

- The status report process for the other two audits is still ongoing.

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

- 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 38 of these 39 agencies.
  - For 22 agencies, the subsequent audits showed that agencies' progress in implementing the audit recommendations was less than what was reported.
  - 12 of the 38 agencies again required follow-up.

Results for JCR Follow-up Process

- The April 2013 Joint Chairmen's Report (JCR) contained budget bill language restrictions for 5 agencies with four or more repeat audit findings during their most recent audit report.
  - Based on OLA's review, these 5 agencies collectively addressed 15 of the 21 findings. The restricted funds were released for 4 agencies.
  - The funds for the other agency were used to cover a deficit incurred by that agency. Restrictions were again placed on this agency during the 2014 Session, since the four prior findings were not resolved.
- The April 2014 JCR contained budget language restrictions for 9 agencies.
  - All 9 agencies have submitted a report to OLA regarding the corrective actions taken on 41 repeat findings.
  - OLA is in the process of reviewing these reports, and will report our conclusions to the Budget Committees within 45 days prior to the end of FY15.

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 percentage of repeat audit findings has decreased from 40% to 23% in 2014.

- 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 2000 - 2014

Audit Cycle Ended June 30th	Number of Audits	Number of Current Audit Report Items	% of Prior Report Items Repeated
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%
2014	193	615	23%

Analysis of Fiscal/Compliance Audits
Audit Report Items by General Area of Government
as of June 30, 2014

General Area of Government	Number of Audits	Current Report Items	Prior Report		
			Total Items	Repeats	Repeat %
Judicial (includes Clerks of Court)	37	39	70	18	26%
Executive and Administrative Control	22	71	79	23	29%
Financial and Revenue Administration	13	48	54	18	33%
Budgetary and Personnel Administration	3	19	31	5	16%
Retirement & Pension Systems Admin.	3	1	4	0	0%
General Services	2	19	15	5	33%
Transportation	9	49	62	6	10%
Natural Resources and Recreation	2	5	13	2	15%
Agriculture	2	5	8	5	63%
Health, Hospitals and Mental Hygiene	23	82	107	19	18%
Human Resources	5	40	54	18	33%
Labor, Licensing and Regulation	6	22	30	9	30%
Public Safety and Correctional Services	10	28	56	9	16%
Public Education	22	138	192	41	21%
Housing and Community Development	3	9	17	3	18%
Business and Economic Development	3	6	16	2	13%
Environment	2	10	17	4	24%
Juvenile Justice	1	12	14	4	29%
State Police	1	5	14	3	21%
Registers of Wills	24	7	10	1	10%
Totals	193	615	863	195	23%

Notes:

- Number of audits is based on agency audit schedule as of July 1, 2013
- "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, 2014

Audit Report Item	Total Items	(%)
Program Compliance	171	(27.8%)
Information Systems	128	(20.8%)
Procurement/Disbursements	122	(19.8%)
Cash Receipts	52	(8.4%)
Payroll/Personnel	30	(4.9%)
Property	27	(4.4%)
Accounts Receivable	23	(3.8%)
Universities/Colleges	19	(3.1%)
Bank Accounts/Working Funds	18	(2.9%)
Federal Funds	11	(1.8%)
Other Areas	14	(2.3%)
TOTAL	615	(100%)