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 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 2015, **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 2015, **7%** 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 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

- Since 2006, 42 audit reports (involving 30 agencies) have had five or more repeat findings, requiring the applicable agencies to submit quarterly status reports.

- Since October 2010, only 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 at the time the subsequent audits were started.

- The status report process for the other audit is ongoing.

## Results for JCR Follow-up Process

- The April 2014 Joint Chairmen's Report (JCR) contained budget bill language restrictions for 9 agencies with four or more repeat audit findings during their most recent audit report.
  - Based on OLA's review, these 9 agencies collectively addressed 24 of the 41 findings. The restricted funds were released for 5 agencies.
  - The funds for the remaining 4 agencies were not released. Restrictions were again placed on these agencies during the 2015 Session.
- The April 2015 JCR contained budget language restrictions for 7 agencies, including 4 agencies for which restricted funds were not previously released.
  - Except for the 1 report due in January 2016, the remaining reports have been submitted to OLA.
  - OLA will review these reports and will report our conclusions regarding the corrective actions taken on the 22 repeat findings to the budget committees within 45 days prior to the end of FY16.

## 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 2015. 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 2001 – 2015

| Audit Cycle Ended June 30th | Number of Audits | Number of Current Audit Report Items | % of Prior Report Items Repeated |
|---|---|---|---|
| 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% |
| 2015 | 192 | 554 | 23% |

# Analysis of Fiscal/Compliance Audits
# Audit Report Items by General Area of Government
# as of June 30, 2015

| General Area of Government | Number of Audits | Current Report Items | Prior Report | | |
|---|---|---|---|---|---|
| | | | Total Items | Repeats | Repeat % |
| Judicial (includes Clerks of Court) | 37 | 37 | 62 | 19 | 31% |
| Executive and Administrative Control | 22 | 74 | 70 | 24 | 34% |
| Financial and Revenue Administration | 13 | 39 | 50 | 17 | 34% |
| Budget, Personnel and Info. Technology | 3 | 14 | 16 | 5 | 31% |
| Retirement & Pension Systems Admin. | 3 | 2 | 1 | 0 | 0% |
| General Services | 2 | 14 | 14 | 4 | 29% |
| Transportation | 9 | 47 | 57 | 5 | 9% |
| Natural Resources and Recreation | 2 | 6 | 5 | 2 | 40% |
| Agriculture | 2 | 5 | 8 | 5 | 63% |
| Health, Hospitals and Mental Hygiene | 22 | 75 | 101 | 21 | 21% |
| Human Resources | 5 | 29 | 47 | 13 | 28% |
| Labor, Licensing and Regulation | 6 | 20 | 27 | 7 | 26% |
| Public Safety and Correctional Services | 10 | 20 | 56 | 8 | 14% |
| Public Education | 22 | 127 | 170 | 30 | 18% |
| Housing and Community Development | 3 | 9 | 17 | 3 | 18% |
| Business and Economic Development | 3 | 5 | 14 | 1 | 7% |
| Environment | 2 | 6 | 12 | 2 | 17% |
| Juvenile Services | 1 | 12 | 14 | 4 | 29% |
| State Police | 1 | 5 | 14 | 3 | 21% |
| Registers of Wills | 24 | 8 | 11 | 1 | 9% |
| Totals | 192 | 554 | 766 | 174 | 23% |

Notes:

- Number of audits is based on agency audit schedule as of July 1, 2014
- "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, 2015

| Audit Report Item | Total Items | (%) |
|---|---|---|
| Program Compliance | 146 | (26.4%) |
| Information Systems | 132 | (23.8%) |
| Procurement/Disbursements | 108 | (19.5%) |
| Cash Receipts | 59 | (10.7%) |
| Property | 23 | (4.2%) |
| Payroll/Personnel | 19 | (3.4%) |
| Accounts Receivable | 18 | (3.2%) |
| Universities/Colleges | 18 | (3.2%) |
| Federal Funds | 12 | (2.2%) |
| Bank Accounts/Working Funds | 9 | (1.6%) |
| Other Areas | 10 | (1.8%) |
| TOTAL | 554 | (100%) |