Department of Legislative Services
Office of Legislative Audits

Follow-up Process and Repeat Audit Findings

Presentation to
Maryland General Assembly
Joint Audit Committee

Thomas J. Barnickel III, CPA
December 6, 2016

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 2016, 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 2016, 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

- 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, but the subsequent audits found that 5 findings were actually unresolved.

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

Results for JCR Follow-up Process

- The April 2015 Joint Chairmen's Report (JCR) contained budget bill language restrictions for 7 agencies with four or more repeat audit findings, including 4 agencies for which restricted funds were not previously released.
  - Based on OLA's review, these 7 agencies collectively addressed 13 of the 22 findings.
  - The restricted funds were fully released for 4 agencies and partially released for 1 agency. The funds for the remaining 2 agencies were not released.
- The April 2016 JCR contained budget language restrictions for 2 agencies.
  - One report has been submitted to OLA. The remaining report is not due until January 2017.
  - OLA will review these reports and will report our conclusions regarding the corrective actions taken on the 9 repeat findings to the budget committees within 45 days prior to the end of FY17.

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 2016. 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 2002 – 2016

Audit Cycle Ended June 30th	Number of Audits	Number of Current Audit Report Items	% of Prior Report Items Repeated
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%
2016	190	568	23%

Analysis of Fiscal/Compliance Audits
Audit Report Items by General Area of Government
as of June 30, 2016

General Area of Government	Number of Audits	Current Report Items	Prior Report Total Items	Prior Report Repeats	Prior Report Repeat %
Judicial (includes Clerks of Court)	37	36	57	18	32%
Executive and Administrative Control	23	73	78	22	28%
Financial and Revenue Administration	13	39	46	17	37%
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	39	57	4	7%
Natural Resources and Recreation	2	6	5	2	40%
Agriculture	2	2	5	2	40%
Health, Hospitals and Mental Hygiene	22	72	91	22	24%
Human Resources	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	152	23	15%
Housing and Community Development	2	9	11	1	9%
Business and Economic Development	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	7	11	1	9%
Totals	190	568	670	156	23%

Notes:

- Number of audits is based on agency audit schedule as of July 1, 2015
- "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, 2016

Audit Report Item	Total Items	(%)
Program Compliance	153	(26.9%)
Information Systems	142	(25.0%)
Procurement/Disbursements	112	(19.7%)
Cash Receipts	55	(9.7%)
Property	21	(3.7%)
Payroll/Personnel	19	(3.3%)
Accounts Receivable	17	(3.0%)
Universities/Colleges	17	(3.0%)
Federal Funds	14	(2.5%)
Bank Accounts/Working Funds	9	(1.6%)
Other Areas	9	(1.6%)
TOTAL	568	(100%)