



Department of Legislative Services  
Office of Legislative Audits

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## **Follow-up Process and Repeat Audit Findings**

**Presentation to Joint Audit and Evaluation Committee**

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**December 1, 2021**

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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, although there have been a few recent disagreements.
- As of June 2006, **40%** of findings were repeated in the first subsequent audit report.
- As of June 2021, **29%** 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 4 years, the number of repeat findings appears to be rising each year (See Exhibit).
- As of June 2021, 8% 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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### Historical Perspective:

- From 2006 to October 2010, 38 audit reports (involving 28 agencies) had 5 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 5 or more repeat findings and the status report process has concluded. These 4 audit reports collectively contained 44 report findings (including 23 repeats). The next audit for each found that 35 of the 44 prior findings were resolved (only 1 of the original 23 repeats was not corrected).
- During calendar years 2017 and 2018, 4 audit reports had 5 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. These 4 audit reports collectively contained 50 report findings (including 26 repeats). The next audit for each found that 37 of the 50 prior findings were resolved (only 4 of the original 26 repeats were not corrected).



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

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- During calendar year 2019, 2 audit reports had 5 or more repeat findings and have also been subject to the OLA follow-up review process for agencies with unsatisfactory ratings or the more comprehensive JCR follow-up process. Subsequent audits are in progress for both agencies.
- During calendar year 2020, no audit reports issued had 5 or more repeat findings.
- During calendar year 2021, 3 audit reports (MDH – Regulatory Services, DHS – Social Services Administration (SSA), and Higher Education Commission) had 5 or more repeat findings and one of these reports (SSA) will also be subject to an OLA follow-up review process for agencies with unsatisfactory ratings. All 3 reports are subject to 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 4 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 2019 Joint Chairmen’s Report (JCR) did not contain any budget language restrictions related to OLA audit findings.
- The April 2020 JCR contained budget bill language restrictions for 2 agencies with 4 or more repeat audit findings.
  - Based on OLA’s review, the 2 agencies collectively had taken sufficient actions to resolve over half of the findings, with the remaining findings still in progress.
  - The restricted funds were fully released for both agencies.
- The April 2021 Joint Chairmen’s Report (JCR) did not contain any budget language restrictions related to OLA audit findings.
- In addition to the above, there were budget language restrictions in April 2020 and April 2021 for cybersecurity-related findings (see slides on pages 8 and 9).



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## JCR Follow-up – PII Audit Findings

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- In addition to the 2 agencies previously identified, the April 2020 JCR contained budget language restrictions for 3 agencies (see chart on page 10) that had repeat findings on the failure to safeguard personally identifiable information (PII) in their audit reports issued in 2019.
  - The restricted funds were released for these agencies after OLA reviewed the State Chief Information Security Officer (SCISO) status report and determined that each agency either resolved the findings or demonstrated a commitment to correct the findings.





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## JCR Follow-up – Cybersecurity Audit Findings

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- The April 2021 JCR also contained budget language restrictions for 3 agencies (see page 10) that had repeat cybersecurity audit findings in their audit reports issued in 2020. These agencies each have \$100,000 in general fund appropriation for administration withheld until:
  - they meet with the SCISO to identify and document a path to resolve the findings;
  - SCISO submits a report to OLA by February 1, 2022 addressing corrective actions taken to remediate cybersecurity audit findings, a path and timeline for resolving any outstanding issues, and any ongoing costs associated with corrective actions; and
  - OLA reviews the actions identified and determines that they demonstrate the agencies' commitment to correct each repeat. OLA shall report its results to the budget committees and JAEC by May 1, 2022.
  
- The Baltimore County Local School System must also complete the items above.



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## JCR Follow-up – PII/Cybersecurity Audit Findings

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Agency	Funds Restricted
<p>Calendar Year 2019<sup>1</sup></p> <ul style="list-style-type: none"><li>State Treasurer's Office</li><li>Department of Budget and Management</li><li>State Department of Education</li></ul> <p><sup>1</sup> Funds restricted for calendar year 2019 were released in April 2021</p>	<p>\$100,000</p> <p>\$100,000</p> <p>\$100,000</p>
<p>Calendar Year 2020</p> <ul style="list-style-type: none"><li>COM – Revenue Administration Division</li><li>COM – Information Technology Division</li><li>USM – Frostburg State University</li><li>Baltimore County Local School System</li></ul>	<p>\$100,000</p> <p>\$100,000</p> <p>\$100,000</p> <p>N/A</p>



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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, although the Committee may desire to initiate discussion on possible enhancements.
- Since 2006, the overall percentage of repeat audit findings has decreased from 40% to 29% in 2021. However, while the percentage of repeat findings had remained virtually unchanged for several years, starting in 2018 a worrisome upward trend has been noticed whereby the number and percentage of repeat findings have again started to increase. OLA will continue to monitor this trend and report to the Committee.

## Exhibit

### Summary Analysis of Report Items and Repeat Findings Fiscal/Compliance Audits – Fiscal Years 2006 – 2021

(Data provided for each "Audit Cycle" is a rolling number,  
which includes the results of most recent audit of each agency.)

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Audit Cycle Ended June 30 <sup>th</sup>	Number of Audits	Number of Current Audit Report Items	Percent of Prior Report Items Repeated
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%
2020	187	594	28%
2021	188	566	29%

**Analysis of Fiscal/Compliance Audits'  
Audit Report Items by General Area of Government  
as of June 30, 2021**

<u>General Area of Government</u>	Number of Audits <sup>1</sup>	Current Report Items <sup>2</sup>	Repeat Calculation		
			Current Report Repeats <sup>3</sup>	Prior Report Items <sup>4</sup>	Repeat Percent <sup>5</sup>
Judicial and Legal Review (incl. Clerks of Court)	36	38	16	37	43%
Executive and Administrative Control	20	34	9	49	18%
Financial and Revenue Administration	14	39	13	36	36%
Budget, Personnel and Info. Technology	4	35	5	14	36%
Retirement & Pension Systems Admin.	2	7	0	2	0%
General Services	2	14	5	6	83%
Transportation	9	38	5	38	13%
Natural Resources and Recreation	2	7	1	4	25%
Agriculture	1	3	2	2	100%
Health	24	88	26	80	32%
Human Services	5	31	17	46	37%
Labor, Licensing, and Regulation	6	22	6	21	28%
Public Safety and Correctional Services	5	16	8	26	31%
Public Education	25	133	32	133	24%
Housing and Community Development	2	10	4	9	44%
Commerce	3	12	2	11	18%
Environment	2	13	4	11	36%
Juvenile Services	1	12	3	12	25%
State Police	1	11	3	12	25%
Registers of Wills	<u>24</u>	<u>3</u>	<u>0</u>	<u>8</u>	<u>0%</u>
Totals	<u>188</u>	<u>566</u>	<u>161</u>	<u>557</u>	<u>29%</u>

**Notes:**

- 1 – Number of total fiscal compliance audits in a full audit cycle (3-4 years) per agency audit schedule for fiscal year 2021 (Most general areas of government have numerous individual agencies audited.)
- 2 – Number of total report items in most recent report for each agency audited as of June 30, 2021
- 3 – Number of total repeats in most recent report for each agency audited as of June 30, 2021
- 4 – Number of total report items in prior audit report for each agency
- 5 – Repeat Calculation = Current Report Repeats (3) divided by number of Prior Report Items (4)

**Analysis of Fiscal/Compliance Audits  
Audit Report Items by Functional Area (Summary)  
as of June 30, 2021**

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<u>Audit Report Item</u>	<u>Total Items (Percent)</u>	
Program Compliance	192	(34%)
Information Systems	129	(23%)
Procurement/Disbursements	103	(18%)
Cash Receipts	47	(8%)
Universities/Colleges	33	(6%)
Payroll/Personnel	26	(5%)
Property	14	(2%)
Federal Funds	9	(2%)
Accounts Receivable	7	(1%)
Other Areas	<u>6</u>	<u>(1%)</u>
TOTAL	<u>566</u>	<u>(100%)</u>