

Accountability and Compliance Rating System

Presentation to Joint Audit Committee

Bruce A. Myers, CPA

December 9, 2008

Office of Legislative Audits

Accountability and Compliance Rating System

HISTORY:

- In 1981, the Joint Budget and Audit Committee requested the Legislative Auditor to establish a methodology to help assess the fiscal performance of State agencies with regard to accounting records and practices, and their level of compliance with applicable laws, rules and regulations. The Committee's request was based on its growing dissatisfaction with the level of accountability and compliance on the part of State agencies.
- The 1983 Joint Chairmen's Report recommended that for all agencies receiving an unsatisfactory rating designation, a follow-up examination be performed to verify corrections of the audit deficiencies.
- A law enacted in 1985 (Chapter 556, Laws of Maryland, 1985, effective July 1, 1985) formalized the Legislative Auditor's use of a rating system. Specifically, the law stated that the Office of Legislative Audits may develop an overall evaluation of a unit's financial transactions and records, and compliance with applicable laws and orders as a means of comparing the various units of State government. The law was amended in 1997 (Chapters 635 and 636, Laws of Maryland, 1997, effective July 1, 1997). As a result, Title 2-1221(e) of the State Government Article states that this Office shall develop and use a rating system upon the approval of the Joint Audit Committee. The Committee approved the continued use of the rating system during the 1997 Interim.
- The audit rating process and the related results are annually reviewed by the Joint Audit Committee to assist in performing its oversight responsibilities.

GUIDELINES:

- Guidelines for establishing agency accountability and compliance ratings were developed by this Office and have been reviewed by the Joint Audit Committee. No changes are being recommended at this time.

CURRENT STATUS OF AGENCIES WITH UNSATISFACTORY RATINGS:

- There are currently two agencies with unsatisfactory ratings – see page 2 for the list of these agencies and related comments regarding follow-up audit efforts. No recommendations are being made at this time for the Joint Audit Committee.

CONCLUSION:

- The Office will continue using the rating system unless otherwise directed by the Committee.

**Office of Legislative Audits
Accountability and Compliance Ratings
Schedule of Agencies with Unsatisfactory Ratings
December 2008**

<u>Agency</u>	<u>Date of Audit Report</u>	<u>Comments</u>
Department of Health and Mental Hygiene – Medical Care Programs Administration (Medicaid)	July 2006	Joint Audit Committee hearing held November 2006. Follow-up review completed – report issued 7/13/07 which indicated progress has been made in implementing corrective actions: 5 of the 10 reviewed had been corrected or substantially corrected and 5 others were in process. We are currently conducting a performance audit that addresses some of the key issues identified during our preceding audit. Next fiscal/compliance audit to begin in the near future.
Maryland Department of Transportation - Motor Vehicle Administration	October 2007	Joint Audit Committee hearing held December 2007. Follow-up review field work has been conducted; the related report will be issued in the near future.