



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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Department of Legislative Services Office of Legislative Audits

Overview of Repeat Audit Findings

- OLA issues about 70 fiscal compliance audit reports each year, containing more than 300 recommendations.
 - Virtually all recommendations are accepted by agencies.
 - As of **June 2002**, **43%** of findings were repeated in the first subsequent audit report.
 - As of **June 2008**, **35%** of findings were repeated in the first subsequent audit report, indicating improvement since the process was implemented.
 - As of June 2008, **16%** of findings were repeated after the second subsequent audit.
 - The goal of the follow-up process is to have agencies focus on audit issues and increase their commitment to resolving audit findings by requiring them to periodically report their implementation efforts.
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Follow-up Process 2002 - 2006

- To address the high repeat finding rate, OLA initiated its first follow-up process in calendar year 2002.
- During the 2002 to 2006 period, status reports were received from **67 agencies**.
- **40 agencies** reported achieving full or substantial progress.
- The remaining **27 agencies** reported that implementation of the audit recommendations was still in process.
- The subsequent audits generally showed a reduction in the number of repeat findings for these agencies.



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Follow-up Process October 2006 to Present

- Chapter 512, Laws of Maryland 2006, addressed the issue of repeat audit findings within the judicial and executive branches.
- Agencies with five or more repeat audit findings are now required, by law, to provide status reports to OLA on corrective actions taken on all audit findings within nine months of the related audit reports.
- Updated status reports must be provided quarterly until OLA determines that **satisfactory progress has been made on all findings**, or until the next audit begins.
- The law became effective October 1, 2006.



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Results of Current Follow-up Process

- To date, 20 agencies have submitted one or more quarterly reports under the new law to collectively report the status of 297 audit findings.
- 5 more agencies will be submitting their first status reports over the next nine months. These agencies collectively had 50 audit findings.
- The status report process has concluded for 10 agencies.



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Results of Current Follow-up Process (continued)

- For the 10 agencies for which the status report process has concluded
 - 3 agencies reported that satisfactory progress had been achieved on all 34 findings, and
 - 7 agencies collectively reported that satisfactory progress had been achieved on 74% 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 3 of these 7 agencies.
- These subsequent audits generally showed that agencies' progress in implementing audit recommendations was somewhat less than what was reported.



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Conclusion

- OLA implemented the new “repeat finding” law in October 2006. Additional time is needed to better assess its impact.
- Overall results indicate that increased emphasis on implementing audit recommendations has been effective.
- Since 2002, the percentage of repeat audit findings has decreased from 43% to 35% in 2008.
- OLA will continue to monitor and evaluate the impact of the repeat finding law on future audits.

Exhibit

Summary Analysis of Report Items and Repeat Findings Fiscal/Compliance Audits – FY 1996 - 2008

Audit Cycle Ended June 30 th	Number of Audits	Number of Current Audit Report Items	% of Prior Report Items Repeated
1996	205	925	35%
1997	206	927	35%
1998	206	954	33%
1999	206	909	32%
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%

**Analysis of Fiscal/Compliance Audits
Audit Report Items by General Area of Government
as of June 30, 2008**

<u>General Area of Government</u>	Number of <u>Audits</u>	Current Report <u>Items</u>	<u>Prior Report</u>		
			<u>Total Items</u>	<u>Repeats</u>	<u>Repeat %</u>
Judicial (includes Clerks of Court)	37	80	60	20	33%
Executive and Administrative Control	24	101	92	31	34%
Financial and Revenue Administration	14	71	100	27	27%
Budgetary and Personnel Administration	3	34	35	13	37%
Retirement & Pension Systems Admin.	3	6	2	1	50%
General Services	3	26	9	6	67%
Transportation	9	94	81	28	35%
Natural Resources and Recreation	2	16	19	6	32%
Agriculture	2	8	9	5	56%
Health, Hospitals and Mental Hygiene	26	132	134	46	34%
Human Resources	7	59	59	23	39%
Labor, Licensing and Regulation	6	40	35	14	40%
Public Safety and Correctional Services	13	66	66	32	48%
Public Education	23	214	217	68	31%
Housing and Community Development	3	17	24	4	17%
Business and Economic Development	3	14	9	1	11%
Environment	2	17	15	5	33%
Juvenile Justice	2	18	19	12	63%
State Police	1	20	28	10	36%
Registers of Wills	<u>24</u>	<u>8</u>	<u>6</u>	<u>1</u>	<u>17%</u>
Totals	207	1,041	1,019	353	35%

Notes:

- Number of audits is based on agency audit schedule as of July 1, 2007
- "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, 2008**

<u>Audit Report Item</u>	<u>Total Items (%)</u>	
Program Compliance	299	(28.8%)
Procurement/Disbursements	218	(21.0%)
Information Systems	198	(19.0%)
Cash Receipts	89	(8.5%)
Property	52	(5.0%)
Accounts Receivable	40	(3.8%)
Payroll/Personnel	32	(3.1%)
Bank Accounts/Working Funds	26	(2.5%)
Universities/Colleges	25	(2.4%)
Federal Funds	24	(2.3%)
Materials and Supplies	16	(1.5%)
Other Areas	<u>22</u>	<u>(2.1%)</u>
TOTAL	<u>1,041</u>	<u>(100%)</u>