



Department of Legislative Services  
Office of Legislative Audits

---

## Follow-up Process and Repeat Audit Findings

Presentation to Joint Audit and Evaluation Committee

Gregory A. Hook, CPA  
Christine A. Timanus, CPA

December 13, 2023

---



---

## Overview of Repeat Audit Findings

---

- 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 isolated disagreements.
- As of June 2008, **35%** of findings were repeated in the first subsequent audit report.
- As of June 2023, **27%** of findings were repeated in the first subsequent audit report, indicating significant improvement since 2008. After a decline in 2013 to 21%, the overall repeat percentage started rising again up to 29% in June 2021. The number of repeat findings has been stable for the last two years (See Exhibit).
- As of June 2023, 8% of findings were repeated after the second subsequent audit, which represents no change from the previous year.



---

## 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

---

### 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).



---

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

---

- 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. These 2 audit reports collectively contained 17 report findings (including 10 repeats). The next audit for each found that 9 of the 17 prior findings were resolved (6 of the original 10 repeats were not corrected).
- During calendar year 2020, no audit reports issued had 5 or more repeat findings.
- During calendar year 2021, 3 audit reports had 5 or more repeat findings and have been subject to the OLA follow-up review process for agencies with unsatisfactory ratings and/or the more comprehensive JCR follow-up process. All 3 reports are subject to the quarterly status report process, which is still in process for 1 agency. Subsequent audits are in progress or due to start for the other 2 agencies.



---

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

---

- During calendar year 2022, 3 audit reports including DHS – Local Department Operations (LDO) and DHS – Family Investment Administration (FIA) had 5 or more repeat findings. The third report is not named in this presentation due to the existence of cybersecurity-related issues in the repeat finding total. The JCR requires OLA review of agency corrective action for 2 of these reports, while the JCR subjects the LDO to follow-up and reporting by DHS – Office of the Secretary. The OLA quarterly status report process is also ongoing for all 3 audits.



---

## JCR Follow-up Process – Background

---

- 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 as high as \$500,000.
- The determination of whether to release funding is at the sole discretion of the budget committees.





---

## JCR Follow-up Process – Recent Results

---

- The April 2022 JCR contained budget bill language restrictions for 3 agencies with 4 or more repeat audit findings or significant findings. Based on OLA's review, the 3 agencies had not fully resolved the findings, with over half of the collective 15 findings still in progress. The budget committees did not release the restricted funds for these agencies.
- The April 2023 JCR contained budget bill language restrictions for 4 agencies with 4 or more repeat audit findings, including those referred to on page 6, plus MDH – DDA and MDL – DUI. In November 2023, OLA sent out letters to these agencies reminding them of the need to submit the required reports. OLA will review these reports and will report our conclusions regarding the corrective actions taken on the 18 repeat findings to the budget committees. The budget committees have 45 days from receipt of the report to review and comment to allow for funds to be released prior to the end of fiscal year 2024.
- In addition to the above, there were budget language restrictions in April 2020, 2021, and 2023 for cybersecurity-related findings.





## Conclusion

---

- 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.
- Since 2008, the overall percentage of repeat audit findings has decreased from 35% to 27% in 2023. There were some recent upticks in repeat percentages, but those percentages have begun to trend down again starting in 2022. 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 2008 – 2023

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

---

Audit Cycle Ended June 30 <sup>th</sup>	Number of Audits	Number of Current Audit Report Items	Percent of Prior Report Items Repeated
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%
2022	190	551	27%
2023	186	531	27%

**Analysis of Fiscal/Compliance Audits  
Audit Report Items by General Area of Government  
as of June 30, 2023**

<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	30	7	40	18%
Executive and Administrative Control	20	35	10	44	23%
Financial and Revenue Administration	14	44	15	36	42%
Budget, Personnel and Info. Technology	4	30	7	26	27%
Retirement & Pension Systems Admin.	2	4	1	7	14%
General Services	2	15	7	14	50%
Transportation	9	30	4	43	9%
Natural Resources and Recreation	2	7	1	4	25%
Agriculture	1	3	2	2	100%
Health	20	83	27	89	30%
Human Services	5	31	19	48	40%
Labor, Licensing, and Regulation	7	34	9	22	41%
Public Safety and Correctional Services	5	15	8	26	31%
Public Education	26	125	32	132	24%
Housing and Community Development	2	9	4	9	44%
Commerce	3	9	2	14	14%
Environment	2	7	3	13	23%
Juvenile Services	1	6	2	12	17%
State Police	1	11	3	12	25%
Registers of Wills	<u>24</u>	<u>3</u>	<u>1</u>	<u>5</u>	<u>20%</u>
Totals	<u>186</u>	<u>531</u>	<u>164</u>	<u>598</u>	<u>27%</u>

**Notes:**

- 1 – Number of total fiscal compliance audits in a full audit cycle (3-4 years) per agency audit schedule for fiscal year 2023 (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, 2023
- 3 – Number of total repeats in most recent report for each agency audited as of June 30, 2023
- 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, 2023**

---

<u>Audit Report Item</u>	<u>Total Items (Percent)</u>	
Program Compliance	183	(34%)
Information Systems	117	(22%)
Procurement/Disbursements	99	(19%)
Cash Receipts	39	(7%)
Payroll/Personnel	32	(6%)
Universities/Colleges	27	(5%)
Property	10	(2%)
Accounts Receivable	8	(2%)
Federal Funds	5	(1%)
Other Areas	<u>11</u>	<u>(2%)</u>
TOTAL	<u>531</u>	<u>(100%)</u>