



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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## 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 2020, **28%** 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 three years, the number of repeat findings appears to be rising slightly (See Exhibit).
- As of June 2020, **8%** of findings were repeated after the second subsequent audit, which represents a slight increase 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 five 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 five 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 five 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. Subsequent audits have been finalized for 3 of the 4 agencies, with these audits showing a general improvement in repeat audit findings, although 1 of the audits will again be subject to the JCR follow-up process.



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

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- During calendar year 2019, 1 audit report (MDH – DDA) had five or more repeat findings and was subject to an OLA follow-up review process for agencies with unsatisfactory ratings. This report is also subject to the quarterly status report process which recently started. One additional audit report (DGS – OPL) had five or more repeat findings and will also be subject to the more comprehensive JCR follow-up process. The quarterly status report process is also in progress.
- During calendar year 2020, as of November 2020, no audit reports issued had five or more repeat findings.



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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 four 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 two agencies with four or more repeat audit findings (see chart on page 8).
  - In November 2020, OLA sent out letters to the two agencies reminding them of the need to submit the required reports. At the time this presentation document was prepared, a report from one agency had been received.
  - OLA will review these reports and will report our conclusions regarding the corrective actions taken on the collective nine repeat findings to the budget committees. The budget committees have 45 days from the date of the receipt of the report to review and comment to allow for funds to be released prior to the end of fiscal year 2021.



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## April 2020 JCR Follow-up Process

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Agency	Report Date	Number of Repeats	Funds Restricted
Department of General Services – Office of Procurement and Logistics (Office of State Procurement)	12/5/2019	5	\$100,000
Department of Human Services (DHS) – Family Investment Administration	3/21/2019	4	\$100,000





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## JCR Follow-up – PII Audit Findings

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- In addition to the two agencies previously identified, the April 2020 JCR contained budget language restrictions for three agencies that had repeat findings on the failure to safeguard personally identifiable information (PII) in their audit reports issued in 2019.
  - The State Treasurer's Office, the Department of Budget and Management, and the State Department of Education each had \$100,000 in general fund appropriation for administration withheld until:
    - they meet with the State Chief Information Security Officer (SCISO) to identify and document a path to resolve the findings;
    - SCISO submits a report to OLA by February 1, 2021 addressing corrective actions taken to protect PII, 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, 2021.
  - OLA has not received the SCISO's report.
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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.
- Since 2006, the overall percentage of repeat audit findings has decreased from 40% to 28% in 2020. While the percentage of repeat findings had remained virtually unchanged for several years, starting in 2018 the number and percentage of repeat findings have again started to increase slightly.

## Exhibit

### Summary Analysis of Report Items and Repeat Findings Fiscal/Compliance Audits – Fiscal Years 2006 – 2020

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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%

**Analysis of Fiscal/Compliance Audits  
Audit Report Items by General Area of Government  
as of June 30, 2020**

<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 Percent</u>
Judicial and Legal Review (incl. Clerks of Court)	36	38	36	17	47%
Executive and Administrative Control	20	41	67	13	19%
Financial and Revenue Administration	13	34	38	14	37%
Budget, Personnel and Info. Technology	4	35	14	5	36%
Retirement & Pension Systems Admin.	2	7	2	0	0%
General Services	2	14	6	5	83%
Transportation	9	41	35	5	14%
Natural Resources and Recreation	2	4	6	3	50%
Agriculture	2	2	5	2	40%
Health	23	95	71	23	32%
Human Services	5	49	31	14	45%
Labor, Licensing, and Regulation	6	22	21	6	28%
Public Safety and Correctional Services	5	16	26	8	31%
Public Education	25	135	135	29	21%
Housing and Community Development	2	9	9	2	22%
Commerce	3	12	11	2	18%
Environment	2	13	11	4	36%
Juvenile Services	1	12	12	3	25%
State Police	1	11	12	3	25%
Registers of Wills	<u>24</u>	<u>4</u>	<u>7</u>	<u>0</u>	<u>0%</u>
Totals	<u>187</u>	<u>594</u>	<u>555</u>	<u>158</u>	<u>28%</u>

**Notes:**

- Number of audits is based on agency audit schedule as of July 1, 2019
- "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, 2020**

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<u>Audit Report Item</u>	<u>Total Items (Percent)</u>	
Program Compliance	192	(32%)
Information Systems	137	(23%)
Procurement/Disbursements	109	(18%)
Cash Receipts	52	(9%)
Universities/Colleges	33	(6%)
Payroll/Personnel	29	(5%)
Property	14	(2%)
Federal Funds	11	(2%)
Accounts Receivable	9	(2%)
Other Areas	<u>8</u>	<u>(1%)</u>
TOTAL	<u>594</u>	<u>(100%)</u>