



Department of Legislative Services
Office of Legislative Audits

Follow-up Process and Repeat Audit Findings

Presentation to Joint Audit and Evaluation Committee

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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 2024, **30%** of findings were repeated in the first subsequent audit report and 8% were repeated after the second subsequent audit. Although there was a slight decrease in the number of repeats over the last two years, the number of repeat findings has increased again (see Exhibit).



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.



SG §2-1224(h) Follow-up Process – Recent Results

During calendar year 2024, there were 6 audits subject to the quarterly status report process:

- Quarterly status reports are ongoing for 3 audit reports. OLA's review of the most recent status reports submitted by these agencies concluded that about 45% of the collective findings are still in progress.
- Quarterly status reports for 2 audit reports initiated in October 2022 and December 2022 have stopped because subsequent audits were started. Satisfactory progress had not been made to address all findings based on the most recent status reports,
- Quarterly status reports for 1 audit report were paused because OLA is conducting a formal follow-up review since the report was rated unsatisfactory in accordance with the rating system established by the JAEC. Prior to this review, satisfactory progress had not been made to address all findings based on the most recent status report.



JCR Follow-up Process – Background

- In response to JAEC concerns, beginning with the April 2013, the Chairmen of the Senate Budget and Taxation Committee and the House Appropriations Committee included language in the annual Joint Chairmen's Report that restricts funding for agencies with 4 or more repeat audit findings until corrective action is taken for all the repeat findings.
- The annual amount of funds restricted for each agency is generally \$100,000, but has recently ranged as high as \$500,000.
- Each of these agencies with 4 or more repeat findings must submit a status report to OLA by November 1st.
- OLA reviews the actions taken by these agencies for each of the repeat findings and issues a report to the budget committees with our conclusions.
- The determination of whether to release funding is at the sole discretion of the budget committees.



JCR Follow-up Process – Recent Results

- The April 2023 JCR contained budget bill language restrictions for 4 agencies with a combined 17 repeat findings. OLA's review of the status reports submitted by these agencies in calendar year 2024 concluded that all 4 agencies had not fully resolved the findings, with about 80% of the collective findings still in progress. The budget committees did not release the restricted funds for these agencies.
- The April 2024 JCR contained budget bill language restrictions for 5 agencies with a combined 25 repeat findings. OLA will review the reports submitted by these agencies and will report our conclusions regarding the corrective actions to the budget committees during the 2025 Session.
- In addition to the above, there were budget language restrictions in April 2023 and 2024 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.
- We also believe that agency vacancy rates may be contributing to the number of repeat findings. In recent reports we have started to include vacancy percentages and conduct analysis during the audit period to determine potential causes when these percentages exceed 10 percent.
- Since 2009, the overall percentage of repeat audit findings has decreased significantly to as low as 21% in 2013 but the percentage has continued to steadily increase to 30% in 2024. OLA will continue to monitor this trend and make any additional recommendations to the Committee in the future.

Exhibit

Summary Analysis of Report Items and Repeat Findings Fiscal/Compliance Audits – Fiscal Years 2009 – 2024

(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 th	Number of Audits	Number of Current Audit Report Items	Percent of Prior Report Items Repeated
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%
2024	180	545	30%

**Analysis of Fiscal/Compliance Audits
Audit Report Items by General Area of Government
as of June 30, 2024**

<u>General Area of Government</u>	Number of Audits ¹	Current Report Items ²	Repeat Calculation		
			Current Report Repeats ³	Prior Report Items ⁴	Repeat Percent ⁵
Judicial and Legal Review (incl. Clerks of Court)	36	35	9	38	24%
Executive and Administrative Control	21	41	13	43	30%
Financial and Revenue Administration	14	48	13	37	35%
Budget, Personnel and Info. Technology	3	31	12	34	35%
Retirement & Pension Systems Admin.	2	4	1	7	14%
General Services	2	15	7	14	50%
Transportation	8	24	5	38	13%
Natural Resources and Recreation	2	7	1	4	25%
Agriculture	1	3	2	2	100%
Health	16	95	32	85	38%
Human Services	5	31	19	48	40%
Labor	7	34	9	22	41%
Public Safety and Correctional Services	4	14	6	19	32%
Public Education	27	122	31	122	25%
Housing and Community Development	2	9	4	9	44%
Commerce	2	5	3	12	25%
Environment	2	7	3	13	23%
Juvenile Services	1	6	2	12	17%
State Police	1	8	2	11	18%
Registers of Wills	<u>24</u>	<u>6</u>	<u>1</u>	<u>4</u>	<u>25%</u>
Totals	<u>180</u>	<u>545</u>	<u>175</u>	<u>574</u>	<u>30%</u>

Notes:

- 1 – Number of total fiscal compliance audits in a full audit cycle (3-4 years) per agency audit schedule for fiscal year 2024 (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, 2024
- 3 – Number of total repeats in most recent report for each agency audited as of June 30, 2024
- 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, 2024**

<u>Audit Report Item</u>	<u>Total Items (Percent)</u>	
Program Compliance	179	(33%)
Information Systems	129	(23%)
Procurement/Disbursements	103	(19%)
Cash Receipts	39	(7%)
Payroll/Personnel	35	(6%)
Universities/Colleges	23	(4%)
Federal Funds	10	(2%)
Property	9	(2%)
Accounts Receivable	9	(2%)
Other Areas	<u>9</u>	<u>(2%)</u>
TOTAL	<u>545</u>	<u>(100%)</u>