



**Department of Legislative Services
Office of Legislative Audits**

OLA Follow-up Process and Repeat Audit Findings

Presentation to
Maryland General Assembly
Joint Audit Committee

Laura E. Johnson, CPA
December 13, 2011



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 (usually three years later).
- As of **June 2011**, **26%** of findings were repeated in the first subsequent audit report, indicating significant improvement since the follow-up process was originally implemented in 2002.
- As of June 2011, 10% of findings were repeated after the second subsequent audit.



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Authority for the Follow-up Process

- Chapter 512, Laws of Maryland 2006, effective October 1, 2006, addressed the issue of repeat audit findings.
 - Agencies with five or more repeat audit findings are required to provide an initial status report 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 goal 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.
 - OLA had implemented a similar follow-up process in 2002 which, over a four-year period, involved 67 agencies. That process was essentially continued under the 2006 law.
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Results of the Follow-up Process Since 2006

- To date, 39 audits (involving 28 agencies) had five or more repeat findings, requiring the applicable agencies to submit quarterly status reports.
- One or more quarterly reports have been submitted for 38 audits to collectively report the status of 515 audit findings.
- For the remaining audit, the first status report is due in June 2012. This audit had 11 audit findings.
- The status report process has concluded for 31 audits.



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Results of the Follow-up Process (continued)

- For the 31 audits for which the status report process has concluded, the reports indicated that
 - For 6 audits, the agencies reported that satisfactory progress had been achieved on all 71 findings, and
 - For 25 audits, the agencies collectively reported that satisfactory progress had been achieved on 79% 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 26 of these 31 audits.
 - For 16 cases, the subsequent audits showed that agencies' progress in implementing the audit recommendations was less than what was reported.
 - 11 of the 16 cases, the agencies again required follow-up.
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Conclusion

- The follow-up processes used by OLA since 2002 have shown that the increased emphasis on implementing audit recommendations has contributed to an overall reduction in repeat audit findings.
- Since 2002, the percentage of repeat audit findings has decreased from 43% to 26% in 2011.
- While overall results show improvement, some agencies continue to have challenges in reducing repeat audit findings.
- OLA will continue to monitor the impact of the repeat finding law on future audits.

Exhibit

Summary of OLA Current Report Findings and Repeat Findings Fiscal/Compliance Audits – FY 1997 - 2011

<u>Audit Cycle Ended June 30th</u>	<u>Number of Audits</u>	<u>Number of Current Audit Report Findings</u>	<u>% of Prior Report Findings Repeated</u>
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%
2009	205	982	33%
2010	203	927	30%
2011	202	844	26%

**Analysis of Fiscal/Compliance Audits
Audit Report Findings by General Area of Government
as of June 30, 2011**

<u>General Area of Government</u>	Number of <u>Audits</u>	Current Report Findings	<u>Prior Report</u>		
			<u>Total Findings</u>	<u>Repeats</u>	<u>Repeat %</u>
Judicial (includes Clerks of Court)	37	74	82	24	29%
Executive and Administrative Control	23	71	97	28	29%
Financial and Revenue Administration	14	49	68	17	25%
Budgetary and Personnel Admin.	4	31	35	9	26%
Retirement & Pension Systems Admin.	3	4	6	0	0%
General Services	2	14	26	6	23%
Transportation	9	62	94	15	16%
Natural Resources and Recreation	2	5	13	2	15%
Agriculture	2	10	8	5	63%
Health, Hospitals and Mental Hygiene	24	113	137	32	23%
Human Resources	5	51	55	18	33%
Labor, Licensing and Regulation	7	30	40	12	30%
Public Safety and Correctional Services	13	53	69	19	28%
Public Education	23	191	228	62	27%
Housing and Community Development	3	17	16	6	38%
Business and Economic Development	3	16	14	3	21%
Environment	2	17	14	4	29%
Juvenile Justice	1	14	16	5	31%
State Police	1	14	20	5	25%
Registers of Wills	<u>24</u>	<u>8</u>	<u>9</u>	<u>2</u>	<u>22%</u>
Totals	202	844	1,047	274	26%

Notes:

- "Number of Audits" is based on agency audit schedule as of July 1, 2010
- "Current Report Findings" are the fiscal/compliance findings contained in latest audit report for all entities subject to audit

**Analysis of Fiscal/Compliance Audits
Audit Report Findings by Functional Area (Summary)
as of June 30, 2011**

<u>Audit Report Finding Areas</u>	<u>Total Findings (%)</u>	
Program Compliance	241	(28.5%)
Procurement/Disbursements	178	(21.1%)
Information Systems	151	(17.9%)
Cash Receipts	73	(8.6%)
Property	41	(4.8%)
Accounts Receivable	36	(4.3%)
Bank Accounts/Working Funds	29	(3.4%)
Payroll/Personnel	25	(3.0%)
Federal Funds	20	(2.4%)
Universities/Colleges	19	(2.3%)
Materials and Supplies	15	(1.8%)
Other Areas	<u>16</u>	<u>(1.9%)</u>
TOTAL	<u>844</u>	<u>(100%)</u>