



Department of Legislative Services
Office of Legislative Audits

Everything You Would Like to Know About State Legislative Audits (& How They Can Help Your Organization)

Governor's Grants Conference
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Department of Legislative Services Office of Legislative Audits

Overview of the Office of Legislative Audits (OLA)

- By law, OLA is required to conduct a fiscal compliance audit of each Executive and Judicial Branch agency at least once every three years.
- These audits focus on fiscal operations, information systems, and programs with financial impact on the State.
- Primarily, we obtain information by interviewing agency personnel and examining agency documents and records.
- Our findings and recommendations are included in a final report to the Maryland General Assembly. These reports are publically available on the OLA website. (www.ola.state.md.us)



OLA and Federal Grants

Regarding Federal grants, OLA's audit emphasis is to ensure that grant administration is managing the grant funds to the fullest extent possible providing the maximum benefit to State government.

Generally, the scope of OLA's audits of Federal Funds does not assess compliance with Federal laws and regulations since that is generally covered by the independent auditor conducting the State's Single Audit.



OLA's General Audit Scope for Federal Grants

- Evaluate procedures and internal controls relative to significant Federal grants or programs.
- Determine if potential significant liabilities related to Federal grants exist.
- Federal funds were requested and received in a timely manner.
- Grant funds were obtained to the fullest extent possible.
- Federal funding matching requirements were met.
- Indirect costs were received to the fullest extent possible.



Common OLA Federal Grant Audit Findings

- Untimely federal fund reimbursements.
- Indirect costs are not maximized due to not obtaining reimbursement for eligible indirect cost or using of an out-dated indicted cost rate.
- Disallowed federal grant expenditures resulting in general funds being used to cover the disallowance.
- Year-end federal grant revenue accruals are inaccurate or unsupported.



Example of Common OLA Federal Grant Audit Findings

Untimely Reimbursement

- Reimbursement requests totaling \$19 million were processed one to eight months late resulting in lost interest to the State totaling \$127,800 - *USM Institution audit dated June 2010*

Indirect Costs

- Eligible indirect costs were not recovered on federal grant expenditures totaling \$1.7 million - *Board of Elections audit dated June 2010*

Disallowed Expenditures

- Grant expenditures totaling \$9.6 million paid with State General Funds were disallowed by the federal grantor agency and were not reimbursed - *Department of Human Resources audit dated January 2011*

Year-end Revenue Accruals

- Accruals totaling \$10.4 million could not be supported - *Department of Labor, Licensing, & Regulation audit dated November 2008*



Best Practices

- Maintain complete and accurate grant records.
- Document management reasons for doing or not doing something.
- Ensure that critical grant requirements/benchmarks are being monitored and documented.
- If fiscal grant records are maintained outside of the State's accounting records (FMIS), ensure that the records are periodically reconciled to FMIS and difference are investigated.
- Ensure auditors are speaking to correct personnel. Often times, auditors will be working with both financial and grant program management personnel.