

**MARYLAND GOVERNOR'S GRANTS OFFICE PRESENTS:
Nationwide Ranking and Trends in Findings of
Maryland's Annual Single Audit**

May 23, 2013

What the Single Audit is: Entities expending \$500,000 or more of federal grant funds are required, under the U.S. Office of Management and Budget (OMB) Circular A-133 Audit Compliance requirement, to obtain an audit of those funds and the resulting grant funded programs by an outside independent audit firm. This audit, commonly known as the "Single Audit," is conducted on an annual basis in Maryland State government. The Single Audit auditor not only looks at things like waste, fraud, and abuse, but also reviews management practices, program results, and cash on hand. The driving factor is to ensure taxpayer dollars are being spent efficiently and effectively for their intended purpose.

Single Audit as a Performance Measurement Tool: The Managing for Results (MFR) system in Maryland requires, by statute, that each state agency address a series of meaningful performance measures that are reviewed by the MD Department of Budget and Management and the MD General Assembly as part of the annual budget process. When the Maryland Governor's Grants Office (GGO) was created in 2004, improved grants management was part of the core mission. Using the Single Audit as the basis for a performance measure made sense since the document was produced by an independent auditor. New audit findings were easy to count, easy to understand and something that couldn't be manipulated by the GGO. This has always been an MFR measure but this is also acknowledged as a management tool; but only counting new audit findings ignores the fact that a finding associated with \$1 billion would count the same as a finding associated with a \$1,000 finding so we looked at findings as a ration per 1 billion dollars spent. Additionally, the higher education institutions that make up the state university system in Maryland are covered by the Single Audit requirement but representatives from these schools are not part of the core state agency grants team managed by the GGO.

Improvements in the Number of New Audit Findings: In 2004, with the State's Single Audit at 44 findings, GGO began training state grants and fiscal managers. By Fiscal Year 2011, the state had reduced the number of audit finding to 11, a significant achievement by the state and one formally recognized by the U. S. Government Accountability Office (GAO), and the U.S. Office of Management and Budget (OMB). In developing the training that led to these results the GGO paid particular attention to the types of findings, not just the number of findings, from prior year reports. GGO reached out to higher education institutions, including them in the trainings that were developed for state agency staff, eventually offering a grants-conference targeted exclusively for the higher education community.

Year	Fed. Grant Funds Managed* (\$ billions)	Number of Findings	Findings Per Billion \$
2004	7.469	44	5.89
2005	7.505	25	3.33
2006	7.726	26	3.37
2007	8.070	18	2.23
2008	8.538	13	1.52
2009	10.719	14	1.31
2010	13.216	18	1.36
2011	13.808	11	0.80
2012	12.790	15	1.17

**The SEFA (Schedule of Expenditures for Federal Awards) includes federal funds to state universities which GGO does not track in its [annual report](#).*

Improvements Beyond the New Audit Findings Numbers: The trend in reducing the numbers of findings is positive, but does not address the substance of individual findings. The State’s audit findings in the past consistently fell within three common categories: sub-recipient management, cash management (excess cash on hand), and internal controls. These types of findings also are consistent with national areas of weakness. For FY 12, there were no findings in the category of cash management. Our training programs specifically targeted cash management issues. GGO also believes that the trainings improved the overall management of federal grants and actually helped leverage value to win new competitive grants as a result of Maryland’s recognized improvements in fiscal responsibility.

New Ways to Measure the Value of Our Audit Training: In FY 2012 new audit findings increased from 11 to 15. This was partly due to the audits of ARRA (Recovery Act) funded grant programs awarded to State Agencies who were first-time grant recipients. GGO has been working with these agencies to take corrective action and anticipates that future audits will result in decreased findings from these agencies. However, this also highlights the weakness of the initial decision made back in 2004 to only include the number of new audit findings as the sole MFR measure dealing with federal grant audits. We also had to consider that after a consistent decline in number of new audit findings during the past decade, there might be a floor below which it could be very difficult to move...if the only measure used remains the number of new audit findings.

Neighboring States Comparison: As part of our 2013 Governor’s Grants Office Annual Report we decided to compare Maryland’s Single Audit results with our neighboring states’ reports. The Federal Audit Clearinghouse (FAC) is the on-line location to obtain information about Federal Single Audits. All states are required to submit their Single Audit Reports and complete a Single Audit Data Form no later than nine months after the closing date of their fiscal period. Unfortunately, the FAC database is not searchable in a way that a user can easily extract this comparative information. To obtain comparative data we had to use a combination of searching the FAC for each state report and then contacting states individually. To obtain the total dollars spent and get a count on the number of findings, we reviewed the Schedule of Expenditures for Federal Awards (SEFA) and Schedule of Findings contained within each states’ Single Audit Report. In the chart below, Maryland had significantly fewer new audit findings than our immediate neighbors. Even when the number of findings was combined with the number of federal dollars managed, our “findings per dollar” figures were better (approximately 1 finding per billion dollars expended) than each of these states.

STATE	Fed. Grant Funds Expended* (\$ billions)	FY2012 Audit Findings	Finding Per Billion Dollars Expended
Maryland	\$12.8	15	1.17
Pennsylvania	\$27.9	44	1.58
Virginia	\$13.4	48	3.58
West Virginia	\$5.8	63	10.86
Delaware	\$2.2	41	18.64

Ranking the States: With this small sample size, the next question asked was: how does Maryland compare (both number of new audit findings and number of findings per dollars expended) to all 50 states? Despite this information not being readily available in the FAC it seemed likely that another federal office would have already made this type of comparison. Not finding any, GGO decided to compile the data on all states. To date, nine of the fifty states either have not yet released their Single Audit for the most recent year or they are not having an aggregate audit performed, therefore, information was compiled for the 41 states where information was available. There were varying formats among the state reports making it difficult to identify and roll-up aggregated information. New standard reporting formats and data forms are scheduled for release by the FAC sometime in 2014 with the intent to make the Single Audit a more useful tool for accountability and transparency in the future.

The Results: The charts below show Maryland in second position nationally using our original MFR measure of number of new audit findings. Only Mississippi had fewer than our 15 new findings in FY 12. When compared to the more meaningful measure of dollars managed per federal audit finding, Maryland is in third position nationally behind only California and New York, with 1.17 findings per \$1 billion, significantly better than the national average of 9.98 findings per \$1 billion dollars expended.

STATE RANK	# NEW AUDIT FINDINGS	FINDINGS RATIO PER BILLION \$	FY12 FED. DOLLARS EXPENDED (In Billions)
Mississippi	10	1.24	\$8.06
Maryland	15	1.17	\$12.79
South Dakota	18	7.26	\$2.48
Missouri	21	1.65	\$12.72
Massachusetts	24	1.49	\$16.14
Louisiana	29	1.83	\$15.85
Idaho	29	9.63	\$3.01
Arkansas	32	3.69	\$8.67
Kansas	32	5.78	\$5.54
Nevada	34	7.11	\$4.78
Vermont	36	18.0	\$2.00
Rhode Island	37	7.55	\$4.90
Ohio	39	1.58	\$24.71
Iowa	39	4.6	\$8.48
Oregon	41	3.97	\$10.34
Alaska	41	12.09	\$3.39
Delaware	41	18.72	\$2.19
California	42	0.56	\$75.18
Pennsylvania	44	1.58	\$27.90
New York	46	0.76	\$60.60
Virginia	48	3.56	\$13.48
Tennessee	50	2.59	\$19.29
New Jersey	52	2.34	\$22.21
Oklahoma	53	6.99	\$7.58
Utah	54	7.98	\$6.77
North Dakota	54	14.79	\$3.65
Kentucky	55	6.39	\$8.61
Maine	57	17.12	\$3.33
Colorado	62	5.78	\$10.72
Washington	63	4.0	\$15.76
West Virginia	63	10.7	\$5.89
New Hampshire	63	33.87	\$1.86
Wisconsin	72	5.58	\$12.91
Hawaii	74	108.82	\$0.68
North Carolina	89	3.81	\$23.37
Connecticut	92	9.98	\$9.22
Nebraska	96	32.65	\$2.94
Florida	118	3.4	\$34.67
Georgia	118	5.34	\$22.10
Arizona	137	9.43	\$14.53
Texas	184	3.65	\$50.37

STATE RANK	FINDINGS RATIO PER BILLION \$	# NEW AUDIT FINDINGS	FY12 FED. DOLLARS EXPENDED (In Billions)
California	0.56	42	\$75.18
New York	0.76	46	\$60.60
Maryland	1.17	15	\$12.79
Mississippi	1.24	10	\$8.06
Massachusetts	1.49	24	\$16.14
Ohio	1.58	39	\$24.71
Pennsylvania	1.58	44	\$27.90
Missouri	1.65	21	\$12.72
Louisiana	1.83	29	\$15.85
New Jersey	2.34	52	\$22.21
Tennessee	2.59	50	\$19.29
Florida	3.40	118	\$34.67
Virginia	3.56	48	\$13.48
Texas	3.65	184	\$50.37
Arkansas	3.69	32	\$8.67
North Carolina	3.81	89	\$23.37
Oregon	3.97	41	\$10.34
Washington	4.00	63	\$15.76
Iowa	4.60	39	\$8.48
Georgia	5.34	118	\$22.10
Wisconsin	5.58	72	\$12.91
Kansas	5.78	32	\$5.54
Colorado	5.78	62	\$10.72
Kentucky	6.39	55	\$8.61
Oklahoma	6.99	53	\$7.58
Nevada	7.11	34	\$4.78
South Dakota	7.26	18	\$2.48
Rhode Island	7.55	37	\$4.90
Utah	7.98	54	\$6.77
Arizona	9.43	137	\$14.53
Idaho	9.63	29	\$3.01
Connecticut	9.98	92	\$9.22
West Virginia	10.70	63	\$5.89
Alaska	12.09	41	\$3.39
North Dakota	14.79	54	\$3.65
Maine	17.12	57	\$3.33
Vermont	18.00	36	\$2.00
Delaware	18.72	41	\$2.19
Nebraska	32.65	96	\$2.94
New Hampshire	33.87	63	\$1.86
Hawaii	108.82	74	\$0.68

Source: Fiscal Year 2012 Single Audit Reports for each state that has released a Single Audit Report for FY2012 at the time of this writing.

Lessons Beyond the Numbers: We contacted a few of the high performing states to ask what they felt was a contributing factor to their low audit findings ratio. All indicated that they had audit and/or grants management training in place for officials responsible for the management of federal grant funded programs. Furthermore, a brief review of audit finding types for all of the states in the chart above confirmed that the three categories--cash management, sub-recipient management, and internal controls--are some of the challenges to reaching a very low audit finding threshold. It would seem that this information warrants further analysis of the types of findings along with recommendations on how federal, state, and local governments can work together to reduce fiscal and management practices that result in audit findings. [View the latest State of Maryland Single Audit Report here.](#)

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