

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 1061 (Senator Pipkin)
Budget and Taxation

Office of Legislative Audits - Managing for Results Audits of Department of
Transportation Modal Administrations

This bill requires the Office of Legislative Audits (OLA) to conduct Managing for Results (MFR) audits every four years of the MFR strategic plan submitted by the Maryland Department of Transportation (MDOT) as it relates to at least one of the following modal administrations: (1) the State Aviation Administration; (2) the Maryland Port Administration; (3) the Maryland Transit Administration; (4) the State Highway Administration; or (5) the Motor Vehicle Administration.

Fiscal Summary

State Effect: The bill's requirements can be handled with existing budgeted State resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: At least once every three years, OLA must conduct a fiscal/compliance audit of each unit of the State government, except for units in the Legislative Branch. Performance audits or financial statement audits must be conducted when authorized by the Legislative Auditor, when directed by the Joint Audit Committee or the Executive Director of the Department of Legislative Services (DLS), or when otherwise required by law. OLA has the authority to conduct a separate investigation of an act or allegation of

fraud, waste, or abuse in the obligation, expenditure, receipt, or use of State resources. OLA may audit any county officer or unit that collects State taxes.

Within nine months of the issuance of an audit report, any agency with five or more repeat audit findings must report quarterly to OLA on (1) the corrective actions taken; or (2) a schedule for when corrective actions will be implemented. Subsequently, quarterly status reports must be submitted until satisfactory progress has been made to address the findings.

Background:

Office of Legislative Audits

OLA, within DLS, audits State agencies in the Executive and Judicial branches and other entities as requested by the Maryland General Assembly. OLA reports to the Joint Audit Committee and is responsible for:

- performing fiscal compliance audits of State agencies to evaluate fiscal operations and determine compliance with laws and regulations;
- conducting performance audits to evaluate whether a State agency or program is operating in an economic, efficient, and effective manner;
- conducting performance audits of the financial management practices of local school systems;
- operating a fraud hotline for reporting fraud, waste, and abuse of State resources;
- monitoring the financial reporting practices and financial condition of local governments in Maryland; and
- conducting special reviews and investigations.

When agencies submit required quarterly status reports, OLA subsequently reviews and responds to the agency via correspondence indicating which findings have been addressed as well as the findings for which continued reporting is necessary. Under this process, OLA does not perform any on-site work to verify an agency's representations of the actions taken.

Managing for Results

The Department of Budget and Management (DBM) established the Managing for Results (MFR) program with State agencies effective with the 1998 session. MFR is a performance-oriented process through which agencies identify future goals and establish performance measures for their goals and objectives. Executive Branch agencies are required to submit MFR strategic plans to the Secretary of Budget and Management in

conjunction with their annual budget submission. Each plan must include a mission statement; a description of the agency's goals; a description of the objectives and performance measures to achieve the agency's goals; a discussion of the agency's progress in meeting its goals and performance measures, including a discussion of challenges faced; a description of the internal controls established to ensure the reliability of the data it collects and reports; and a description of the customers and stakeholders the agency serves. The Secretary of Budget and Management reviews agency strategic plans annually and considers them when making budgetary decisions.

Chapter 7 of 2007 established StateStat, a performance-measurement and management tool that seeks to make State government more accountable and efficient through continuous program evaluation. At biweekly meetings, State managers meet with the Governor and his executive staff to report and answer questions on agency performance and priority initiatives. Weekly briefings are held to address identified areas of concern and formulate strategies to achieve improved performance.

State Fiscal Effect: OLA has conducted audits of selective MFR measures and would use the same approach to meet the requirements of the bill. Based on the fiscal 2013 budget, the five modal administrations affected by the bill have approximately 136 MFR measures (ranging from 14-50 per modal administration). While the amount of OLA personnel resources needed to audit the MFR measures will vary by modal administration, OLA would be able to accommodate the bill's requirements with existing personnel and budgeted resources by auditing one modal administration every four years.

MDOT advises that the bill will not have a fiscal impact on the department. The State Aviation Administration, the Maryland Transit Administration, the State Highway Administration, and the Motor Vehicle Administration all advise that the bill will not have a fiscal impact on their agencies or that any impact can be handled with existing budgeted resources. The Maryland Port Administration advises that the bill will have a minimal fiscal impact if the MFR audit is conducted at the same time as the OLA three-year cycle audit. However, any fiscal impact incurred by the Maryland Port Administration would be in the form of additional work hours for existing personnel to retrieve requested information and attend meetings to resolve questions.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Transportation, Department of Legislative Services (Office of Legislative Audits)

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