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Which Municipal Bond Issuers Have the Speediest Audit Times?

By **Deborah A. Carroll** and **Richard A. Ciccarone**



Introduction

Interest groups ranging from bond investors to government watchdogs to regulators have regularly called for faster audit times from municipal bond issuers. Timely audit reporting is essential for credit evaluation and proper pricing in the municipal bond market and is an important indicator of good governance and stewardship.

Corporate bond issuers have median audit times averaging 60 to 90 days (as regulated by the U.S. Securities and Exchange Commission by corporation size) between fiscal year-end and the date of the Independent Auditor's signature.

By contrast, municipal bond issuers normally take two to three times longer—140 to 160 days—to complete their audits. In the interest

of recognizing and encouraging timely transparency, [Merritt Research Services, an Investortools Company](#) has been tracking and reporting on the time it takes for municipal bond-related audits to be completed and signed after the fiscal year ends since 2007.

This year's analysis was developed through a partnership between Merritt Research Services and the [Government Finance Research Center](#) at the University of Illinois Chicago. This report first offers an overview of audit time trends since 2009.¹ It then recognizes the timeliest audits for the 2020 fiscal year, grouped by municipal credit sector, from more than 10,000 municipal bond audits in the Merritt Research Services database found in [CreditScope](#).



¹ Data for years 2007 and 2008 were excluded due to small samples sizes biasing the audit time calculations, particularly among the governmental bond issuers.

Where Do We Stand?

Revenue Bond Sectors

Table 1 shows the median audit times (in days) of select municipal revenue bond sectors compared to all municipal bond sectors (including both revenue and governmental bonds) for each year 2009–2020, and these trends are illustrated in Figures 1 and 2. For purposes of this analysis, we define audit time as the number of days stretching from the end of the fiscal year to the date of audit signing, regardless of its posting date in the Electronic Municipal Market Access (EMMA), which is the endpoint used by the Municipal Securities Rulemaking Board (MSRB) for their audit time calculations.

The median audit time for all sectors combined has increased somewhat over time from 147 days in 2009 to 164 days in 2020, worsening the median audit time by 17 days. During the same time, there was an increase in the median audit times for issuers in every municipal revenue bond sector.

Among the individual sectors, community colleges increased their median audit time the most by 24 days. One potential explanation for such a large increase is the significant growth in the number of issuers in the sector between 2009 and 2020, thereby increasing the variation in audit completion times among individual issuers, which gets tempered by our use of median audit time (as opposed to calculating the mean) but not entirely.

Following community colleges, issuers in the hospitals and healthcare systems sector increased their median audit time by 10 days, water and sewer sector issuers by 9 days, and retail electric sector issuers increased by 8 days. Issuers in the public higher education sector worsened their median audit time the least by only 1 day, while toll road sector issuers only increased their median audit time by 2 days.

Table 1. Median Audit Times (in Days) by Municipal Revenue Bond Sectors, 2009-2020

Years	Hospitals & Healthcare Systems	Community Colleges	Private Higher Education	Public Higher Education	Airports	Retail Electric	Toll Roads	Water & Sewer	Wholesale Electric	All Sectors
2009	108	138	114	147	154	138	120	154	90	147
2010	110	138	112	142	147	137	119	155	94	147
2011	111	138	112	132	151	139	125	158	107	152
2012	110	138	113	138	150	142	123	153	100	150
2013	112	144	114	137	150	140	123	155	102	150
2014	112	140	114	130	144	139	123	154	100	148
2015	112	146	115	148	160	147	128	161	105	156
2016	111	141	116	145	154	145	125	161	101	154
2017	111	143	115	137	155	145	120	163	98	154
2018	114	149	116	142	158	150	123	164	100	159
2019	114	149	118	143	160	148	121	163	94	158
2020	118	162	120	148	161	146	122	163	97	164

Note: The number of issuers varies from year-to-year. Median audit times for fiscal year 2020 reflect 4,070 municipal revenue bond issuers across the individual sectors shown out of 10,476 total revenue and governmental bond issuers across all sectors (shown in the last column).

Source: Merritt Research Services, an Investortools Company. Data compiled and reported from annual comprehensive audited financial reports available on March 25, 2022.

Governmental Bond Sectors

Table 2 shows the median audit times (in days) of each municipal governmental bond sector compared to all municipal bond sectors (including both revenue and governmental bonds) for each year 2009–2020 with the trends illustrated in Figure 3.

Again, the median audit time for all sectors combined worsened by 17 days during the

time period. Here, there is also an increase in the median audit times for issuers in every municipal governmental bond sector between 2009 and 2020. During this time, school districts increased their median audit time the most (22 days) followed by counties (16 days), issuers in the dedicated tax sector (11 days), and cities (10 days). States and territories worsened their median audit time the least by increasing only 2 days.

Table 2. Median Audit Times (in Days) by Municipal Governmental Bond Sectors, 2009-2020

Years	Cities	Counties	Dedicated Tax	School Districts	States & Territories	All Sectors
2009	169	179	159	146	182	147
2010	171	181	161	146	182	147
2011	173	181	165	146	182	152
2012	173	179	166	144	180	150
2013	171	181	166	148	176	150
2014	170	181	165	144	176	148
2015	175	183	171	154	184	156
2016	173	181	167	153	176	154
2017	173	180	167	153	175	154
2018	175	181	166	159	174	159
2019	177	196	170	155	173	158
2020	179	195	170	168	184	164

Note: The number of issuers varies from year-to-year. Median audit times for fiscal year 2020 reflect 5,629 municipal revenue bond issuers across the individual sectors shown out of 10,476 total revenue and governmental bond issuers across all sectors (shown in the last column).

Source: Merritt Research Services, an Investortools Company. Data compiled and reported from annual comprehensive audited financial reports available on March 25, 2022.



The Trend Lines

Revenue Bond Sectors

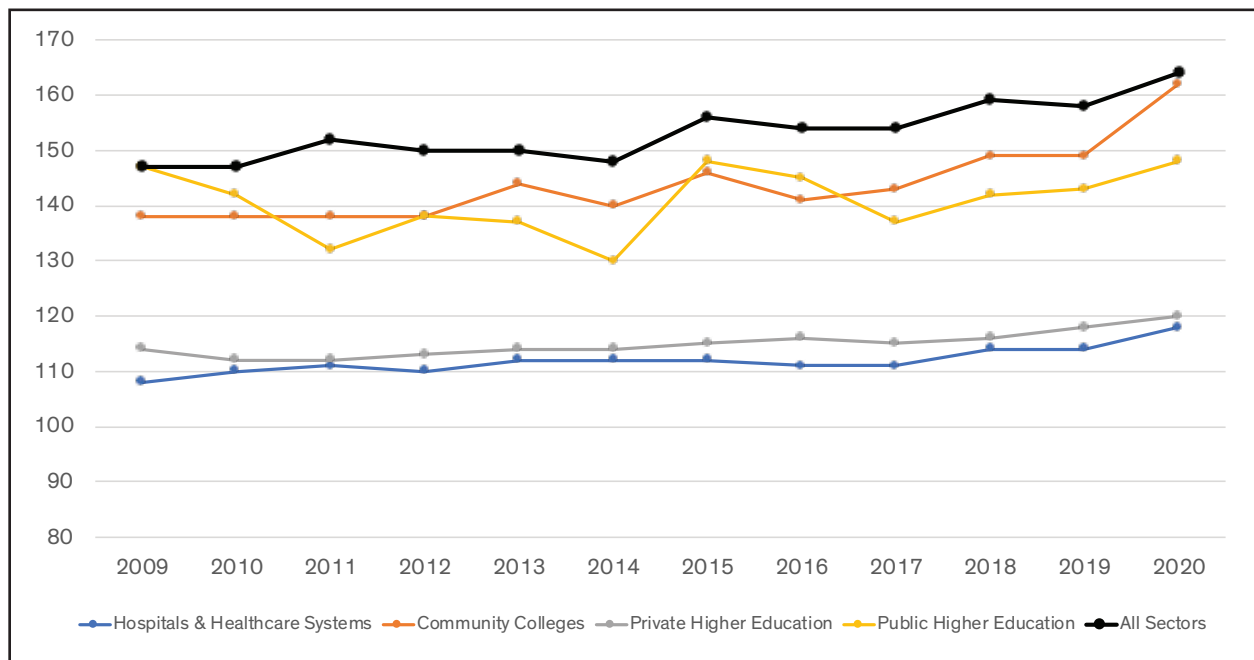
Figure 1 shows that municipal revenue bond issuers in the health and higher education sectors generally maintain faster audit times than all sectors combined (including both revenue and governmental bonds) with median audit times ranging from the slowest of 162 days in the community colleges sector in 2020 to the fastest of 108 days in the hospitals and healthcare systems sector in 2009. The one exception is that the median audit time for the public higher education sector (147 days) was identical to the median audit time of all sectors combined in 2009, before becoming faster than the median audit time of all sectors combined for the remainder of the time period.

Figure 1 also shows increased audit times for all issuers in the municipal revenue bond health and higher education sectors between 2019

and 2020 during the onset of the Covid-19 global health pandemic. During this time, when staffs were short and people were becoming accustomed to remote work, we certainly expected audit times for all sectors to become slower. From 2019 to 2020, community colleges worsened their median audit time the most (13 days), compared to issuers in the public higher education sector who increased their median audit time by 5 days and hospitals and healthcare systems which increased by 4 days. Although issuers in the private higher education sector also worsened between 2019 and 2020, the median audit time for the sector only increased by 2 days.

Figure 2 tells a slightly different story about municipal revenue bond issuers in the transportation and utility sectors. Issuers in the retail electric, toll roads, and wholesale electric sectors maintain median audit times that are

Figure 1. Median Audit Times (in Days) by Municipal Revenue Bond Health and Higher Education Sectors, 2009-2020



considerably faster than all sectors combined (including both revenue and governmental bonds). Between 2019 and 2020, there was actually a decline in the median audit time for retail electric sector issuers of 2 days, while the median audit time for the water and sewer sector remained the same. Although issuers in the remaining sectors worsened their median audit times from 2019 to 2020, airports and toll roads only increased their median audit times by 1 day each, and issuers in the wholesale electric sector increased by only 3 days.

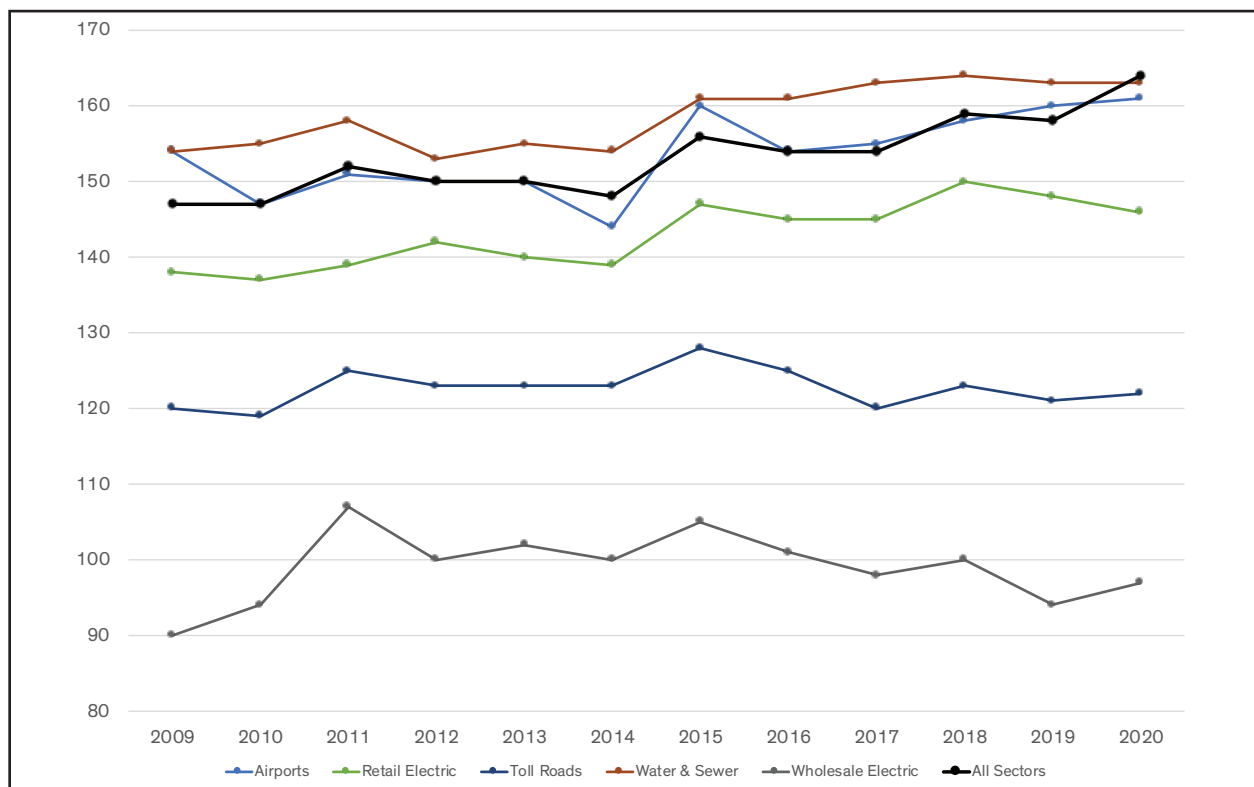
It should be noted that issuers in the water and sewer sector tend to have slower audit times than all sectors combined, while airports generally maintain audit times that are on par with all sectors combined. Still, the individual sector trends illustrated in Figure 2 compare to an increase in the median audit time for all sectors combined (including both revenue and governmental bonds) of 6 days between

2019 and 2020, suggesting municipal revenue bond issuers in the transportation and utility sectors were better able to fend off the negative effects of the Covid-19 pandemic in terms of completing their audits in a timely manner.

Governmental Bond Sectors

As a departure from issuers in the revenue bond sectors, issuers in the governmental bond sectors generally maintain much slower median audit times compared to all sectors combined (including both revenue and governmental bonds). Figure 3 shows that school districts tend to have median audit times less than (each year 2009–2017) or equal to (in 2018) those of all sectors combined. Although the median audit time for school districts was faster than all sectors combined in 2019, the median audit time between 2019 and 2020 increased by 13 days to become slower than all sectors combined for the first time during

Figure 2. Median Audit Times (in Days) by Municipal Revenue Bond Transportation and Utility Sectors, 2009-2020

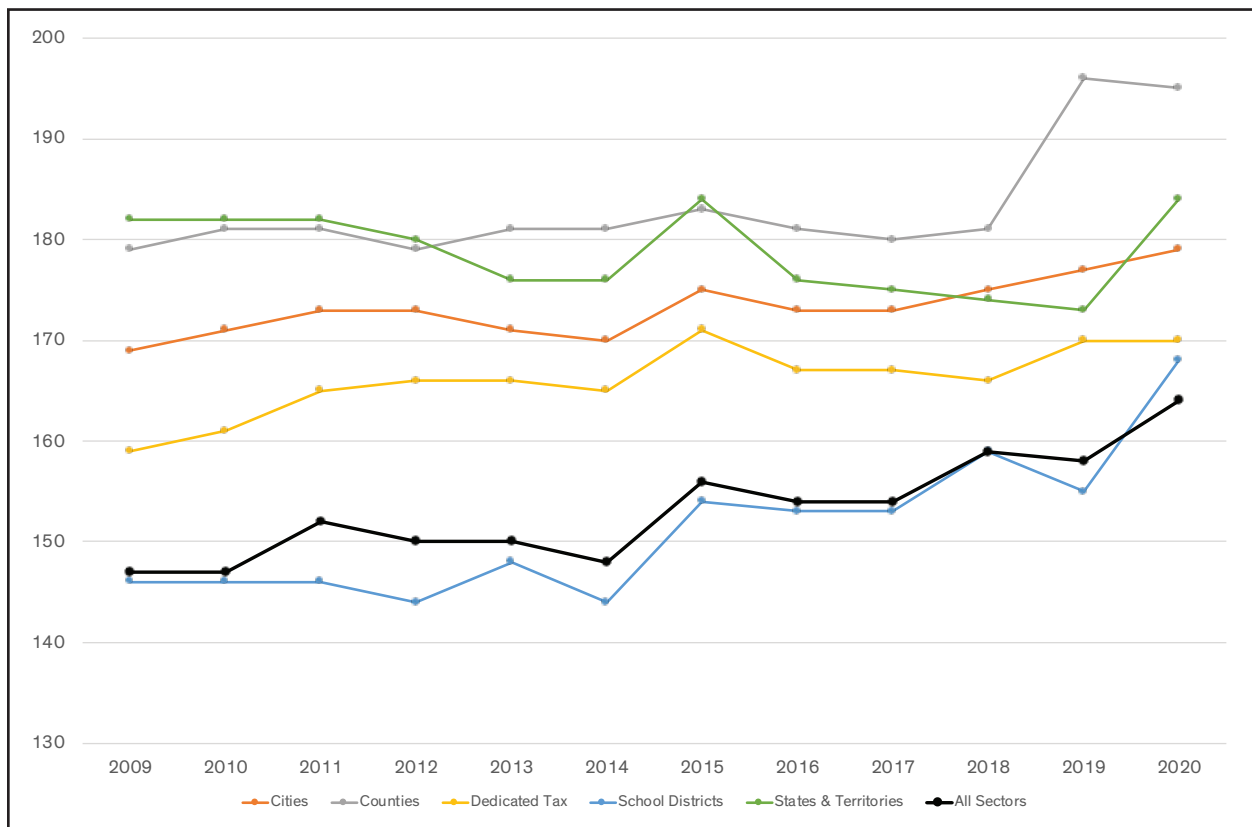


the time period examined (2009–2020), further emphasizing the negative impact of the Covid-19 pandemic.

States and territories also appear to have been severely impacted by Covid-19, as their median audit time between 2019 and 2020 increased by 11 days. On the other hand, the median

audit time for cities only worsened by 2 days, for issuers in the dedicated tax sector remained the same, and actually declined by 1 day for counties. Still, it is important to keep in mind that the median audit times for all four of these sectors are considerably higher than that of all sectors combined in each year 2009–2020.

Figure 3. Median Audit Times (in Days) by Municipal Governmental Bond Sectors, 2009-2020



The Best of the Best

Tables 3 and 4 show the creditors and auditors with the three fastest audit times (in days) by municipal credit sector for revenue bond (Table 3) and governmental bond (Table 4) issuers. All of the top performers in this report except for those in the states and territories category finished their audits in 90 days or faster, providing exemplary best practice models for timely reporting among municipal bond issuers.

In Table 3, all 2020 audit time top performers in the airports (Port Authority of New York & New Jersey, Chesapeake Regional Airport, and

Columbus Regional Airport Authority) and retail electric (Sacramento Municipal Utility District, Orlando Utilities Commission, and Lansing Board of Water & Light) sectors were also among the top 3 of their sector peers for audit timeliness in 2019.

In the community colleges, hospitals and healthcare systems, public higher education, toll roads, and wholesale electric sectors, 2 of the top 3 creditors in Table 3 were also recognized among the top 3 audit time performers for 2019. In these municipal revenue bond sectors,

Table 3. Top Audit Time Performers by Municipal Revenue Bond Sectors, 2020

Sectors	#1 Ranking			#2 Ranking			#3 Ranking		
	Creditor	Audit Time (Days)	Auditor Name	Creditor	Audit Time (Days)	Auditor Name	Creditor	Audit Time (Days)	Auditor Name
Airports	Port Authority of New York & New Jersey, NY	62	KPMG LLP	Chesapeake Regional Airport, VA	63	Brown, Edwards & Company, LLP	Columbus Regional Airport Authority, OH	69	Plante & Moran, PLLC
Community Colleges¹	Spoon River College District #534, IL	76	Wipfli, LLP	Victoria County Junior College District, TX	77	Cascos & Associates, PC	Tyler Junior College District, TX	77	Gollob Morgan Peddy, PC
Hospitals and Healthcare Systems	Kaiser Foundation Health Plan Inc & Kaiser Foundation Hospitals, CA	43	KPMG LLP	Regional Medical Center, IA	44	Eide Bailly, LLP	Fulton County Health Center, OH	48	Plante & Moran, PLLC
Private Higher Education	Bethune-Cookman University Inc, FL	49	MSL, PA	Meredith College, NC	62	Cherry Bekaert, LLP	St Leo University Inc, FL	63	KPMG LLP
Public Higher Education	University of South Alabama, AL	47	KPMG LLP	Saginaw Valley State University, MI	77	Andrews Hooper Pavlik, PLC	Francis Marion University, SC	79	Mauldin & Jenkins, LLC
Retail Electric²	Sacramento Municipal Utility District, CA	50	Baker Tilly US, LLP	Orlando Utilities Commission, FL	51	Ernst & Young, LLP	Lansing Board of Water & Light, MI	64	Baker Tilly US, LLP
Tollroads	Buffalo & Fort Erie Public Bridge Authority, NY	57	Lumsden & McCormick, LLP	New York State Bridge Authority, NY	60	EFPR Group, CPAs, PLLC	Elizabeth River Crossings OpCo LLC, VA	69	Pricewaterhouse Coopers, LLP
Water/Sewer³	Schuylkill County Municipal Authority, PA	40	Jones & Co, PC	Erie Sewer Authority, PA	41	Buseck, Barger, Bleil & Co, Inc	Northeast Morgan County Water & Sewer Authority, AL	48	Segars & Co, PC
Wholesale Electric⁴	Bonneville Power Administration, OR	30	Pricewaterhouse-Coopers, LLP	Associated Electric Cooperative Inc, MO	43	BKD, LLP	Northern Municipal Power Agency, MN	43	Brady, Martz & Associates, PC

1 Includes tax supported and revenue bond issuers.

2 Excludes utilities in places under 30,000 population.

3 Excludes water & sewer in places under 30,000 population.

4 Includes federal enterprise agencies and co-operatives.

Table 4. Audit Time Top Performers by Municipal Governmental Bond Sectors, 2020

Sectors	#1 Ranking			#2 Ranking			#3 Ranking		
	Creditor	Audit Time (Days)	Auditor Name	Creditor	Audit Time (Days)	Auditor Name	Creditor	Audit Time (Days)	Auditor Name
Cities¹	Sioux Falls, SD	78	Eide Bailly, LLP	Kettering, OH	82	Plattensburg & Associates, Inc	Columbus, OH	89	Plante & Moran, PLLC
Counties²	Santa Barbara County, CA	59	Eide Bailly, LLP	Newberry County, SC	73	Rish & Enzastiga	Titus County, TX	79	Arnold, Walker, Arnold & Co, PC
Dedicated Tax	New York Local Government Assistance Corporation Sales Tax Bonds, NY	73	BST & Co CPAs, LLP	Hidalgo County Regional Mobility Authority Registration Fee Revenue Bonds, TX	74	Burton McCumber & Longoria, LLP	Kansas Department of Transportation Highway Revenue Bonds, KS	77	CliftonLarsonAllen, LLP
School Districts³	Southwest Independent School District, TX	46	Coleman, Horton & Company, LLP	Davison Community Schools, MI	52	Yeo & Yeo, PC	Midland Public Schools, MI	52	Yeo & Yeo, PC
States & Territories	New York	119	KPMG LLP	District of Columbia	120	McConnell & Jones	South Carolina	136	South Carolina State Auditor & CliftonLarsonAllen, LLP

¹ Excludes cities under 30,000 population and all towns & townships.

² Excludes counties under 30,000 population.

³ Excludes school districts under 30,000 population.

the issuers that are newly at the top for 2020 include: Tyler Junior College District, Fulton County Health Center, Francis Marion University, Elizabeth River Crossings OpCo LLC, and Northern Municipal Power Agency.

In the private higher education and water and sewer sectors, 2 out of the 3 audit time standouts for 2020 are new, including: Bethune-Cookman University Inc, Meredith College, Schuylkill County Municipal Authority, and Northeast Morgan County Water & Sewer Authority.

At the top spots in Table 4, all 3 cities (Sioux Falls, SD; Kettering, OH; and Columbus, OH) and states/territories (New York, District of Columbia, and South Carolina) were also recognized as the fastest in their sectors to complete their audits in 2019.

In each of the other sectors (counties, dedicated tax, and school districts), 2 of the 3 audit time top performers for 2020 are new, including: Newberry County (SC), Titus County (TX), Hidalgo County Regional Mobility Authority Registration Fee Revenue Bonds, Kansas Department of Transportation Highway Revenue Bonds, Southwest Independent School District, and Midland Public Schools (MI).

These median audit times for the 2020 fiscal year undoubtedly reflect the negative impact of the Covid-19 global health pandemic on municipal bond issuers' abilities to complete their audits in a timely manner. As such, all of the 2020 audit time exemplars and audit firms deserve commendation, particularly those that remained among the fastest from the prior year to complete their audits.



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