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Which Municipal Bond Issuers Have the Speediest Audit Times?

Compared with corporate bond issuers, municipal bond issuers typically take two to three times longer — 140 to 160 days — to complete their audits between fiscal year-end and the date of the Independent Auditor's Report signature, according to data research from Merritt Research Services.

This year the Government Finance Research Center at the University of Illinois Chicago partnered with Merritt, which has been tracking and reporting the time it takes for municipal bond-related audits to be completed and signed after fiscal year-end since 2007, to develop its latest analysis.

The new report includes an overview of audit time trends since 2009 and identifies the timeliest audits for the 2020 fiscal year, grouped by municipal credit sector. The analysis covers the nearly 10,000 municipal bond audits in the Merritt database found in CreditScope.

Median audit times for municipal bond issuers have generally been increasing since 2009, especially between 2019 and 2020, most likely due to the onset of the COVID-19 pandemic.

Among the revenue bond sectors, wholesale electric, hospitals and health care systems, and private higher education had the fastest audit times for FY2020. For the governmental bond sectors, school districts and dedicated tax had the fastest audit times in FY2020.

Revenue bond sector issuers are generally faster in completing their audits than issuers in the governmental bond sectors, the analysis found.

Among the top performers in FY2020, all issuers except for states and territories completed their audits in 90 days or less, putting them on par with corporate bond issuers.

Interest groups ranging from bond investors to government watchdogs to regulators have regularly called for faster audit times from municipal bond issuers, said Deborah Carroll, director of the Government Finance Research Center at UIC.

"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," said Carroll, UIC associate professor of public administration.

While there are several newcomers highlighted in this year's report, many of the top performers in FY2020 were also recognized in FY2019 suggesting consistent leadership in debt management, according to Richard A. Ciccarone, president of Merritt Research Services, an Investortools Company.

"All of the 2020 audit time exemplars and audit firms deserve commendation, particularly those that remained among the fastest to complete their audits from last year," Ciccarone said.

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