

HOUSE BILL 1181

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2000 Regular Session
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By: **Delegates Eckardt, Cane, Cryor, Edwards, Schisler, Snodgrass, Walkup,
and Hutchins**

Introduced and read first time: February 11, 2000

Assigned to: Appropriations

Committee Report: Favorable

House action: Adopted

Read second time: March 25, 2000

CHAPTER _____

1 AN ACT concerning

2 **Comptroller - Local Government Audit Requirements**

3 FOR the purpose of altering the time periods for which the Legislative Auditor may
4 authorize certain audits for certain municipal corporations and special taxing
5 districts; providing for the application of this Act; and generally relating to the
6 audit requirements for local governments.

7 BY repealing and reenacting, with amendments,
8 Article 19 - Comptroller
9 Section 40
10 Annotated Code of Maryland
11 (1998 Replacement Volume and 1999 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
13 MARYLAND, That the Laws of Maryland read as follows:

14 **Article 19 - Comptroller**

15 40.

16 (a) (1) Except as provided in paragraph (2) of this subsection, each county,
17 incorporated city or town and taxing district created by and situated within the State
18 shall have its books, accounts, records and reports examined at least once during each
19 fiscal year by the persons and for the purposes specified in this section. The
20 examination shall be made by a certified public accountant in the capacity of either
21 an independent auditor or official auditor of any county or incorporated city. The
22 auditor shall be in compliance with the provisions of the Maryland Public

1 Accountancy Act. The official auditor shall be approved by the Legislative Auditor for
2 the purposes specified in this section. On such examination, inquiry shall be made
3 into the methods, accuracy and legality of the accounts, records, files and reports of
4 each county, incorporated city or town and taxing district. The Legislative Auditor
5 upon his own initiative may review or audit the books, records and reports of any
6 county, incorporated city or town or taxing district. Any county, incorporated city or
7 town or taxing district may request the Legislative Auditor to audit its books, records
8 and reports. If the request is approved, the costs of the examination shall be borne by
9 the auditee. The results of the audit shall be reported, subject to § 2-1246 of the State
10 Government Article, to the Legislative Auditor on such form or forms and in such
11 manner as the Legislative Auditor may prescribe. This report shall be made to the
12 Legislative Auditor by November 1 after the close of the fiscal year, except that the
13 report may be made to the Legislative Auditor by January 1 after the close of the
14 fiscal year for a county, incorporated city or town or taxing district having a
15 population of more than 400,000. An audit report filed with the Legislative Auditor is
16 a public record under the provisions of § 10-611 of the State Government Article.
17 Each year the Legislative Auditor shall review the audit reports submitted and shall
18 make a full and detailed report in writing to the State Comptroller and, subject to §
19 2-1246 of the State Government Article, to the Executive Director of the State
20 Department of Legislative Services of the result of the examination of the books,
21 accounts, records and reports of each county, incorporated city or town and taxing
22 district, together with such suggestions as he may think advisable to be made with
23 respect to methods of bookkeeping, changes in the uniform system of financial
24 reporting and changes in the reports of the counties, incorporated cities or towns and
25 taxing districts. In conducting the reviews specified in this section, the Legislative
26 Auditor may review the working papers and other documentation of the auditor. As a
27 result of the Legislative Auditor's reviews, audit reports, working papers, or other
28 documentation may be referred to the State Board of Public Accountancy for action as
29 prescribed in the Maryland Public Accountancy Act. It shall also be the duty of the
30 Legislative Auditor to report all violations by any county, incorporated city or town
31 and taxing district of the requirement and provisions specified in the sections of this
32 subtitle to the State Comptroller and, subject to § 2-1246 of the State Government
33 Article, to the Executive Director of the State Department of Legislative Services.
34 Should any county or incorporated city or town or taxing district fail or refuse to file
35 the audit reports as provided in this section with the Legislative Auditor within the
36 time prescribed or fail or refuse to submit an audit report including financial
37 statements that have been prepared in accordance with generally accepted
38 accounting principles and audited in accordance with generally accepted auditing
39 standards, the State Comptroller, acting upon the advice of the Executive Director of
40 the State Department of Legislative Services, shall be authorized to order the
41 discontinuance of payment of all funds, grants, or State aid which the county,
42 incorporated city or town or taxing district is entitled to receive under State law. This
43 provision shall have specific reference to all funds, grants, or State aid which the
44 county, incorporated city or town or taxing district is entitled to receive under
45 applicable provisions of State law distributed by the State Comptroller, the clerks of
46 the court, or other units of State government.

47 (2) [The] UNLESS THE LEGISLATIVE AUDITOR DETERMINES, ON A
48 CASE-BY-CASE BASIS, THAT MORE FREQUENT AUDITS ARE REQUIRED, THE

1 Legislative Auditor may authorize an incorporated city or town or taxing district
2 created by the State with annual revenues of less than \$50,000 in the prior 4 fiscal
3 [year] YEARS to have an audit conducted [on a biennial basis, to cover 2 fiscal] ONCE
4 EVERY 4 years.

5 (b) Each county shall establish uniform rules and regulations for the
6 examination and auditing of the books, accounts, and records of every special taxing
7 district created by and situated within the county which:

8 (1) Is not subject to the provisions of subsection (a) of this section;

9 (2) Receives moneys which were collected by the county from a county
10 property tax levy imposed at the request of the special taxing district;

11 (3) Has annual expenditures of over \$50,000; and

12 (4) Has moneys disbursed and expended by a person or body
13 independent of the county government.

14 (c) At a minimum, the rules and regulations required by subsection (b) of this
15 section shall provide for the examination and audit to:

16 (1) Be conducted by a certified public accountant in the capacity of either
17 an independent auditor or official auditor of the county who shall be in compliance
18 with the provisions of the Maryland Public Accountancy Act or by an auditing
19 committee approved by the official auditor of the county;

20 (2) Determine whether tax funds have been received, deposited and
21 disbursed in accordance with approved appropriations and State and local law;

22 (3) Include the following financial statements:

23 (i) Balance sheet;

24 (ii) Statement of revenues;

25 (iii) Statement of expenditures and encumbrances; and

26 (iv) Statement of changes in fund balance; and

27 (4) Be completed and filed with the appropriate county officials not later
28 than 90 days following the close of the fiscal year.

29 (d) For a special district created by and situated within the county with
30 annual expenditures of less than \$50,000, the county shall require annual financial
31 reports and shall require an audit every 4 years, unless the county determines, on a
32 case-by-case basis, that more frequent audits are required.

33 (e) If a special district subject to subsection (b) or (d) of this section does not
34 submit a financial report or audit report as required by the county, the county may

1 withhold the distributions of taxes imposed on behalf of the special district until the
2 financial report and/or audit report is received.

3 (f) At the time it forwards its audit report to the Legislative Auditor, the
4 county also shall forward copies of all audit reports and financial reports received
5 from the special districts subject to subsection (b) or (d) of this section, together with
6 a separate report to the Legislative Auditor on the results of the county's review of
7 each district's compliance with the provisions of subsections (b) through (e) of this
8 section. The Legislative Auditor shall review the audit reports and information
9 received from the county and submit recommendations as appropriate based on the
10 results of the review.

11 SECTION 2. AND BE IT FURTHER ENACTED, That the provisions of this Act
12 shall apply to all fiscal years starting on and after July 1, 2000.

13 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 October 1, 2000.