

SENATE BILL 503

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2000 Regular Session  
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By: **Senator Colburn**

Introduced and read first time: February 4, 2000

Assigned to: Budget and Taxation

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Committee Report: Favorable

Senate action: Adopted

Read second time: March 7, 2000

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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  
23 Accountancy Act. The official auditor shall be approved by the Legislative Auditor for

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

46 (2) [The] UNLESS THE LEGISLATIVE AUDITOR DETERMINES, ON A  
47 CASE-BY-CASE BASIS, THAT MORE FREQUENT AUDITS ARE REQUIRED, THE  
48 Legislative Auditor may authorize an incorporated city or town or taxing district

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

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

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

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

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

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

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

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

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

21 (3) Include the following financial statements:

22 (i) Balance sheet;

23 (ii) Statement of revenues;

24 (iii) Statement of expenditures and encumbrances; and

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

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

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

32 (e) If a special district subject to subsection (b) or (d) of this section does not  
33 submit a financial report or audit report as required by the county, the county may  
34 withhold the distributions of taxes imposed on behalf of the special district until the  
35 financial report and/or audit report is received.

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

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

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