

Department of Legislative Services  
Maryland General Assembly  
2000 Session

FISCAL NOTE  
Revised

House Bill 1181 (Delegate Eckardt. *et al.*)

Appropriations

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Comptroller - Local Government Audit Requirements

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This bill alters the time period for which the Legislative Auditor may authorize an incorporated city, town, or taxing district with annual revenues of less than \$50,000 to have an audit from once every two years to once every four years.

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Fiscal Summary

**State Effect:** None. This bill would have only a nominal impact on the Office of Legislative Audits' workload and no measurable fiscal impact.

**Local Effect:** Requiring one financial audit every four years would reduce local expenditures by approximately \$69,400 over a four-year period or \$17,300 annually.

**Small Business Effect:** None.

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Analysis

**Current Law:** Each county, incorporated city or town, and taxing district must have a financial audit performed in each fiscal year. The Legislative Auditor may request an audit every two years for an incorporated city, town, or taxing district with annual revenues of less than \$50,000 in the prior four fiscal years. The local entity is required to pay for the audit.

**Background:** The Office of Legislative Audits would have about 17 less reports to review if all entities that qualified requested and were authorized to have an audit. Since each report for a small jurisdiction only takes a few hours to review, the workload and cost of performing the legislative audits is virtually unaffected. **Exhibit 1** shows the communities and special taxing districts affected by this bill.

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**Exhibit 1**

County In Which Community Is Located	Communities and Special Taxing Districts With Less Than \$50,000 in Annual Revenues
Allegany	Bowling Green and Roberts STA, Ellerslie STA, McCoole STA, Mt. Savage STA, and Potomac Park Cit. Comm.
Caroline	Henderson, Marydel, and Templeville
Charles	Port Tobacco
Dorchester	Brookview, Church Creek, Eldorado, and Galestown
Frederick	Burkittsville
Montgomery	Barnesville
Queen Anne's	Barclay and Queen Anne

*Source: Local Government Finances, Department of Legislative Services*

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**Local Fiscal Effect:** Maryland has about 17 incorporated cities, towns, and special taxing districts with annual revenues of less than \$50,000. Under current law, these jurisdictions are required to have a financial audit conducted every year; however, the Legislative Auditor may request that an audit be conducted on a biennial basis to cover two fiscal years. According to the Legislative Auditor, only one entity has elected to have an audit every two years.

The cost of a financial audit varies by jurisdiction. **Exhibit 2** shows the audit cost for two communities in Caroline County and three communities in Dorchester County. Based on the average audit cost, requiring one financial audit every four years would reduce local expenditures by approximately \$69,400 over a four-year period or \$17,300 annually.

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**Exhibit 2**  
**Audit Cost for Certain Communities**

Brookview	\$600
Church Creek	\$1,200
Galestown	\$500
Henderson	\$3,000
Marydel	\$1,500
Average Cost	\$1,360

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 503 (Senator Colburn) - Budget and Taxation.

**Information Source(s):** Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 21, 2000  
ncs/jr Revised - Updated Information - February 23, 2000

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