

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 624

(Prince George's County Delegation)

Environmental Matters

Education, Health, and Environmental Affairs

Prince George's County - Legislative Auditor - Annual Audit of County-Issued
Credit Cards
PG 422-07

This bill requires the Legislative Auditor to conduct an annual audit of all transactions on credit cards issued by Prince George's County to the county executive and members of the county council. The audit must be completed within one month after the end of each fiscal year, and the complete audit report must be submitted to the Prince George's County Auditor, county council, county executive, and members of the General Assembly representing Prince George's County.

The bill takes effect June 1, 2007.

Fiscal Summary

State Effect: Potential minimal general fund expenditure increase to conduct the annual audit required by the bill. These costs would be reimbursed by Prince George's County.

Local Effect: Prince George's County expenditures would increase depending on the length and complexity of the annual audit. Revenues would not be affected.

Small Business Effect: None.

Analysis

Current Law: Under the county code, the Prince George's County Council is currently required to periodically hire one or more independent accountants to make a complete

audit of all county accounts and funds. An audit summary statement must be published once in two newspapers published in the county.

Statute requires the Legislative Auditor to review the audits performed by certified public accounting firms of each county, municipality, or taxing district and submit a report on the results of the review. Although the Legislative Auditor is authorized to conduct an audit of any of these entities, it has seldom done so in the past 20 years. In those instances where an audit was performed, it was a one-time examination conducted due to specific problems or legislative concerns.

In addition, statute authorizes a county, municipality, or taxing district to ask the Legislative Auditor to audit its books, records, and reports. If the request is approved, the costs of the examination are borne by the local government.

If the Legislative Auditor audits the books, accounts, records, and reports of a county, municipality, or taxing district under certain statutory provisions, including the provision to which the bill is drafted, the cost of the examination must be paid by the local government. As soon as practical after the conclusion of the audit, the Legislative Auditor must certify the expense to the proper local government official who must then reimburse the State as provided in statute.

The Express Powers Act authorizes all charter counties to audit the accounts of all county officers, assisting the Legislative Auditor or other State officer in the performance of this duty. Prince George's County operates under the charter home rule form of government.

Background: It was reported in November 2006 that a number of Prince George's County officials had used county-issued credit cards for personal purchases and were unable to provide proof of reimbursing the county for these purchases.

State Fiscal Effect: The bill requires the Office of Legislative Audits (OLA) to audit 10 credit card accounts – one for each of the 9 Prince George's County Council members and the county executive. According to OLA, the work could be done using existing positions or OLA might use its existing authority to hire an independent certified accounting firm to perform the work.

OLA would be able to recover the expenses related to auditing the credit card accounts. OLA advises that auditing the required credit card accounts might require 35 auditor days. Based on OLA's cost recovery rate of \$550 per auditor day, reimbursements could total \$19,250.

Local Fiscal Effect: Prince George's County would be responsible for reimbursing the State for the cost of the audit. The total cost for the county would depend on the length and complexity of the audit; however, based on the above assumptions, county expenditures could increase by \$19,250 annually.

Additional Comments: OLA advises that because of its current reporting requirements, such as soliciting a response from Prince George's County, printing time, and time for disclosure, it would likely need at least three months to complete the examination and report the results.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, *Washington Post*, Department of Legislative Services

Fiscal Note History: First Reader - March 8, 2007
ncs/hlb Revised - House Third Reader - March 29, 2007

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