

HOUSE BILL 19

L3, L4, Q8

(PRE-FILED)

9lr0552
CF 9lr0548

By: **Delegate Frick**

Requested: September 2, 2008

Introduced and read first time: January 14, 2009

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **Municipal Corporations and Taxing Districts – Financial Audits**

3 FOR the purpose of altering the maximum annual revenues a municipal corporation or
4 taxing district created by the State may have for purposes of eligibility under a
5 certain exception to a requirement that a municipal corporation taxing district
6 created by the State be audited at least once each fiscal year; altering certain
7 threshold amounts of annual expenditures for purposes of certain audit and
8 reporting requirements for certain special taxing districts; and generally
9 relating to certain audit and reporting requirements for municipal corporations
10 and taxing districts.

11 BY repealing and reenacting, with amendments,
12 Article 19 – Comptroller
13 Section 40
14 Annotated Code of Maryland
15 (2005 Replacement Volume and 2008 Supplement)

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

18 **Article 19 – Comptroller**

19 40.

20 (a) (1) Except as provided in paragraph (2) of this subsection, each
21 county, municipal corporation, and taxing district created by and situated within the
22 State shall have its books, accounts, records, and reports examined at least once
23 during each fiscal year by the persons and for the purposes specified in this section.
24 The examination shall be made by a certified public accountant in the capacity of
25 either an independent auditor or official auditor of any county or municipal

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



corporation. The auditor shall be in compliance with the provisions of the Maryland Public Accountancy Act. The official auditor shall be approved by the Legislative Auditor for the purposes specified in this section. On such examination, inquiry shall be made into the methods, accuracy, and legality of the accounts, records, files, and reports of each county, municipal corporation, and taxing district. The Legislative Auditor upon the Legislative Auditor's own initiative may review or audit the books, records, and reports of any county, municipal corporation, or taxing district. Any county, municipal corporation, or taxing district may request the Legislative Auditor to audit its books, records, and reports. If the request is approved, the costs of the examination shall be borne by the auditee. The results of the audit shall be reported, subject to § 2-1246 of the State Government Article, to the Legislative Auditor on such form or forms and in such manner as the Legislative Auditor may prescribe. This report shall be made to the Legislative Auditor by the date the county's, municipal corporation's, or taxing district's financial report is required to be submitted under § 37 of this subtitle. An audit report filed with the Legislative Auditor is a public record under the provisions of § 10-611 of the State Government Article. Each year the Legislative Auditor shall review the audit reports submitted and shall make a full and detailed report in writing to the State Comptroller and, subject to § 2-1246 of the State Government Article, to the Executive Director of the State Department of Legislative Services of the result of the examination of the books, accounts, records, and reports of each county, municipal corporation, and taxing district, together with such suggestions as the Legislative Auditor may think advisable to be made with respect to methods of bookkeeping, changes in the uniform system of financial reporting, and changes in the reports of the counties, municipal corporations, and taxing districts. In conducting the reviews specified in this section, the Legislative Auditor may review the working papers and other documentation of the auditor. As a result of the Legislative Auditor's reviews, audit reports, working papers, or other documentation may be referred to the State Board of Public Accountancy for action as prescribed in the Maryland Public Accountancy Act. It shall also be the duty of the Legislative Auditor to report all violations by any county, municipal corporation, and taxing district of the requirement and provisions specified in the sections of this subtitle to the State Comptroller and, subject to § 2-1246 of the State Government Article, to the Executive Director of the State Department of Legislative Services. Should any county or municipal corporation, or taxing district fail or refuse to file the audit reports as provided in this section with the Legislative Auditor within the time prescribed or fail or refuse to submit an audit report including financial statements that have been prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards, the State Comptroller, acting upon the advice of the Executive Director of the State Department of Legislative Services, shall be authorized to order the discontinuance of payment of all funds, grants, or State aid which the county, municipal corporation, or taxing district is entitled to receive under State law. This provision shall have specific reference to all funds, grants, or State aid which the county, municipal corporation, or taxing district is entitled to receive under applicable provisions of State law distributed by the State Comptroller, the clerks of the court, or other units of State government.

1 (2) Unless the Legislative Auditor determines, on a case-by-case
2 basis, that more frequent audits are required, the Legislative Auditor may authorize a
3 municipal corporation or taxing district created by the State with annual revenues of
4 less than [\$50,000] **\$250,000** in the prior 4 fiscal years to have an audit conducted
5 once every 4 years.

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

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

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

12 (3) Has annual expenditures of over [\$50,000] **\$250,000**; and

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

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

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

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

23 (3) Include the following financial statements:

24 (i) Balance sheet;

25 (ii) Statement of revenues;

26 (iii) Statement of expenditures and encumbrances; and

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

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

30 (d) For a special district created by and situated within the county with
31 annual expenditures of less than [\$50,000] **\$250,000**, the county shall require annual

1 financial reports and shall require an audit every 4 years, unless the county
2 determines, on a case-by-case basis, that more frequent audits are required.

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

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

15 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
16 July 1, 2009.