

SENATE BILL 146

L3, L4, Q8

9lr0548
CF HB 19

By: **Senators Frosh and Madaleno**

Introduced and read first time: January 19, 2009

Assigned to: Budget and Taxation

Committee Report: Favorable

Senate action: Adopted

Read second time: February 26, 2009

CHAPTER _____

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 State shall have its books, accounts, records, and reports examined at least once
2 during each fiscal year by the persons and for the purposes specified in this section.
3 The examination shall be made by a certified public accountant in the capacity of
4 either an independent auditor or official auditor of any county or municipal
5 corporation. The auditor shall be in compliance with the provisions of the Maryland
6 Public Accountancy Act. The official auditor shall be approved by the Legislative
7 Auditor for the purposes specified in this section. On such examination, inquiry shall
8 be made into the methods, accuracy, and legality of the accounts, records, files, and
9 reports of each county, municipal corporation, and taxing district. The Legislative
10 Auditor upon the Legislative Auditor's own initiative may review or audit the books,
11 records, and reports of any county, municipal corporation, or taxing district. Any
12 county, municipal corporation, or taxing district may request the Legislative Auditor
13 to audit its books, records, and reports. If the request is approved, the costs of the
14 examination shall be borne by the auditee. The results of the audit shall be reported,
15 subject to § 2-1246 of the State Government Article, to the Legislative Auditor on such
16 form or forms and in such manner as the Legislative Auditor may prescribe. This
17 report shall be made to the Legislative Auditor by the date the county's, municipal
18 corporation's, or taxing district's financial report is required to be submitted under §
19 37 of this subtitle. An audit report filed with the Legislative Auditor is a public record
20 under the provisions of § 10-611 of the State Government Article. Each year the
21 Legislative Auditor shall review the audit reports submitted and shall make a full and
22 detailed report in writing to the State Comptroller and, subject to § 2-1246 of the
23 State Government Article, to the Executive Director of the State Department of
24 Legislative Services of the result of the examination of the books, accounts, records,
25 and reports of each county, municipal corporation, and taxing district, together with
26 such suggestions as the Legislative Auditor may think advisable to be made with
27 respect to methods of bookkeeping, changes in the uniform system of financial
28 reporting, and changes in the reports of the counties, municipal corporations, and
29 taxing districts. In conducting the reviews specified in this section, the Legislative
30 Auditor may review the working papers and other documentation of the auditor. As a
31 result of the Legislative Auditor's reviews, audit reports, working papers, or other
32 documentation may be referred to the State Board of Public Accountancy for action as
33 prescribed in the Maryland Public Accountancy Act. It shall also be the duty of the
34 Legislative Auditor to report all violations by any county, municipal corporation, and
35 taxing district of the requirement and provisions specified in the sections of this
36 subtitle to the State Comptroller and, subject to § 2-1246 of the State Government
37 Article, to the Executive Director of the State Department of Legislative Services.
38 Should any county or municipal corporation, or taxing district fail or refuse to file the
39 audit reports as provided in this section with the Legislative Auditor within the time
40 prescribed or fail or refuse to submit an audit report including financial statements
41 that have been prepared in accordance with generally accepted accounting principles
42 and audited in accordance with generally accepted auditing standards, the State
43 Comptroller, acting upon the advice of the Executive Director of the State Department
44 of Legislative Services, shall be authorized to order the discontinuance of payment of
45 all funds, grants, or State aid which the county, municipal corporation, or taxing
46 district is entitled to receive under State law. This provision shall have specific
47 reference to all funds, grants, or State aid which the county, municipal corporation, or
48 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.

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

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

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

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

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

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

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

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

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

(3) Include the following financial statements:

(i) Balance sheet;

(ii) Statement of revenues;

(iii) Statement of expenditures and encumbrances; and

(iv) Statement of changes in fund balance; and

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

(d) For a special district created by and situated within the county with annual expenditures of less than [\$50,000] **\$250,000**, the county shall require annual financial reports and shall require an audit every 4 years, unless the county determines, on a case-by-case basis, that more frequent audits are required.

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

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

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

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.