

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 324
Appropriations

(Chair, Joint Audit Committee)

Education, Health, and Environmental Affairs

State Government - Office of Legislative Audits - Costs and Frequency of Audits

This bill repeals requirements that the Environmental Trust Fund (ETF), the 9-1-1 Trust Fund, and the Universal Service Trust Fund (USTF) pay for specified audit or post-audit related costs of the Office of Legislative Audits (OLA). The requirements that these funds otherwise be audited remain unchanged. The bill also extends the audit periods for the Board of License Commissioners for Prince George’s County and the Board of Liquor License Commissioners for Baltimore City to six years. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: General fund revenues decrease minimally beginning in FY 2021. Overall, special fund expenditures are not affected, as discussed below.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: None.

Analysis

Current Law: The Legislative Auditor may conduct fiscal/compliance audits of the 9-1-1 Trust Fund and of the appropriations and disbursements made from the fund. The cost of the fiscal portion of the audits must be paid from the fund.

The Legislative Auditor may conduct post audits of a fiscal and compliance nature of ETF and USTF and related specified expenditures of the funds. The cost of the fiscal portions of the ETF post audit examinations are an operating cost of the fund. Similarly, the cost of

the fiscal portions of the USTF post audits must be paid from USTF as an administrative cost.

Local Alcoholic Beverage Licensing Board Audits

Generally, OLA must conduct a performance audit of a local alcoholic beverage licensing board at any time on request of the Presiding Officers, subject to specified requirements. Two boards – Baltimore City and Prince George’s County – are also on an established audit cycle: once every four years for Baltimore City and once every three years for Prince George’s County.

Background: OLA conducts fiscal compliance and performance audits of State entities, performance audits of local school systems, and fraud, waste, and abuse investigations. Typically, OLA conducts fiscal compliance audits on a three- or four-year cycle, depending on assessed risk. Local school systems are audited on a six-year cycle, while other performance audits and fraud, waste, and abuse investigations are conducted as needed or directed. OLA audits are conducted in accordance with generally accepted government auditing standards.

State Fiscal Effect: OLA advises that the three special funds referenced in the bill are the only three entities for which the office charges directly for its related costs. OLA does not retain the money, but instead transfers it to the general fund, so there is no effect on the office. The amounts charged to the special funds by OLA are minimal: less than \$30,000 in total over the past four years. Assuming similar charges would have continued, general fund revenues decrease minimally beginning in fiscal 2021. This analysis assumes that the affected special funds use the money made available under the bill for programmatic purposes and that, therefore, overall special fund expenditures are not affected.

Increasing the duration of the Baltimore City and Prince George’s County alcoholic beverage licensing board audits has only an operational effect, as OLA intends to reallocate existing staff to other audits.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 301 (Chair, Joint Audit Committee) - Education, Health, and Environmental Affairs.

Information Source(s): Baltimore City; Prince George's County; Department of Legislative Services

Fiscal Note History: First Reader - January 29, 2020
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