

## Chapter 727

## (Senate Bill 962)

AN ACT concerning

**Municipalities – Legislative Audit – Exemption**

FOR the purpose of exempting a municipality with annual revenues below a certain amount from a certain audit requirement; clarifying that a certain audit exemption does not affect certain financial reporting requirements; authorizing the Joint Audit and Evaluation Committee to request or require a certain review or audit of the financial records of a certain municipality under certain circumstances; and generally relating to audits of the financial records of municipalities.

BY repealing and reenacting, with amendments,  
Article – Local Government  
Section 16–305  
Annotated Code of Maryland  
(2013 Volume and 2024 Supplement)

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

**Article – Local Government**

16–305.

(a) Except as provided in subsection (b) of this section, each county, municipality, and special taxing district created by the State shall have its financial records audited at least once each fiscal year by the persons and for the purposes specified in this section and §§ 16–307 and 16–308 of this subtitle.

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

**(2) NOTWITHSTANDING PARAGRAPH (1) OF THIS SUBSECTION AND EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION, A MUNICIPALITY IS EXEMPT FROM THE AUDIT REQUIREMENTS OF SUBSECTION (A) OF THIS SECTION FOR ANY FISCAL YEAR IN WHICH THE MUNICIPAL ANNUAL REVENUES ARE LESS THAN \$100,000.**

(c) **(1)** The audit required under subsection (a) of this section shall be conducted by a certified public accountant:

(i) acting in the capacity of an independent auditor or an official auditor of a county or municipality; and

(ii) who is in compliance with the Maryland Public Accountancy Act.

(2) An official auditor must be approved by the Legislative Auditor to conduct the audit.

(3) In conducting the audit, the auditor shall examine the methods, accuracy, and legality of the financial records of the county, municipality, or special taxing district.

(d) (1) On the initiative of the Legislative Auditor, the Legislative Auditor may review or audit the financial records of any county, municipality, or special taxing district created by the State.

(2) A county, municipality, or special taxing district created by the State may request the Legislative Auditor to audit its financial records.

**(E) (1) AN AUDIT EXEMPTION FOR A MUNICIPALITY UNDER SUBSECTION (B)(2) OF THIS SECTION DOES NOT AFFECT THE REQUIREMENT OF THAT MUNICIPALITY TO FILE WITH THE DEPARTMENT OF LEGISLATIVE SERVICES A FINANCIAL REPORT IN ACCORDANCE WITH § 16-304 OF THIS SUBTITLE.**

**(2) IF THE FINANCIAL REPORT SUBMITTED IN ACCORDANCE WITH § 16-304 OF THIS SUBTITLE BY A MUNICIPALITY THAT HAS AN AUDIT EXEMPTION UNDER SUBSECTION (B)(2) OF THIS SECTION INDICATES A FINANCIAL OR ACCOUNTING IRREGULARITY OR CONCERN, THE JOINT AUDIT AND EVALUATION COMMITTEE MAY REQUEST OR REQUIRE ~~A REVIEW OR AUDIT OF THE FINANCIAL RECORDS OF THAT MUNICIPALITY~~ THE MUNICIPALITY TO CONDUCT A REVIEW OR AUDIT OF ITS FINANCIAL RECORDS CONSISTENT WITH THE REQUIREMENTS OF SUBSECTION (C) OF THIS SECTION.**

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2025.

**Approved by the Governor, May 20, 2025.**