Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 251 (Chair, Appropriations Committee)(By Request - Departmental - Human Services)

Appropriations Finance

Human Services – Local Departments of Social Services – Audits

This departmental bill alters the standard frequency of financial and compliance audits of local departments of social services, from at least once every three years to an interval of four years. However, the Office of the Inspector General (OIG) in the Department of Human Services (DHS) may determine, on a case-by-case basis, that an audit occur at an interval of three years. In determining the audit interval for a local department, the office must take into consideration (1) the materiality and risk profile of the local department's programs and fiscal activities; (2) the nature and extent of prior audit findings of the local department; and (3) any other factor related to risk.

Fiscal Summary

State Effect: Any operational efficiencies are not anticipated to materially impact State finances.

Local Effect: None.

Small Business Effect: DHS has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: At least once every three years, OIG in DHS must conduct or contract for a financial and compliance audit of each local department and prepare a written report of the audit findings. The audit must comply with the auditing standards issued by the

Institute of Internal Auditors. The written report of the audit findings must be distributed to the local board and the local governing body.

Background: DHS advises that it is difficult to maintain the current three-year audit cycle of the local departments due to staff shortages. According to DHS, extending the audit cycle of the local departments allows OIG to prioritize audit resources for local departments classified as higher-risk and ensure that these local departments receive necessary attention from OIG in a more frequent and timely manner. The bill also allows adequate time for the local departments to implement corrective actions to address audit findings prior the next audit. Further, the proposed change is generally consistent with the three- to four-year audit cycle utilized by the Office of Legislative Audits.

According to DHS, it is current standard industry practice to allow OIG the ability to develop risk-based audit plans, rather than adhere to a prescribed timeframe. DHS advises that the larger local departments and local departments with a significant increase in higher-risk audit findings will likely remain on a three-year audit cycle, while the mid-size to smaller local departments and local departments with lower risk audit findings will be audited on a three- or four-year cycle.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 230 (Chair, Finance Committee)(By Request - Departmental - Human Services) - Finance.

Information Source(s): Montgomery County; Department of Human Services; Department of Legislative Services

Fiscal Note History: First Reader - January 26, 2025
rh/jkb Third Reader - March 13, 2025
Revised - Amendment(s) - March 13, 2025

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Human Services - Local Departments of Social Services - Audits

BILL NUMBER: HB 251

PREPARED BY: Marva Sutherland, Inspector General

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

__X__ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

____ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS