

**Department of Legislative Services**  
 Maryland General Assembly  
 2026 Session

**FISCAL AND POLICY NOTE**  
**Enrolled - Revised**

Senate Bill 858

(Senator Hettleman, *et al.*) (By Request - Joint Audit and Evaluation Committee)

Budget and Taxation

Government, Labor, and Elections

**Department of Budget and Management - Audit and Finance Compliance Unit - Establishment**

This bill establishes an Audit and Finance Compliance Unit (AFCU) in the Department of Budget and Management (DBM) to monitor the efforts of departmental units in the Executive Branch to correct audit findings reported by the Office of Legislative Audits (OLA). AFCU must assist those departmental units with resolving audit findings as specified and may provide guidance, coordination, and technical assistance to the units as specified. AFCU and specified elected and appointed officials may view unredacted cybersecurity audit findings. AFCU must submit an annual report to the Joint Audit and Evaluation Committee (JAEC) by October 1 each year on all audit findings for Executive departmental units under examination. **The bill takes effect July 1, 2026.**

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$217,000 in FY 2026, although not reflected in the table below, and by \$2.29 million in FY 2027 as the bill effectuates contingent appropriations in the FY 2027 budget as passed by the General Assembly. Future years reflect inflation and ongoing costs for the additional AFCU personnel. Revenues are not affected.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	2.29	2.14	2.21	2.28	2.35
Net Effect	(\$2.29)	(\$2.14)	(\$2.21)	(\$2.28)	(\$2.35)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** None.

## **Analysis**

**Bill Summary:** The Governor must implement systems and processes to monitor the efforts of the Executive departmental units to correct audit findings reported by OLA.

AFCU must provide direct assistance as specified in the bill to agencies with at least four repeat audit findings or unsatisfactory audits. AFCU must establish a specialized team to provide the required direct assistance, which may include current State employees, current contractual employees, and external contractors.

The Secretary of Budget and Management may adopt regulations to carry out provisions of the bill.

### **Current Law:**

#### *Audits Conducted by the Office of Legislative Audits*

Generally, OLA must conduct a fiscal/compliance audit of each unit of the State government (except for units of the Legislative Branch) at an interval ranging from three to four years, unless the Legislative Auditor determines, on a case-by-case basis, that more frequent audits are required. Each agency or program may be audited separately or as part of a larger organizational unit of State government. OLA must also conduct performance audits or financial statement audits when authorized by the Legislative Auditor, directed by JAEC or the Executive Director of the Department of Legislative Services (DLS), or otherwise required by law. A report must include OLA's findings, any appropriate recommendations, and any response from the unit subject to the audit.

The Executive Director of DLS or JAEC may direct OLA to undertake a review to determine the extent to which action has been taken by a unit to implement a report recommendation.

The Governor and the Chief Justice of the Supreme Court must implement systems and processes to monitor the efforts of the Executive departmental units and the Judiciary to correct audit findings reported by OLA. A report auditing a unit of State or local government must have any cybersecurity findings redacted in a manner consistent with auditing best practices before the report is made available to the public. Within nine months of the most recent audit report, any unit with five or more repeat audit findings must report to OLA on the corrective actions taken or a schedule for when specific corrective actions will be implemented for each finding in the audit report. Each applicable unit must continue to report to OLA on a quarterly basis after the initial report until satisfactory progress has been made.

Six State agencies (the Comptroller of Maryland, the Department of Housing and Community Development, the Department of Information Technology (DoIT), the Maryland Department of Health (MDH) – Pharmacy Services, the Maryland Department of Transportation, and St. Mary’s College of Maryland) had repeat audit findings in calendar 2024 fiscal compliance reports issued by OLA. The fiscal 2026 budget restricted \$250,000 in general funds for DBM until the State Chief Information Security Officer (SCISO) submits a report to OLA on plans to remediate repeat audit findings by February 1, 2026 (which was submitted in February 2026), and OLA submits a report, by May 1, 2026, on the agencies’ commitment to resolve audit findings. Representatives from agencies with certain repeat audit findings in calendar 2024 were also required to meet with SCISO to identify and document a path for resolution of any outstanding issues.

Since six State agencies (DBM Office of Personnel Services and Benefits, Department of General Services (DGS), DGS Office of State Procurement, MDH, MDH Medical Care Programs Administration, and Department of Human Services Social Services Administration) had repeat audit findings in calendar 2025 fiscal compliance reports issued by OLA, the fiscal 2027 budget as passed by the General Assembly restricts \$250,000 in general funds for DBM until (1) agency representatives with repeat audit findings meet with SCISO to identify and document a path for resolution of any outstanding issues and the agencies have taken corrective action with respect to the findings; (2) SCISO submits a report to OLA by February 1, 2027, relating to corrective actions and outstanding issues; and (3) a report by OLA is submitted to the budget committees and JAEC by May 1, 2027, listing each repeat audit finding that demonstrates the agencies’ commitment to correct each repeat audit finding. The fiscal 2027 budget as passed by the General Assembly also restricts funding for certain State agencies with repeat audit findings, pending specified corrective action and a report.

#### *Audit and Finance Compliance Unit of the Department of Budget and Management*

AFCU is an audit unit within DBM focused on enhancing audit compliance and program management across State agencies. AFCU was expanded in fiscal 2023 from a small unit of four individuals within the Office of the Secretary, Executive Direction to an official budgetary subunit of DBM with 11 regular positions under the Office of the Secretary, Executive Direction. AFCU provides enhanced technical support to State agencies facing repeat audit findings, fiscal crises, and other financial management or audit compliance issues. The fiscal 2027 budget as passed by the General Assembly transfers AFCU and the 11 budgeted positions from being under Executive Direction to being under a new program in DBM.

Committee narrative in the 2024 *Joint Chairmen’s Report* requested that DBM develop new performance measures for AFCU. The department’s fiscal 2026 *Managing for Results* submission included no new measures. In response, language in the fiscal 2026 budget

restricted \$150,000 in general funds, pending submission of performance measures for AFCU. DBM submitted a report containing the requested information on August 20, 2025, and the budget committees authorized the release of funds.

### *Governor's Directive*

On February 6, 2026, Governor Wes Moore released a directive to cabinet Secretaries, directing them to review their agency processes for monitoring resolution of audit issues within 60 days of the order. The Secretaries must also review recent audit findings and identify areas to address without new resources within the first 60 days. Then, within 180 days, Secretaries must identify areas where additional resources could address the root cause of repeat audit findings. The directive stated that DoIT will pilot a management tool to track findings, inquiries, and corrective actions. AFCU is also highlighted as a resource for agencies in seeking input, as well as convening meetings with agencies to develop a culture of best practices.

**State Expenditures:** The bill generally codifies what AFCU is already doing to assist State agencies in monitoring corrective actions for OLA findings. The fiscal 2027 budget as passed by the General Assembly transfers AFCU and the 11 budgeted positions in AFCU from being under Executive Direction within DBM to being under a new program in DBM. Accordingly, the fiscal 2027 budget as passed by the General Assembly includes an appropriation of \$2.0 million to fund the 11 positions within AFCU as a new program, and includes a general fund reduction of \$2.0 million to Executive Direction under DBM. There is no net impact due to this change.

However, the bill also adds to AFCU's responsibilities by (1) requiring AFCU to perform sample tests of implemented corrective actions, as needed; (2) requiring AFCU to annually report to JAEC; and (3) establishing a specialized team to provide direct assistance to specified agencies.

DBM reports needing nine additional employees and \$650,000 in contractor costs to implement the bill. Though the bill does not take effect until July 1, 2026, the fiscal 2027 budget as passed by the General Assembly adds these nine additional regular positions in fiscal 2026 and includes appropriations of \$216,971 in fiscal 2026 and \$2.29 million in fiscal 2027 for AFCU to support the provisions of the bill, contingent on the enactment of this bill or its cross file.

Thus, general fund expenditures increase by \$216,971 in fiscal 2026 and by \$2.29 million in fiscal 2027, which reflects the contingent appropriations. This estimate reflects the cost of hiring two audit compliance analysts, three audit compliance managers, one informational technology auditor, two audit compliance analysts for special projects, and one assistant director of AFCU to assist AFCU with monitoring corrective actions to

resolve OLA findings and to perform sample tests of implemented corrective actions on an as-needed basis. These positions are assumed to be hired and in place by the bill’s effective date. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses, along with \$650,000 of annual contractual services that cover training needs and professional memberships.

Positions	9.0
Salaries and Fringe Benefits	\$1,544,918
Contractual Services	650,000
Operating Expenses	<u>93,202</u>
<b>Total FY 2027 State Expenditures</b>	<b>\$2,288,120</b>

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Executive departmental units can report to AFCU on their progress in correcting any audit findings with existing resources. To the extent that the specialized team consists of State employees outside of DBM, State agencies can likely serve on the team with existing resources.

**Additional Comments:** Although the fiscal 2027 budget as passed by the General Assembly includes \$10.0 million in the Dedicated Purpose Account to address repeat audit findings, DBM advises that those funds are not for AFCU. Rather, they will be used for temporary staff, information technology (presumably the tool to track audit findings in the Governor’s directive), and consultants. Therefore, those funds are not available for the additional staff included in this analysis.

Additionally, the fiscal 2027 budget as passed by the General Assembly authorizes funds appropriated in other State agency budgets to pay for services provided by AFCU. Thus, to the extent that State agencies pay for services provided by AFCU, general fund expenditures for AFCU decrease, reimbursable fund revenues increase, and – assuming these monies are treated as special funds for a dedicated purpose, as noted in the budget – special fund expenditures correspondingly increase. However, this analysis does not account for any such activity as the bill does not require State agencies to reimburse AFCU.

### **Additional Information**

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

**Designated Cross File:** HB 1369 (Delegate Solomon)(By Request - Joint Audit and Evaluation Committee) - Government, Labor, and Elections.

**Information Source(s):** Department of Information Technology; Department of Commerce; Maryland Department of Aging; Maryland State Department of Education; Maryland Department of Agriculture; Department of Budget and Management; Maryland Department of Disabilities; Maryland Department of the Environment; Maryland Department of Health; Department of Housing and Community Development; Department of Human Services; Maryland Department of Planning; Department of Public Safety and Correctional Services; Department of State Police; Maryland Department of Transportation; Department of Veterans and Military Families; Department of Service and Civic Innovation; Department of Legislative Services

**Fiscal Note History:** First Reader - March 3, 2026  
caw/mcr Third Reader - March 25, 2026  
Revised - Amendment(s) - March 25, 2026  
Enrolled - April 14, 2026  
Revised - Clarification - April 14, 2026  
Revised - Updated Information - April 14, 2026  
Revised - Budget Information - April 14, 2026

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