



Maryland Municipal League
The Association of Maryland's Cities and Towns

TESTIMONY

March 26, 2024

Committee: Senate Budget & Taxation

Bill: _____ HB 165 – Local Government – Annual Audit Reporting Requirements –
Alterations

Position: Support with amendments

Reason for Position:

The Maryland Municipal League supports House Bill 165 with amendments.

While the bill is in a better posture as amended – increasing accountability yet allowing enough time for local governments to resolve most natural issues – we are still concerned about the rare cases that may take several years to resolve at no fault of the jurisdiction.

Specifically, the only remaining legitimate concern surrounds cases in which an employee has committed a financial crime like fraud or embezzlement. Those can take years to recover from at no fault of the remaining elected officials and city or town residents. The structure outlined in HB 165 as amended is still ill-equipped to deal with these situations if they drag on.

The uncomfortable reality is that crimes like fraud and embezzlement happen in (and to) local governments. Nothing in the law prevents such crimes. But, without a release valve or some level of discretion, HB 165 could further harm jurisdictions and their residents in this situation.

This is why the League continues to advocate for discretion in these situations. There are already two bodies with the oversight authority to recommend and implement penalties on a case-by-case basis – the Department of Legislative Services via the Comptroller and the Maryland General Assembly via budget language (which was done as recently as 2016, FY 2017.)

[The October 4th, 2024, meeting of the Joint Committee on the Management of Public Funds \(JCMPF\)](#) exemplifies the how the General Assembly can hear from jurisdictions, gather context, and be prepared to make case-by-case recommendations. One jurisdiction specifically discussed how

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they struggled to find any firm to take on their audit after dealing with a case of embezzlement they reported to the police. The Town of Marydel had a similar situation years ago. Marydel ultimately ended up 4 audits behind before resolving the issue but has been on time ever since.

MML continues to propose and support a belt-and-suspenders approach to keeping a layer of mandatory penalties with certain amendments – most importantly, an off ramp.

Currently, outside of the JCMPF hearing, there is no formal process that requires a status update and plan for compliance for jurisdictions who do not file on time. We believe having those commitments in writing would be a show of good faith. This would potentially further aid the JCMPF in their oversight role and still allow for discretionary penalties from the Executive Director of DLS. If they fail to meet those basic requirements, we would understand more immediate penalties.

For these reasons the League respectfully requests that this committee provide House Bill 165 with a favorable report with amendments.

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