A Year of Progress

2024 Update from the State Treasurer's Office

BRIEFING FOR THE JOINT COMMITTEE ON THE MANAGEMENT OF PUBLIC FUNDS

A Year of Progress

During his swearing in speech this term, Treasurer Davis identified four priorities for the State Treasurer's Office (STO):

1. Remain socially responsible and fiscally prudent;
2. Ensure that the State and its citizens get the full value out of every dollar spent;
3. Promote the State's Minority Business Enterprise (MBE) Program; and
4. Encourage financial literacy programs.

A Year of Progress

Maryland STATE TREASURER
Investing for Maryland's future.

To support these priorities, Treasurer Davis has remained a vocal and engaged member of the Board of Public Works and 20 other State boards and commissions. He also led and participated in a range of community events to raise awareness about State finances, contracting opportunities, and financial literacy.

A Year of Progress

Maryland STATE TREASURER
Investing for Maryland's future.

Maryland 529 Program Highlights

Since assuming oversight of the Maryland 529 Program in June 2023 to assist the Maryland Prepaid College Trust (MPCT), STO has built on the successes of the Maryland College Investment Plan (MCIP) and the Maryland Achieving A Better Life (ABLE) Program. Just this month, Maryland 529 received three accolades.

On October 1, the ABLE Program reached a milestone that has been years in-the-making, crossing the $100 million threshold in assets under management for 6,800 Marylanders.

On October 5, an online resource for college financing (Saving For College) ranked MCIP the best 529 plan out of all state-sponsored plans. The ranking is based on four factors: performance, ease of use, savings success, and program delivery, and has been reported by CNBC and other news outlets.

On October 29, Morningstar reaffirmed MCIP's silver rating.

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Maryland 529 Program Highlights

Maryland Achieving A Better Life Program

- The Maryland ABLE Organizational Authorized Legal Representative (ALR) program increased by 43% in FY24, with over 60 organizations participating in this program. Organizational ALRs represent 35.9% of all Maryland ABLE accounts and $32.5 million of Maryland ABLE assets.
- As of June 30, 2024, the average account balance is over $14,000, surpassing the national average account balance by over $4,000.
- On July 1, legislation went into effect (Chapters 172 and 173 of the 2024 Acts of Maryland) that requires local school systems to provide information about Maryland ABLE to parents at their child's annual individualized education program, individualized family service plan, or 504 plan meetings.

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Other Maryland 529 Highlights

Maryland College Investment Plan

- In 2024, Morningstar identified MCIP as one of only 14 state plans to receive a “silver” rating, maintaining its strong 2023 rating.
- In March 2024, MCIP transitioned to a new recordkeeping system that includes service on a mobile app and access to an enhanced gifting platform.
- As of June 30, 2024, total funded accounts in the Maryland College Investment Plan increased 3.8% from the previous fiscal year for a total of 361,134 accounts and total contributions increased 23.7% to $938.8 million.

A Year of Progress

Other Maryland 529 Highlights

Maryland Prepaid College Trust

In addition to the successes of MCIP and ABLE, since the last update to the Joint Committee, STO has implemented all four phases of policy change that Treasurer Davis announced in July of last year.

- **Phase I**: Established a 6% retroactive earnings rate on historical account balances.
- **Phase II**: Updated the online portal to automatically reflect new account balances.
- **Phase III**: Established and announced the parameters for claims.
- **Phase IV**: Switched the earnings rate to 0% on MPCT accounts.

Per the 2023 reform legislation (Chapter 113 of the 2023 Acts of Maryland), MPCT is no longer receiving new enrollments, but account holders have options with how to handle existing accounts (e.g. stay in the Plan, rollover to another qualified state tuition plan). The claims review process is ongoing, which requires account holders to rollover as a condition of accepting a settlement offer from the State. As of June 30, 2024, 27,673 accounts remain.

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Investment Highlights

- As of September 30, the par value of the General Fund investment portfolio was $20.246 billion.
- The portfolio has earned an average of 4.28% this fiscal year to date.
- Year-to-date gross interest earnings for fiscal 2025 through September 30 were $207 million, of which approximately $111 million will remain in the General Fund.
- S&P Global Ratings reaffirmed the Maryland Local Government Investment Pool’s (MLGIP) AAAm rating, which has remained the same since April 2000.
- MLGIP’s balance on September 30 was $13.59 billion with an effective annual yield of 5.23%.

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Investment Policy Legislation

- STO continues to implement the law (Chapters 143 and 144 of the 2024 Acts of Maryland) that went into effect in April to provide additional flexibility in managing the State's investment portfolio and in overseeing local governments' investments.
- Two sets of regulations establish the State investment policy and the guidelines for local governments.
- The set that establishes the State investment policy – including parameters for investments in different types of assets – will go into effect in early November.
- The corollary set that establishes guidelines for local governments incorporates feedback from representatives of local governments and goes into effect in early 2025.

A Year of Progress

Banking Highlights

- The Banking Services Division continues to account for the accurate and timely recordation of State funds and the reconciliation of the State’s bank accounts to its R*STARS accounting system.
- Reconciliation for the State’s bank accounts continued to be done to the penny to the State’s ledger system.
- In fiscal year 2024, STO awarded a new “Statewide Alternative Banking Services Contract” to provide a flexible contract with a broad range of services to meet the growing banking needs of the State’s agencies.

A Year of Progress

Debt Management Highlights

- This year, for the first time in more than 10 years, the Treasurer invited representatives from the three major rating agencies to visit Maryland and meet with key fiscal leaders.
- On May 2, rating agency analysts met with Treasurer Davis, Governor Moore, Lieutenant Governor Miller, Comptroller Lierman, President Ferguson, Speaker Jones, and other leaders to discuss Maryland’s strong and stable economy, as well as the ongoing recovery efforts related to the Francis Scott Key Bridge.

A Year of Progress

Debt Management Highlights

- In connection with the June 2024 sale of General Obligation (GO) bonds, the rating agencies affirmed the State's longstanding bond ratings: AAA from Fitch Ratings, Aaa from Moody's Investors Service, and AAA from S&P Global Ratings; however Moody's Investors Service placed the State on "negative outlook" due in part to the structural imbalance.
- On June 5, the State sold $1.2 billion in GO bonds for capital projects, representing:
  - $1 billion in tax-exempt new money bonds; and
  - $200 million in taxable new money bonds.
- The sale confirmed that Maryland's GO bonds continue to be desirable investments.

A Year of Progress

Insurance Highlights

- The Claims Management System went live in late 2022, making STO's processing of insurance claims more efficient and secure.
- In fiscal year 2024, the Claims Unit processed 4,309 new claims and closed 4,463 claims.
- Staff continued to coordinate with the Office of the Attorney General to handle a rolling docket of approximately 150-175 litigation claims against the State.
- The Loss Prevention Unit continued its work to preserve State-owned buildings, computers, machinery, and specialized equipment.
- The Insurance Division hired a Workers' Compensation Program Manager to more actively manage the State's third-party administrator contract with the Injured Workers' Insurance Fund.

A Year of Progress

2025 Priorities

- Continue working with the Administration and the General Assembly to secure funding to support STO's Major IT Project and other operational needs.
- Develop legislation that will further modernize and improve STO's operations.

Questions?

Please contact Laura Atas, Deputy Treasurer for Public Policy (latas@treasurer.state.md.us)

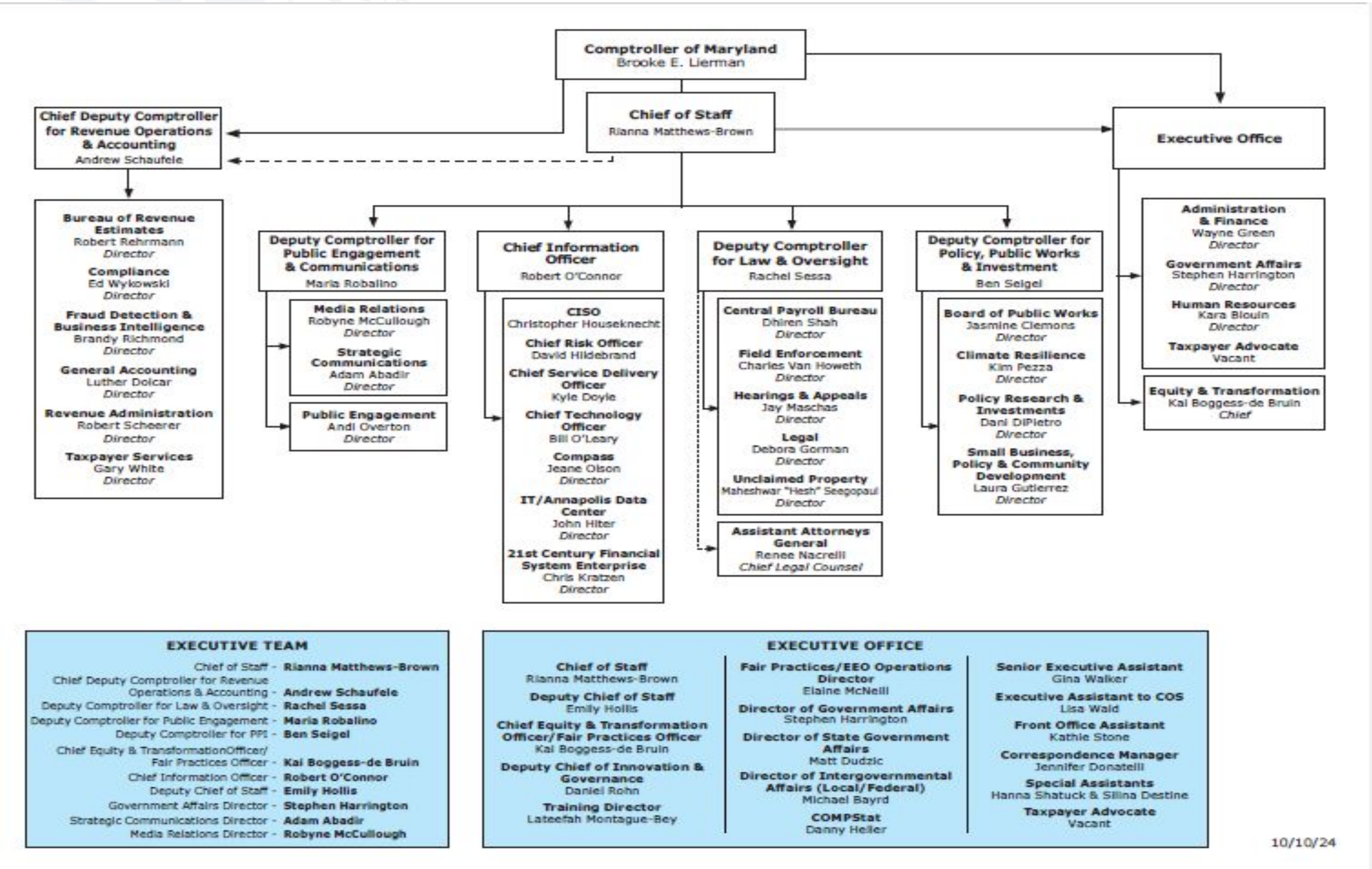
Joint Committee on Management of Public Funds

October 30, 2024

Brooke E. Lierman
Comptroller of Maryland

COMPTROLLER of MARYLAND
Serving the People

Agency Organization



VISION: To work in partnership to create a state that is more equitable, more resilient, and more prosperous state so all Marylanders can reach their full potential.

CORE PRIORITIES:

- Implement critical **agency-wide improvements** to help state government work better
- Ensure the resources of the office create opportunities for and make a positive impact on Maryland **families, communities, and businesses**; and
- Ensure Maryland is well-positioned for responsible **long-term economic growth** and success.

FY2025 Budget Highlights

- Added 66 new PINs (57 GF, 9 SF)
- 26.8 Contractual to 21 permanent position conversions Taxpayer Services (24.8 to 19) and Unclaimed Property (2 to 2)
- $4M for cybersecurity-related infrastructure
- $340,000 Funding for upgrades to critical equipment at the Motor Fuel Lab

Maryland Tax Connect (Compass)

- Modernizing the currently outdated tax processing system

<u>Launch Timeline:</u>

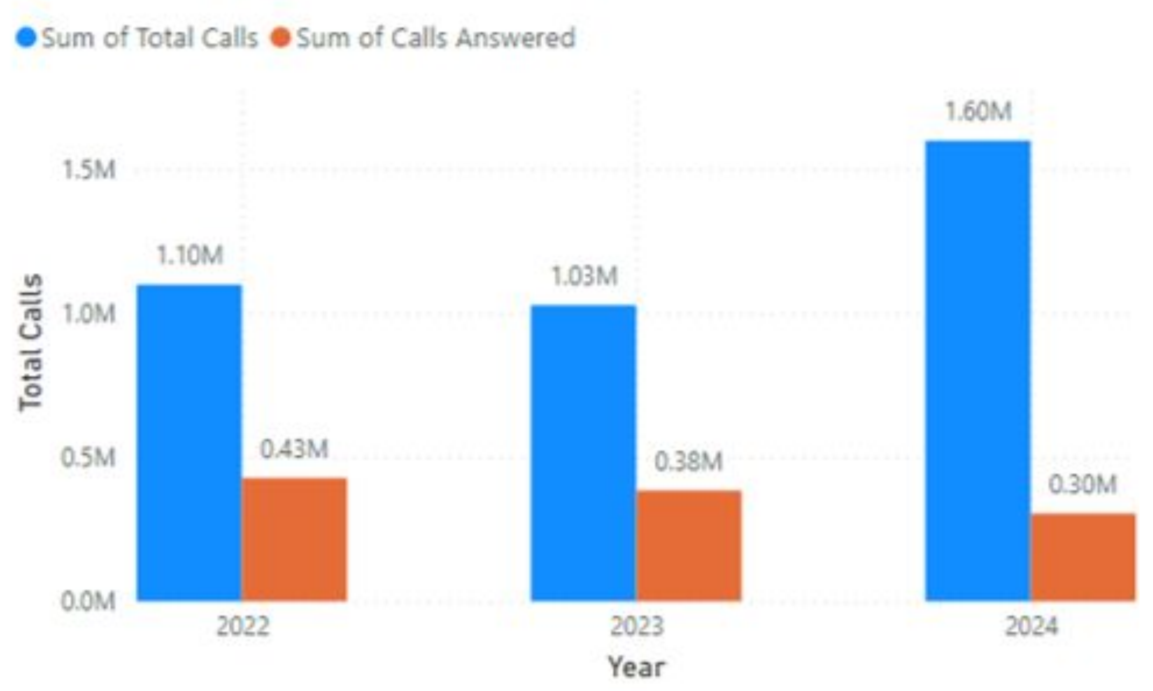
- **February 2024** for only business taxes, sales & use tax, withholding, & cannabis taxes
- **August 2024** expanded to include alcohol taxes
- **December 2024** expand to include tobacco taxes
- **Fall 2025** will launch for Personal Income Tax (PIT)

Other Modernization Efforts

- Unclaimed Property in process of being converted to state-of-the-art platform, to go live summer 2025
- Relocated our Baltimore City office to a renovated downtown location (7 St. Paul Street)
- Implemented 2024 BRFA requirements
- Hearings & Appeals: "ServiceNow" project for internal case management has expected implementation end of 2024
  - Currently, all appeals are IN PAPER (~5,700 active appeals)

Customer Service Updates & Needs

- Taxpayer Services Division oversees our 11 call centers
- Sharp uptick in demand for services
- Challenging to meet demand
- Call center staffing positions are filled. Need for more PINs
- Need anticipated to explode 2026 tax season with Maryland Tax Connect release
- Emails & In Person Appts too!



Closing the "Tax Gap" with Compliance

- The Tax Gap is the difference between the estimated "true" tax liability for a given period, and the amount of tax that is paid on time.
- Improve staffing and technology to produce more assessments & revenue

Agency	Audit/Collections/Compliance PINs	State Population	Residents Per PIN Ratio
Maryland	272	6,177,224	22,710
Massachusetts	584	7,029,917	12,038
New Jersey	770	9,288,994	12,064
Oregon	387	4,237,256	10,949
Tennessee	391	6,910,840	17,675
Washington	455	7,705,281	16,935

Maryland falls behind in its number of Compliance PINs compared to states of similar population size

Generating Revenue with Compliance

- We estimate there are **billions** owed to the state in uncollected tax, either known with active liabilities, or unknown by underreported income.
- Oct. 1, 2024 we submitted our 5-year staffing & technology plan. It aims to:
  - Improve taxpayer services to help taxpayers understand their obligations
  - Expand enforcement on high-income taxpayers
  - Utilize technology, data, & analytics to be effective as possible
  - Recruit & retain a highly skilled & diverse workforce

Year	1	3	5	7	9
Investment ($)	1.5M	3.77M	4.77M	6.7M	7.7M
Revenue ($)	4M	11.5M	17M	23M	27M

FY 2026 Budget

Goal: Continue to build upon past successes and identify those areas most in need of additional state support that also produce then greatest benefit to Marylanders.

1. Right-sizing **customer service** divisions to improve quality of service
2. Launch outreach plans for **Maryland Tax Connect and IRS Direct File** to assure taxpayers can file for free and online
3. Continue **investment** in technology and infrastructure systems
4. Execute Moore-Miller Administration's directive to **support our long-term contractual employees** by converting them to permanent positions.

Right-sizing customer service divisions	- Nearly all call center PINs are filled; still 20% answer rate as demand for assistance far exceeds current capacity - Oct. 1 released summary of our 'over the target" request; likely 70-90 new PINs over the next 5-8 years
Maryland Tax Connect & IRS Direct File	- Fall 2025, MD Tax Connect will be the one-stop-shop where all Maryland taxpayers and businesses to file their taxes for <u>free</u>. - IRS Direct File is the new, federal tax-filing platform mandated by Inflation Reduction Act of 2022
Technology & infrastructure investment	- Improved cybersecurity & fraud detection services - Hearings & Appeals upgraded infrastructure - Unclaimed Property improvements - Updating Comptroller website
Supporting long-term contractual employees	- Most work at call centers, assisting taxpayers - Their hard work deserves rewarding – they have <u>essential</u> jobs - Conversion numbers: 26.8 Contractual to 21 permanent position conversions Taxpayer Services (24.8 to 19) and Unclaimed Property (2 to 2)

Thank you.

COMPTROLLER of MARYLAND
Serving the People

TESTIMONY OF COMPTROLLER BROOKE LIERMAN
Joint Committee on the Management of Public Funds
October 30, 2024

Chair Watson, Chair Ellis, and members of the Joint Committee, thank you for the opportunity to provide an update on the work that our agency has done in the past year.

When I last appeared before this committee, just nine months into my term as Comptroller, I spent much of my time discussing the hiring and reorganizing taking place in our agency. Now, I am delighted to share some of the early returns. In the past year we have begun to rebuild the agency, significantly upgraded much of our aging infrastructure, and initiated robust public engagement strategies to make the office more accessible to Marylanders of all backgrounds. Our agency is ready to work hand-in-hand with the General Assembly and the Moore-Miller Administration to execute our shared goals of ensuring all Marylanders can reach their full potential.

Many of the positive changes we have made over the past year would not have been possible without the support of the Governor and the General Assembly. Thanks to the resources allocated in the FY2025 budget, we have been able to reduce vacancies and begin converting many of our long-term contractual workers to permanent positions. These employees are critical to our agency and to the State of Maryland: they process tax returns, get paychecks out the door, maintain computing infrastructure for over fifty state agencies, and dedicate themselves day-in and day-out to serving all Marylanders.

Core Priorities

As I discuss the operations of the agency over the past year, I'd like to begin by restating our agency's core priorities. These are the guiding principles that inform everything we do here at the Office of the Comptroller:

- Implement critical agency-wide improvements to help state government work better;
- Ensure the resources of the Office create opportunities for and make a positive impact on Maryland families, communities, and businesses; and
- Ensure Maryland is well-positioned for responsible long-term economic growth and success.

Agency Organization

I have provided an updated organizational chart as an addendum to this document, outlining our agency's structure and leadership team. As you can see, our agency is separated into several operational divisions, each of which is overseen by one of our Deputy Comptrollers. This structure provides clear lines of decision-making and responsibility, and gives our leadership team the flexibility to develop and pursue strategic goals within their operational division.

Agency Operations Updates – Maryland Tax Connect

One of our three core priorities is implementing critical agency-wide improvements to help state government work better. Modernizing the agency's outdated legacy systems, many of which have been in operation for almost three decades, is a key part of how we can achieve this goal. This past year has seen many improvements in this space, the most significant of which is the launching of **Maryland Tax Connect**. This new online portal will allow taxpayers to file returns, make online payments, retrieve tax information and filing history, update personal information, and more.

In February 2024, we launched Maryland Tax Connect for business taxes, including corporate income, sales & use, withholding, and cannabis taxes. The system was expanded to include alcohol taxes in August, and we are on schedule to add tobacco taxes before the end of the year. The agency has provided numerous webinars, video tutorials, and user guides as part of its rollout to ease deployment. To date, over 145,000 businesses are fully registered in Maryland Tax Connect and we are nearing our one millionth payment through the system.

Building off the success of Maryland Tax Connect for businesses, we intend to add personal income taxes and pass-through entity taxes in Fall 2025. This will expand Maryland Tax Connect's reach significantly, rolling in more than 3 million taxpayers.

Agency Operations Updates – Other Modernization Efforts

While I wanted to particularly focus on Maryland Tax Connect, this is only one part of the updates to our agency and our overall modernization efforts this year. Over the past year, our agency has:

- Made numerous back-end improvements to our IT infrastructure, providing a more secure and streamlined system for processing returns;
- Begun the process of converting to a new state-of-the-art platform for the administration and maintenance of unclaimed property in Maryland, with an expected go-live date of Summer 2025;
- Implemented the 2024 BRFA requirements;
- Updated our security enhancements and cybersecurity protections;
- Improved our data collection and analytics; and
- Relocated our Baltimore City offices from the dated State Center complex to a newly renovated space at the heart of the downtown central business district in Baltimore.

In addition, we recently announced that **Maryland is joining IRS Direct File in 2025**. Direct File is a new online platform that will allow an estimated over 800,000 Marylanders to file their state and federal tax returns online, simply and securely, for free.

Agency Operations Updates – Customer Service

The bulk of our customer service operations are overseen by the Taxpayer Services Division (TSD). The TSD oversees the agency's call centers and 11 branch offices located throughout the state, and provide a wide range of services to taxpayers and tax preparers, from information about the status of a tax refund to free income tax preparation.

Unfortunately, some of you may have heard from constituents that it can be very challenging to get through to TSD. Many callers experience extremely long waits and are frequently unable to enter the queue to speak with an agent. This is exacerbated by the fact that TSD has seen a sharp uptick in demand for services. Call volume across the first 8 months of 2024 increased to 1.6 million, compared to 1.03 million over the same period in 2023, largely due to a record spike in call volume immediately following the roll-out of Maryland Tax Connect for businesses.

Unscheduled walk-ins to our 11 branch offices have also increased as the pandemic's impact wanes, with 58,848 walk-ins this year compared to 35,868 over the same period in 2023. We have been making every effort to address these concerns and devote additional resources to TSD. We have also increased the number of calls permitted in the call queue and are exploring technology upgrades including adding a callback feature and upgrading our website with a CRM to track cases. However, we are still unable to adequately meet taxpayer demand with our current staffing levels and will be requesting additional PINs and contractual conversions in the FY26 budget to address this gap. Additionally, we expect to see a significant spike in call volume when Maryland Tax Connect expands to include all personal income taxes, and are seeking to temporarily work with a third-party call center to address this anticipated short-term need.

Generating Revenue Through Compliance

Last month, our office submitted its five-year staffing and technology plan for increasing our compliance footprint. Not only does this directly produce more assessments and revenue through our audit and collections processes, but it also indirectly improves Maryland's fiscal security by deterring future non-compliance and increasing taxpayer education.

Unfortunately, Maryland falls far behind its comparable peers when it comes to enforcing tax laws and regulations, with significantly fewer audit, collections, and compliance personnel than other states with similar populations. This has led to an erosion of voluntary compliance in areas where audit coverage has declined. The Office of the Comptroller estimates that there are billions of dollars in uncollected tax, which includes both known and collectible liabilities as well as unassessed or "unknown" tax resulting from underreported income.

To address this, our office has proposed an ambitious five-year plan to augment its compliance operations by taking several measures that will:

- Improve services to help taxpayers understand their obligations and pay what they owe;
- Address the tax gap by expanding enforcement on high income taxpayers and those with complex tax filings;
- Utilize technology, data, and analytics to operate more efficiently and effectively; and
- Recruit and retain a highly skilled and diverse workforce.

Implementation of this plan will require additional resources, including 70-90 new PINs over the next five years and funding for technology upgrades, but this investment in both people and technology will ultimately increase revenue and encourage future voluntary compliance. Engaging in this work will level the playing field and allow for fair and efficient enforcement efforts across the entire taxpayer population.

FY2026 Budget

Over the past several months, I have worked closely with our leadership team and division directors to examine our budget, refine our projections, and identify our most urgent needs. Our goal is to continue to build upon our past successes and identify those areas most in need of additional state support with the greatest potential benefit to Marylanders and our entire state government. In particular, we looked to the following priorities to guide our decision-making:

1. Right-sizing and adequately resourcing our customer service divisions to improve the overall quality of services provided to Maryland taxpayers;
2. Launching a comprehensive and strategic outreach plan that leverages Maryland's participation in the IRS Direct File program to seamlessly transition personal income tax into Maryland Tax Connect, the state's new tax processing system, to ensure that Marylanders can easily file their taxes and make payments, and that qualifying Marylanders claim the earned income tax credit and other tax credits;
3. Continuing our investment to modernize the agency's aging and outdated infrastructure – from physical facilities to our legacy information technology systems; and
4. Executing the Moore-Miller Administration's clear directive – and our shared priority – to support our dedicated long-term contractual employees by converting them into permanent PIN positions.

By making these critical investments in our agency, we will continue to improve our ability to identify and collect revenue for the State of Maryland. As the state's primary revenue-producing agency, every dollar invested in the Office of the Comptroller does more than just improve the experience of Maryland's taxpayers and allow us to implement the priorities of the General Assembly and the Administration – it also directly contributes to our ability to generate revenue for the state, providing a boost for every state agency.

Closing

Thank you again, Chair Watson, Chair Ellis, and members of this Committee. I am so grateful to be able to stand before you today and discuss the ways our agency has been working to create a more equitable, more resilient, and more prosperous state, one that helps ensure that every Marylander can reach their full potential. Together, we share a mutual commitment to serve the taxpayers of Maryland, and I appreciate your time and support. I am happy to answer any questions at the Chair's discretion.

My best,

Brooke E. Lierman
Comptroller of Maryland

Review of Local Government Audit Reports

Fiscal Year Ending June 30, 2023

OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

To Obtain Further Information

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Website: www.ola.state.md.us

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Department of Legislative Services
Office of Legislative Audits
Maryland General Assembly

Victoria L. Gruber
Executive Director

Brian S. Tanen, CPA, CFE
Legislative Auditor

August 26, 2024

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

The Honorable Brooke E. Lierman
Comptroller of Maryland

Ms. Victoria L. Gruber, Executive Director
Department of Legislative Services

Ladies and Gentlemen:

In accordance with the Local Government Article, Section 16-307 of the Annotated Code of Maryland, we have performed desk reviews of the audit reports for the fiscal year ended June 30, 2023 filed by each county, incorporated city or town, and taxing district in Maryland (referred to as local governments). We also reviewed overdue audit reports for prior fiscal years that were received over the past year. The desk reviews consisted of assessments of compliance with certain accounting and auditing standards, evaluations of compliance with certain State laws, and analyses of selected financial data to identify potential financial problems.

Most of the financial statements filed by the local governments for the fiscal year ended June 30, 2023, along with the related independent auditors' reports, complied with the accounting and auditing standards that we assessed. Nevertheless, we identified instances of noncompliance with certain requirements of our audit guidelines, generally accepted accounting principles, and/or generally accepted auditing standards. We sent letters to 45 local governments (some of whom had several different instances of non-compliance) and, as applicable, to their independent auditors to notify them of the deficiencies disclosed by our reviews so that corrective actions could be taken to help ensure future compliance.

In addition, 40 local governments had not filed audit reports in accordance with the requirements of State law. For example, as of April 30, 2024, 26 local governments had not submitted audit reports for the fiscal year ended June 30, 2023, which had a statutory filing deadline of October 31, 2023 or December 31, 2023 (based on a jurisdiction's population size). Additionally, 8 of those 26 local governments had not filed audit reports for fiscal years ending June 30, 2022; and 2 of those 8 also had not filed its audit report for the fiscal year ended June 30, 2021. As noted later in this report, certain of these local governments submitted reports after this deadline and will be reviewed in conjunction with our review of the fiscal year 2024 financial statements.

If a local government does not comply with the audit report filing requirements, State law provides that the Comptroller of Maryland, on notice from the Executive Director of the Department of Legislative Services, may order the discontinuance of all moneys, grants, or State aid to which the local governments are entitled. Previously, in a separate letter, we notified the Executive Director of the Department of Legislative Services of the local governments with more than one fiscal year's audit report outstanding.

Financial statements submitted by 13 local governments contained disclosures that cash deposits were not adequately collateralized, or otherwise insured, as required by State law. Additionally, for one local government, the auditor's report included an explanatory paragraph describing an uncertainty about its ability to continue as a going concern. As appropriate, we sent letters to these local governments, and to their legislative representatives, to communicate their noncompliance and to request that the local governments advise us of the corrective actions that will be taken.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Table of Contents

Introduction and Scope, Objectives, and Methodology

The Local Government Article, Section 16-306 of the Annotated Code of Maryland requires each county, incorporated city or town, and special taxing area in Maryland (referred to in this report as local governments) to file audit reports annually or once every four years under specified conditions. There are 23 counties, Baltimore City, 156 incorporated cities and towns, and 14 special taxing areas in Maryland that fall under the scope of our review. In March 2024 we advised all local governments of the relevant submission deadlines. Audit guidelines to provide additional information regarding the accounting, reporting, and auditing requirements were distributed in July 2023.

Based on current reports, past due reports, and waivers previously granted by this Office, there were 206 local government audit reports due for our fiscal year 2023 review.[1] The reports are to include financial statements, with accompanying notes, and auditors' reports that express opinions as to whether the financial statements are fairly presented. The financial statements are required to be prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards.

The Local Government Article, Section 16-307 of the Code requires the Office of Legislative Audits (OLA) to perform a desk review of each local government's annual audit report for compliance with generally accepted accounting principles and auditing standards. As part of the desk review process, we also addressed other attributes as described below. Section 16-308 of the Article specifies the reporting and review requirements applicable to special taxing districts created by the counties (in general, the difference between a special taxing district and a special taxing area relates to the party responsible for monitoring). The applicable county is responsible for monitoring each special taxing district's compliance with the applicable provisions of the law and for submitting the districts' reports to OLA. Generally, OLA also reviews the counties' monitoring of the districts' reports.

Our current desk review included all reports for fiscal year 2023 received as of April 30, 2024, as well as any reports received as of that date for prior years, such as any delinquent reports received. Any reports due but received after that date have been classified as not received for purposes of this year's review, and will be included in our next review, which will be for the fiscal year ending June 30, 2024.

[1] As noted in the "Results of Desk Review" section of this report, not all reports due this year were submitted.

In addition to the fiscal year 2023 reports that were received from the counties, incorporated cities and towns, and special taxing areas as of the aforementioned date, we also received and reviewed the following reports that were received over the last year.

- One fiscal year 2020 report (City of Seat Pleasant)
- Five fiscal year 2021 reports (Dorchester County, Town of Deer Park, Town of Forest Heights, City of Hyattsville, and Town of Middletown)
- Eleven fiscal year 2022 reports (Town of Berwyn Heights, Town of Burkittsville, Town of Capitol Heights, Town of Charlestown, Town of Deer Park, Town of East New Market, Town of Greensboro, Town of Indian Head, Town of Middletown, Village of Port Tobacco, and Town of Princess Anne)

The desk reviews consisted of reviewing each audit report in order to accomplish the following tasks:

- Identify areas of noncompliance with our audit guidelines and certain accounting and auditing standards pertaining to the presentation of the financial statements and auditors' reports.

- Identify any instances of noncompliance with certain provisions of State law (for example, collateral for bank deposits, timely filing of audit reports).

- Identify local governments with potential financial problems relating to deficit fund balances or unfavorable trends and ratios, based on analyses of financial data over the most recent five-year period (July 1, 2018 through June 30, 2023).

We also reviewed each of the fiscal year 2023 special taxing district reports received and the related results of the counties' reviews of these reports. The purpose of our review was to ensure that the counties had received all required reports from the districts and reviewed the reports submitted for compliance with the provisions of the law and to identify instances in which required reports were not submitted.

At the conclusion of our review, we sent letters to applicable local governments and their independent auditors to notify them of the deficiencies disclosed during the review, so that corrective actions can be taken to help ensure future compliance. Additionally, as appropriate, we sent letters to local governments, and to their legislative representatives, to communicate certain noncompliance with State law or potential financial problems. For these issues, we asked the local governments to advise us of corrective actions that will be taken.

Results of Desk Reviews

Audit Reports

Finding 1
Forty local governments had not filed the required audit reports and/or had filed after the required filing date.

Forty local governments had not filed the required audit reports and/or had filed after the required filing date. As of April 30, 2024, 26 local governments had not filed the current year's audit report as required by the Local Government Article of the Annotated Code of Maryland including eight that remained delinquent in filing the required report for one or more prior years (see Figure 1 on next page).

Furthermore, 24 local governments submitted 27 audit reports after the filing date required by law. The submission of audit reports after the filing date in the law was also noted for 11 of these 24 local governments during one or more of our preceding reviews (see Figure 1 on next page).

The failure of a local government to file an audit report, or a delay in filing, results in the lack of timely accountability to its citizens. The Local Government Article, Section 16-306 of the Annotated Code of Maryland generally requires audit reports to be filed on or before October 31 after the close of the fiscal year, or on or before December 31 after the close of the fiscal year for those local governments with a population of more than 400,000. As previously noted, we gave local governments until April 30, 2024 before classifying a report due as not submitted.

Figure 1
Local Government Audit Reports – Not Filed and Filed Late

Local Government	Fiscal Years Not Filed	Fiscal Years Filed Late
Allegany County	2023	
Baltimore County	2023*	
Calvert County	2023*	
Dorchester County	2022, 2023	2021
Baltimore City	2023*	
Town of Barclay	2022, 2023	
Town of Berlin	2023*	
Town of Berwyn Heights		2022, 2023
Town of Brentwood		2023
Town of Burkittsville		2022
Town of Capitol Heights	2023	2022
Town of Charlestown		2022
Town of Chesapeake Beach		2023
Town of Deer Park	2023	2021, 2022
Town of Eagle Harbor	2023	
Town of East New Market		2022
Town of Elkton	2023*	
Town of Federalsburg	2023	
Town of Forest Heights	2022, 2023	2021
Town of Greensboro	2023	2022
City of Hyattsville	2022, 2023	2021
Town of Indian Head	2023	2022
Town of Lonaconing	2022, 2023	
Town of Mardela Springs	2023	
Town of Middletown	2023*	2021, 2022
Town of North Brentwood		2023
Town of North East		2023
Town of Port Deposit	2023*	
Town of Port Tobacco		2022
Town of Princess Anne	2023*	2022**
Town of Queenstown		2023
Town of Rock Hall	2022*, 2023	
City of Salisbury		2023
City of Seat Pleasant	2021*, 2022, 2023	2020
Town of Snow Hill		2023
Town of Somerset	2023*	
Town of Sudlersville	2021*, 2022, 2023	

Figure 1
Local Government Audit Reports – Not Filed and Filed Late (continued)

Local Government	Fiscal Years Not Filed	Fiscal Years Filed Late
Town of Westernport	2023*	
Upper Potomac River Commission		2023
Washington Suburban Sanitary Commission		2023

* The audit report for this fiscal year was subsequently submitted after the April 30, 2024 cut off and therefore is not included in our current review. As such, it will be included with our review of fiscal year 2024 audit reports.
** As noted in Finding 2, the auditor was unable to express an opinion on the Town's financial statements for fiscal years 2022 and 2021. While the submission of the audit report satisfies the technical requirement of the law, we believe the Town could be treated as a non-filer for these years because the financial statements may not be able to be relied upon.

Source: Local Government Audit Reports

The towns of Barnesville, Barton, Brookview, Burkittsville, Church Creek, Eldorado, Galestown, Goldsboro, Henderson, Highland Beach, Hillsboro, Marydel, Queen Anne, Templeville, and the Village of Port Tobacco previously requested and were granted waivers from filing audit reports. Local governments granted waivers are required to meet the conditions for filing an audit report every fourth year as provided for under the Local Government Article, Section 16-305 of the Code and, depending on the waiver period, will be required to file its next audit report for either fiscal year 2024, 2025, or 2026.

Budget language adopted during previous sessions of the Maryland General Assembly resulted in the withholding of transportation aid from certain local governments pending receipt of their delinquent audit reports. Furthermore, the failure to file a required report with the Department of Legislative Services for three successive years provides the Department's Executive Director with reasonable cause to suppose that the municipality is no longer actively operating under its charter, which could cause the municipality to have its charter repealed. To that end, we have reported the failure of the City of Seat Pleasant and the Town of Sudlersville to file the required reports for the fiscal years ending June 30, 2021, 2022, and 2023 to the Executive Director.

Finding 2
The auditor's report for one local government contained a disclaimer of opinion on the financial statements.

The auditor's fiscal year 2022 report for the Town of Princess Anne contained a disclaimer of opinion on the financial statements. A disclaimer of opinion is issued because the auditor was unable to obtain sufficient appropriate audit evidence in order to express an opinion on the financial statements. While the submission of the audit report satisfies the technical requirement of the law, the inability to express an opinion diminishes the value of the audit because the financial statements may not be able to be relied upon. This area of noncompliance was previously noted for the Town's fiscal year 2021 financial statements. Furthermore, as noted in Finding 1, as of April 30, 2024, the Town had not submitted a report for fiscal year 2023.

Although required by our audit guidelines, the auditor for the Town of Princess Anne did not submit a separate letter to the Office of Legislative Audits (OLA) explaining the reason why an unqualified opinion could not be expressed and the Town management's plan to rectify the problem to enable the auditor to express an unqualified opinion in the future.

Finding 3
Auditors' reports for three local governments were not presented in accordance with certain generally accepted auditing standards.

Auditors' reports for three local governments were not presented in accordance with certain generally accepted auditing standards as required. Specifically, in one report the auditors did not express an opinion on all opinion units or financial statements as required, and in two other reports the auditors did not include all the basic elements of an audit report in accordance with auditing standards. For one of these local governments, the same deficiency was cited during our preceding year's review.

The Local Government Article, Section 16-306 of the Annotated Code of Maryland requires that audits be performed in accordance with generally accepted auditing standards. These standards require, in part, that the auditor express an opinion(s) as to whether the basic financial statements present fairly, in all material respects, the respective financial position, the respective changes in financial position, and cash flows, where applicable, of the local government in conformity with accounting principles generally accepted in the United States of America.

Financial Statements

Finding 4
The financial statements submitted by 17 local governments did not meet certain requirements of generally accepted accounting principles.

Financial statements submitted by 17 local governments included a total of 18 instances in which certain requirements of generally accepted accounting principles were not met. Furthermore, the deficiencies noted in the financial statements for 2 of the local governments were also noted during our preceding year's review. A summary of the deficiencies and the corresponding number of instances is shown in Figure 2.

Figure 2
Financial Statement Deficiencies

Deficiency	Number of Instances
Presentation of financial statement(s) was inappropriate (for example, certain amounts reported on more than one financial statement did not agree).	2
Misclassification or improper presentation (for example, financial statement was not mathematically accurate).	15
Governmental fund balances were not properly classified.	1

Source: Local Government Financial Statements

Finding 5
Financial statements, accompanying notes, and required supplementary information in four audit reports related to three local governments did not include certain disclosures required by generally accepted accounting principles.

Certain required information was not included in the financial statements, or disclosed in the accompanying notes, or the required supplementary information, for four audit reports from three local governments. Adequate disclosure is necessary to facilitate the understanding of and to provide for fair presentation of the financial information. The financial statements of three of these local governments included a deficiency that was also cited during our review of the preceding year's financial statements. A summary of the areas of insufficient disclosure and the corresponding number of instances is shown in Figure 3.

Figure 3
Financial Statements with Insufficient Disclosures

Area of Insufficient Disclosure	Number of Instances
Basis of accounting and measurement focus	1
Information related to pensions	3

Source: Local Government Financial Statements

Uncollateralized Funds

Finding 6
Financial statements submitted by 13 local governments contained disclosures that cash deposits were not adequately collateralized, or otherwise insured, as required by State law.

Financial statements submitted by 13 local governments contained disclosures that cash deposits were not adequately collateralized, or otherwise insured, as required by State law (see Figure 4 on next page).

Figure 4
Local Governments with Uncollateralized/Uninsured Cash Deposit Amounts

Local Government	Uncollateralized/ Uninsured Cash Deposit Amount	Similar Disclosure Included in Audit Reports for Each Year Since
At June 30, 2023		
Counties		
Frederick County	$1,342,902[1]	n/a
St. Mary's County	4,679,651	2022
Cities and Towns		
Town of Brookeville	3,971	2022
Town of Chesapeake Beach	819,537	n/a
Town of Kensington	94,645	n/a
Village of Martin's Additions	2,132	2022
Town of Mountain Lake Park	9,301	n/a
Village of North Chevy Chase	485,247	n/a
Special Taxing Areas		
Village of Drummond	158,346	2020
Oakmont Special Taxing Area	670,000	n/a
At June 30, 2022		
Cities and Towns		
Village of Port Tobacco	55,639	n/a
At June 30, 2021		
Counties		
Dorchester County	84,080	2020
At June 30, 2020		
Cities and Towns		
City of Seat Pleasant	282,952	2019

[1] – Of this amount, $1,232,734 is related to a component unit of this local government.
n/a – not applicable, as not included in prior year report.

Source: Local Government Financial Statements

The Local Government Article, Section 17-101 of the Annotated Code of Maryland requires that deposits with financial institutions by local governmental units be fully collateralized. Full collateralization minimizes the risk of loss of deposits in the event the financial institution defaults. In addition, this law requires that collateral be of the types specified in the State Finance and Procurement Article, Section 6-202 of the Code.

Potential Financial Problems

Finding 7
One local government audit report disclosed potential financial problems resulting in uncertainty regarding its ability to continue as a going concern.

The audit report for the Upper Potomac River Commission – Waste Treatment Plant, Trunk Sewer and Municipal Connecting System Fund (Fund), disclosed potential financial problems resulting in uncertainty regarding its ability to continue as a going concern. Specifically, the auditor's report referenced the Fund's notes to the financial statements which stated the Fund received 100 percent of operating revenues from a corporation which closed its paper mill on June 30, 2019, which until that time operated on the Potomac River. The notes also state that in August 2023, the Fund amended its agreement with the corporation allowing for $2,500,000 of continuing treatment services for the period of January 1, 2023 to December 31, 2025.

The notes stated that the Fund management is in the process of addressing how it will fulfill the Fund's obligations, given its economic dependence on the corporation. This Fund had an unrestricted net position deficit of $1,251,528, which was partially offset by net investment in capital assets of $856,825 leaving the Fund with a net position deficit of $394,703 as of June 30, 2023. A similar condition has been noted in regard to the Commission's financial statements in each fiscal year since 2019.

Special Taxing Districts

The preceding contents of this report are applicable to local governments filing audit reports in accordance with the provisions of the Local Government Article, Section 16-306 of the Code. Section 16-308 of this Article requires that certain types of special taxing districts (created by a county) file annual audited or unaudited financial reports with the county in which the districts are located not later than 90 days after the close of the fiscal year, in accordance with the rules and regulations established by the applicable county. The applicable county is responsible for reviewing each district's compliance with the applicable provisions of the law and for submitting copies of these reports to the Office of Legislative Audits. For fiscal year 2023, there were 92 special taxing districts, of which 79 had activity to report. The required reports had been filed timely with the applicable county for these 79 special taxing districts.

AUDIT TEAM

Robert A. Wells, Jr., CPA
Audit Manager

W. Thomas Sides
John B. Wachter, CFE
Senior Auditors

Anna M. Charocopos
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Timothy Moon
Staff Auditors

PRESENTATION TO

THE JOINT COMMITTEE ON THE MANAGEMENT OF PUBLIC FUNDS

Monitoring of Local Government Audits

Office of Legislative Audits
Robert A. Wells, Audit Manager
W. Thomas Sides, Senior Auditor
October 30, 2024

INTRODUCTION

Ladies and Gentlemen:

Thank you for the opportunity to present the results of our review of the audit reports submitted by each local government for the year ended June 30, 2023, which are summarized in our report entitled *Review of Local Government Audit Reports* dated August 26, 2024. For the 206 audit reports due, we found that the local governments have generally complied with generally accepted accounting principles and auditing standards. Additionally, local governments generally appeared to be in good financial condition at that time. When areas of noncompliance or potential financial problems were noted, we sent letters describing the conditions to the local governments and, when appropriate, to their auditors in an effort to ensure the conditions do not recur. Our presentation will address the following areas:

1. Overview of the local government auditing process

2. Problems disclosed by our review of local government audits

3. Follow-up action taken on problems

4. Concluding comments

OVERVIEW

Generally, each county, incorporated city or town, and taxing district located in Maryland is required by law to have an annual audit. Based on the provisions of Title 16 of the Local Government Article of the Annotated Code of Maryland, each local government is required to have its financial statements audited by an independent certified public accountant in accordance with generally accepted auditing standards. This law also requires that the financial statements be presented in accordance with generally accepted accounting principles and that the results of the audits be submitted to the Office of Legislative Audits.

Most local governments must file their reports on or before October 31 for the preceding fiscal year ended June 30; however, local governments whose populations exceed 400,000, and certain other counties, must file on or before December 31 of each year. In addition, extensions may be granted to local governments for valid reasons. By law, certain small local governments may request a waiver of the annual filing requirement and instead only have an audit once every four years. Fifteen local governments requested, and were granted, waivers of the annual filing requirement for fiscal year 2023.

As provided for under the law, we have issued audit guidelines that address the basic requirements that must be met by the local governments and their independent auditors. While the independent auditors determine the specific procedures necessary in each audit, the guidelines are intended to help ensure that a minimum acceptable level of quality is maintained for audits and financial reports of local governments.

The Office of Legislative Audits performs a desk review of each audit report to identify areas of noncompliance by using a quality control checklist for government audits published by the American Institute of Certified Public Accountants. For example, we generally determine whether the auditor's report was presented in accordance with generally accepted auditing standards, whether the local government's financial statements were presented in accordance with generally accepted accounting principles, and whether financial statement disclosures were adequate.

Our desk review also includes a review to identify noncompliance with certain State laws, such as Local Government Article, Section 17-101 of the Annotated Code of Maryland which requires all deposits held in banks by local governments be insured or otherwise collateralized. Additionally, our desk review includes a basic financial analysis of each local government. This analysis includes a review of various financial trends and ratios (for example, ratio of general fund balance to annual expenditures) to provide some insight regarding potential financial problems at the local government level.

Upon completion of each year's review, we prepare a report summarizing the areas of noncompliance with the audit guidelines (for example, departures from generally accepted accounting principles) or with State law (for example, uncollateralized cash deposits). In addition, when applicable, our report discloses potential financial problems at the local government level such as deficit general fund balances and unfavorable financial trends and ratios. This summary report is submitted to the Comptroller of Maryland and the Executive Director of the Department of Legislative Services, as required by law, as well as other interested parties.

Finally, State law requires applicable counties to file reports with our Office on their reviews of financial reports and audits of special taxing districts created by the counties. Our annual summary reports also include the results of our reviews of such financial information on county-created special taxing districts.

PROBLEMS DISCLOSED

As reflected on Exhibit A, page 1, most local governments have substantially complied with standards over the past several years. For the fiscal year ended June 30, 2023, 206 reports were due from local governments. Our review disclosed that 45 local governments had reports that contained areas of noncompliance with the audit guidelines. These areas of noncompliance were not of such an extent so as to cast doubt on the reliability of the underlying financial statements. The number of local governments with reports that contained areas of noncompliance slightly increased from 37 in 2022.

In addition, our review disclosed areas of noncompliance with State law for 13 local governments that had unsecured cash deposits. Additionally, our review disclosed one local government with a potential financial problem during fiscal year 2023. See Exhibit A, page 2 for a summary of these areas and problems over the past several years. Some local governments had more than one area of noncompliance with the guidelines.

The more significant and frequent problems disclosed by our review were as follows:

Timeliness:

1. Local governments did not timely file an audit report as required or failed to do so. As of April 30, 2024, twenty six local governments were delinquent in filing audit one or more audit reports as required by the Local Government Article of the Annotated Code of Maryland. Furthermore, twenty four local governments submitted twenty seven audit reports after the filing date required by law.

Local Government	Fiscal Years Not Filed	Fiscal Years Filed Late
Allegany County	2023	
Baltimore County	2023*	
Calvert County	2023*	
Dorchester County	2022, 2023	2021
Baltimore City	2023*	
Town of Barclay	2022, 2023	
Town of Berlin	2023*	
Town of Berwyn Heights		2022, 2023
Town of Brentwood		2023
Town of Burkittsville		2022
Town of Capitol Heights	2023	2022
Town of Charlestown		2022
Town of Chesapeake Beach		2023
Town of Deer Park	2023	2021, 2022
Town of Eagle Harbor	2023	
Town of East New Market		2022
Town of Elkton	2023*	
Town of Federalsburg	2023	
Town of Forest Heights	2022, 2023	2021
Town of Greensboro	2023	2022
City of Hyattsville	2022, 2023	2021
Town of Indian Head	2023	2022
Town of Lonaconing	2022, 2023	
Town of Mardela Springs	2023	
Town of Middletown	2023*	2021, 2022
Town of North Brentwood		2023
Town of North East		2023
Town of Port Deposit	2023*	
Town of Port Tobacco		2022
Town of Princess Anne	2023*	2022**
Town of Queenstown		2023
Town of Rock Hall	2022*, 2023	
City of Salisbury		2023
City of Seat Pleasant	2021*, 2022, 2023	2020
Town of Snow Hill		2023
Town of Somerset	2023*	
Town of Sudlersville	2021*, 2022, 2023	
Town of Westernport	2023*	
Upper Potomac River Commission		2023
Washington Suburban Sanitary Commission		2023

* The audit report for this fiscal year was subsequently submitted after the April 30, 2024 cut off and is therefore not included in our current review. As such, it will be included with our review of fiscal year 2024 audit reports.
** As noted below in item 3, the auditor was unable to express an opinion on the Town's financial statements for fiscal years 2022 and 2021. While the submission of the audit report satisfies the technical requirement of the law, we believe the Town could be treated as a non-filer for these years because the financial statements may not be able to be relied upon.

Auditor's Work:

2. The auditors' reports for three local governments were not presented in accordance with generally accepted auditing standards.

Qualified/ Adverse/ Disclaimer of Opinion:

3. The auditor's report for one local government contained a disclaimer of opinion over the local government as a whole. Specifically, the auditors for the Town of Princess Anne's fiscal year 2022 financial statements could not provide an opinion because the auditor was unable to obtain sufficient appropriate audit evidence in order to express an opinion on the financial statements. While the submission of the audit report satisfies the technical requirement of the law, the inability to express an opinion diminishes the value of the audit because the financial statements may not be able to be relied upon. This same area of noncompliance was also noted in regard to the Town's fiscal year 2021 financial statements.

Local Government Financial Presentation:

4. Financial statements submitted by seventeen local governments did not present all required statements or the presentation was inappropriate.
5. Financial statements for three local governments lacked adequate disclosures in the statements and/or accompanying notes.

Compliance:

6. We noted that thirteen local governments had unsecured cash deposits as of June 30, 2023.

Potential Financial Issues:

7. One local government with a potential financial problem was identified. Specifically, the auditor's report for the Upper Potomac River Commission — Waste Treatment Plant, Trunk Sewer and Municipal Connecting System Fund referenced the Fund's notes to the financial statements describing an uncertainty regarding the Fund's ability to continue as a going concern. The notes to the Fund's financial statements stated that the Fund's management is in the process of addressing how it will fulfill the Fund's obligations, given its economic dependence on a private corporation.

FOLLOW-UP ACTIONS

A letter describing the areas of noncompliance with the audit guidelines noted during our review was sent to each local government and its independent auditor. The letters requested that the matters be examined to avoid a recurrence in subsequent audits.

The two local governments that failed to file audit reports for fiscal years 2021, 2022, and 2023 were reported to the Executive Director of the Department of Legislative Services. If these reports are not filed, the Comptroller of Maryland, acting upon the advice of the Executive Director, is authorized by law to discontinue the payment of all funds, grants, or State aid to which the local governments are entitled.

For areas of noncompliance with State law pertaining to unsecured cash deposits, our Office requested the applicable local governments to provide written descriptions of the actions to be taken to eliminate the conditions, when appropriate. We reviewed and evaluated the responses to these requests, received to date, and found the indicated actions sufficient. Additionally, as requested by the Committee, when letters were sent to local governments regarding noncompliance with State laws, copies of the letters were also sent to the appropriate members of the Maryland General Assembly.

CONCLUSION

In summary, the Office of Legislative Audits functions in an oversight capacity by issuing audit guidelines, reviewing local government audit reports for compliance with standards and regulations, and notifying the local governments and their auditors of any deficiencies noted. We believe that these efforts have helped improve the quality of audits and have promoted fiscal accountability among local governments in Maryland.

To further improve the quality of local government audits, we participate in various efforts to make technical information available to local governments, and respond to technical inquiries from local governments and their auditors.

We will be happy to answer any questions you may have on this presentation.

JOINT COMMITTEE ON THE MANAGEMENT OF PUBLIC FUNDS
SUMMARY REVIEW
LOCAL GOVERNMENT AUDIT REPORTS

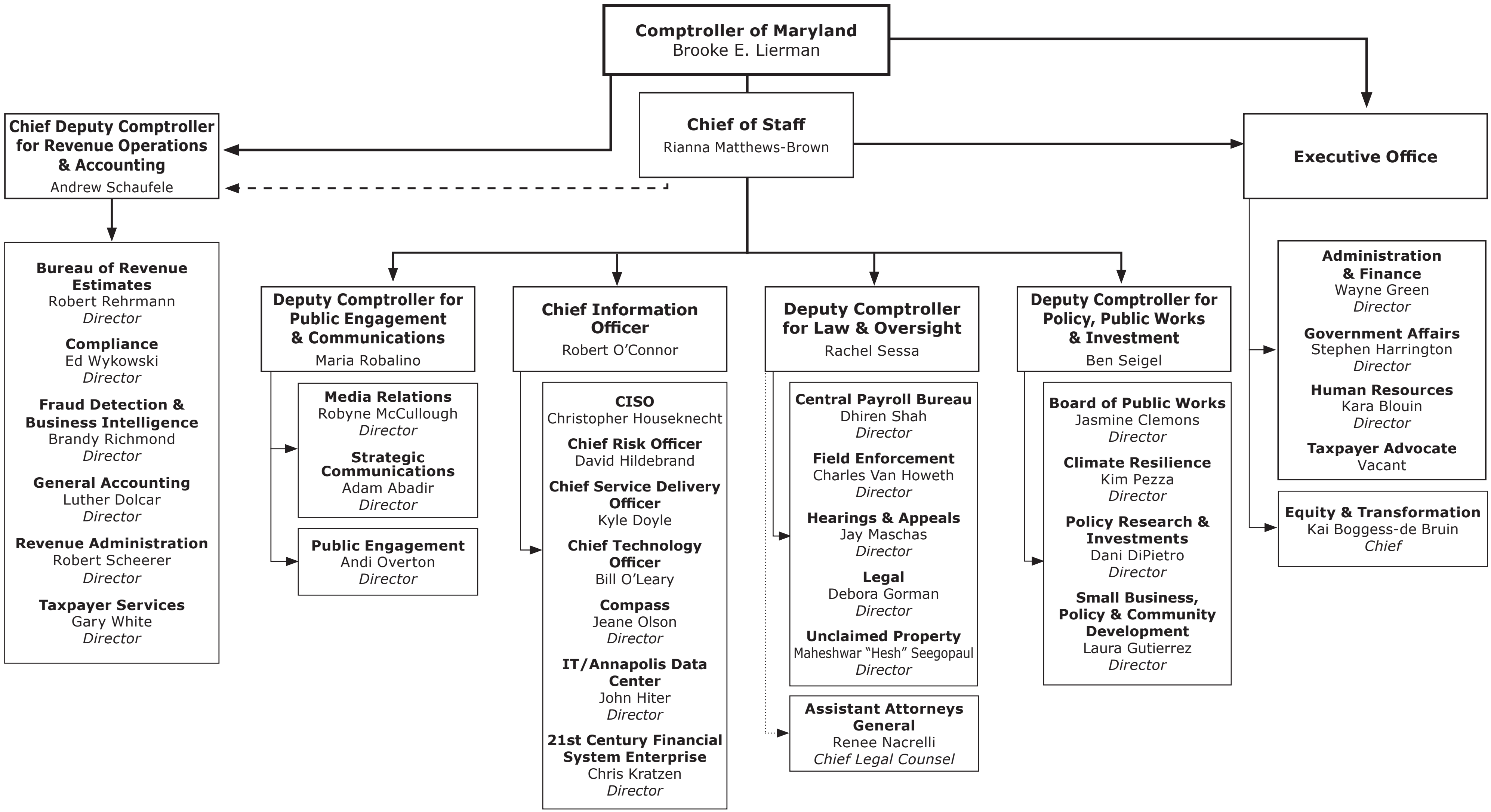
		FY 2018				FY 2019				FY 2020				FY 2021				FY 2022				FY 2023			
		CO	CT	TD	**TOT**	CO	CT	TD	**TOT**	CO	CT	TD	**TOT**	CO	CT	TD	**TOT**	CO	CT	TD	**TOT**	CO	CT	TD	**TOT**
	REPORTS DUE	24	157	14	**195**	25	148	16	**189**	24	155	15	**194**	24	150	12	**186**	25	161	12	**198**	26	166	14	**206**
	Entities with Areas of Noncompliance:	6	31	3	**40**	8	36	4	**48**	5	31	9	**45**	1	26	3	**30**	4	31	2	**37**	6	36	3	**45**
	Areas of Noncompliance with Audit Guidelines																								
1.	Audit reports not filed @	1	9	2	**12**	-	7	3	**10**	-	9	-	**9**	1	12	-	**13**	1	18	-	**19**	5	21	-	**26**
2.	Audit reports not filed on time @	2	16	3	**21**	3	20	3	**26**	-	19	8	**27**	1	20	1	**22**	0	19	1	**20**	1	21	2	**24**
3.	Auditor issued a qualified opinion / disclaimer / adverse opinion or improperly issued an unqualified opinion	-	1	-	**1**	-	1	-	**1**	-	-	-	**0**	-	1	-	**1**	-	2	-	**2**	-	1	-	**1**
4.	Auditor's report not presented in accordance with generally accepted auditing standards @																								
a.	Auditor's report did not contain one or more of the basic elements required by auditing standards	1	3	-	**4**	2	3	-	**5**	1	1	-	**2**	-	-	-	**0**	-	-	-	**0**	-	2	-	**2**
b.	Auditor's opinion did not cover all opinion units or financial statements	-	2	-	**2**	-	4	-	**4**	-	4	2	**6**	-	2	1	**3**	-	6	1	**7**	-	1	-	**1**
c.	Auditor did not report on all required information.	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**
5.	Financial statements not presented in accordance with generally accepted accounting principles @																								
a.	Required statements not presented or presentation inappropriate	4	6	1	**11**	6	14	-	**20**	4	10	5	**19**	-	4	1	**5**	-	13	-	**13**	5	11	1	**17**
b.	Inadequate disclosure in the financial statements (e.g., basis of accounting, cash deposits with financial institutions and investments)	1	9	2	**12**	-	2	1	**3**	-	1	3	**4**	-	1	2	**3**	-	2	1	**3**	-	3	-	**3**
c.	Governmental fund balances were not properly classified	-	3	-	**3**	-	5	-	**5**	-	1	-	**1**	-	1	-	**1**	-	2	-	**2**	-	1	-	**1**
6.	Auditor did not submit letter stating reasons for expressing other than an unqualified opinion	-	-	-	**0**	-	1	-	**1**	-	-	-	**0**	-	1	-	**1**	-	1	-	**1**	-	1	-	**1**
	TOTAL	9	49	8	**66**	11	57	7	**75**	5	45	18	**68**	2	42	5	**49**	1	63	3	**67**	11	62	3	**76**

CO - Counties
CT - Cities and Towns
TD - Taxing Districts
TOT - Total Units
@ - Local governments may be counted more than once, as certain local governments had more than one deficiency in these areas.

JOINT COMMITTEE ON THE MANAGEMENT OF PUBLIC FUNDS
SUMMARY REVIEW
LOCAL GOVERNMENT AUDIT REPORTS

		FY 2018				FY 2019				FY 2020				FY 2021				FY 2022				FY 2023			
		CO	CT	TD	**TOT**	CO	CT	TD	**TOT**	CO	CT	TD	**TOT**	CO	CT	TD	**TOT**	CO	CT	TD	**TOT**	CO	CT	TD	**TOT**
	REPORTS DUE	24	157	14	**195**	25	148	16	**189**	24	155	15	**194**	24	150	12	**186**	25	161	12	**198**	26	166	14	**206**
	Areas of Noncompliance with State Law*																								
1.	Uninsured/uncollateralized cash deposits	6	11	2	**19**	2	10	-	**12**	4	9	3	**16**	1	8	2	**11**	2	8	1	**11**	3	8	2	**13**
2.	Inappropriate investments	-	1	-	**1**	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**
	TOTAL AREAS OF NONCOMPLIANCE	6	12	2	**20**	2	10	0	**12**	4	9	3	**16**	1	8	2	**11**	2	8	1	**11**	3	8	2	**13**
	Potential Financial Problems *																								
1.	General fund deficits	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**
2	Unfavorable general fund trends and ratios	-	1	-	**1**	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**	-	-	-	**0**
3.	Other - going concern	-	-	-	**0**	-	-	-	**0**	-	-	1	**1**	-	-	1	**1**	-	-	1	**1**	-	-	1	**1**
	TOTAL POTENTIAL FINANCIAL PROBLEMS	0	1	0	**1**	0	0	0	**0**	0	0	1	**1**	0	0	1	**1**	0	0	1	**1**	0	0	1	**1**

CO - Counties
CT - Cities and Towns
TD - Taxing Districts
TOT - Total Units
* Some local governments had more than one area of noncompliance with State law or potential financial problem (that is, certain local governments may be included in both categories).



EXECUTIVE TEAM

Chief of Staff - **Rianna Matthews-Brown**
Chief Deputy Comptroller for Revenue Operations & Accounting - **Andrew Schaufele**
Deputy Comptroller for Law & Oversight - **Rachel Sessa**
Deputy Comptroller for Public Engagement - **Maria Robalino**
Deputy Comptroller for PPI - **Ben Seigel**
Chief Equity & TransformationOfficer/ Fair Practices Officer - **Kai Boggess-de Bruin**
Chief Information Officer - **Robert O'Connor**
Deputy Chief of Staff - **Emily Hollis**
Government Affairs Director - **Stephen Harrington**
Strategic Communications Director - **Adam Abadir**
Media Relations Director - **Robyne McCullough**

EXECUTIVE OFFICE

Chief of Staff
Rianna Matthews-Brown

Deputy Chief of Staff
Emily Hollis

Chief Equity & Transformation Officer/Fair Practices Officer
Kai Boggess-de Bruin

Deputy Chief of Innovation & Governance
Daniel Rohn

Training Director
Lateefah Montague-Bey

Fair Practices/EEO Operations Director
Elaine McNeill

Director of Government Affairs
Stephen Harrington

Director of State Government Affairs
Matt Dudzic

Director of Intergovernmental Affairs (Local/Federal)
Michael Bayrd

COMPStat
Danny Heller

Senior Executive Assistant
Gina Walker

Executive Assistant to COS
Lisa Wald

Front Office Assistant
Kathie Stone

Correspondence Manager
Jennifer Donatelli

Special Assistants
Hanna Shatuck & Silina Destine

Taxpayer Advocate
Vacant

10/10/24