

SENATE BILL 962

L3

5lr2985

By: **Senator Mautz**

Introduced and read first time: January 28, 2025

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 28, 2025

CHAPTER _____

1 AN ACT concerning

2 **Municipalities – Legislative Audit – Exemption**

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

9 BY repealing and reenacting, with amendments,
10 Article – Local Government
11 Section 16–305
12 Annotated Code of Maryland
13 (2013 Volume and 2024 Supplement)

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

16 **Article – Local Government**

17 16–305.

18 (a) Except as provided in subsection (b) of this section, each county, municipality,
19 and special taxing district created by the State shall have its financial records audited at

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 least once each fiscal year by the persons and for the purposes specified in this section and
2 §§ 16–307 and 16–308 of this subtitle.

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

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

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

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

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

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

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

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

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

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

31 (2) IF THE FINANCIAL REPORT SUBMITTED IN ACCORDANCE WITH §
32 16–304 OF THIS SUBTITLE BY A MUNICIPALITY THAT HAS AN AUDIT EXEMPTION
33 UNDER SUBSECTION (B)(2) OF THIS SECTION INDICATES A FINANCIAL OR
34 ACCOUNTING IRREGULARITY OR CONCERN, THE JOINT AUDIT AND EVALUATION
35 COMMITTEE MAY REQUEST OR REQUIRE ~~A REVIEW OR AUDIT OF THE FINANCIAL~~

1 ~~RECORDS OF THAT MUNICIPALITY~~ THE MUNICIPALITY TO CONDUCT A REVIEW OR
2 AUDIT OF ITS FINANCIAL RECORDS CONSISTENT WITH THE REQUIREMENTS OF
3 SUBSECTION (C) OF THIS SECTION.

4 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
5 1, 2025.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.