

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 792

(Delegate Barkley, *et al.*)

Economic Matters

Budget and Taxation

Office of Legislative Audits - Performance Audits - Local Alcoholic Beverages
Licensing Boards

This bill requires the Office of Legislative Audits (OLA), at any time on request of both Presiding Officers, to conduct a performance audit of a local alcoholic beverages licensing board to evaluate the effectiveness and efficiency of the management practices of the board and the economy with which the board uses resources. OLA and its authorized representatives may access and inspect the records (including confidential records) of a local alcoholic beverages licensing board to conduct such a performance audit. The audit report must be distributed to specified entities, including the Joint Audit Committee (JAC), the Presiding Officers, the chairs of the applicable county's House and Senate delegations, and the applicable local governing body.

Fiscal Summary

State Effect: None. The bill codifies existing practice; OLA would conduct a performance audit of a local board of license commissioners at the request of the Presiding Officers under current law. The potential staff resources for OLA to conduct such an audit are discussed below.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background:

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 JAC or the Executive Director of the Department of Legislative Services, or otherwise required by law. For example, OLA is required to conduct a performance audit of (1) the Board of Liquor License Commissioners (BLLC) for Baltimore City at least once every four years and (2) each local school system at least once every six years, unless the school system applies for and receives a waiver from JAC.

OLA has the authority to conduct a separate investigation of an act or allegation of fraud, waste, or abuse in the obligation, expenditure, receipt, or use of State resources. OLA also may audit any county officer or unit that collects State taxes.

Performance Audits of Boards of License Commissioners

BLLC for Baltimore City is the only board of license commissioners that OLA is specifically required to audit by statute. Chapter 263 of 2011 requires OLA to conduct a performance audit of the board at least once every four years to evaluate the effectiveness and efficiency of the management practices of the board and of the economy with which the board uses resources. The audits must focus on operations relating to liquor inspections, licensing, disciplinary procedures, and management oversight. OLA has since conducted two audits of the board. The second audit, released in July 2016, can be found on OLA's [website](#).

OLA also conducted a performance audit of the Board of License Commissioners for Anne Arundel County in 2016 at the request of the General Assembly. The audit can be found on OLA's [website](#).

Boards of License Commissioners

The Board of License Commissioners in each county, Baltimore City, and Annapolis is responsible for issuing alcoholic beverage licenses (the Comptroller's Office also issues

some licenses) and generally administering the Alcoholic Beverages Article. In general, most Maryland jurisdictions authorize the sale of alcoholic beverages through a three-tier system in which retail alcoholic beverages licensees purchase alcoholic beverages from licensed Maryland wholesalers who purchase alcoholic beverages from licensed manufacturers and import companies.

State Fiscal Effect: There is no effect on State revenues or expenditures. The bill codifies existing practice; OLA would conduct a performance audit of a local board of license commissioners at the request of the Presiding Officers under current law.

Using its experience with BLLC as a guide, OLA estimates that about 300 audit days would be required to conduct a performance audit of one of the five largest boards. Smaller boards would require about 75 days each. OLA advises that these are general estimates, and that the actual time to conduct a specific audit will vary depending on the conditions encountered at the board, including board size, the adequacy of processes in place, and the completeness of records.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City; Baltimore, Carroll, Queen Anne's, and St. Mary's counties; Department of Legislative Services

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