**A** **BILL**

TO AMEND SECTION 5-7-240, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE REQUIREMENT FOR AN ANNUAL FINANCIAL AUDIT OF THE FINANCES OF A MUNICIPALITY, SO AS TO REQUIRE THAT FUNDS FOR THE AUDIT MUST BE INCLUDED IN THE MUNICIPALITY’S ANNUAL BUDGET, TO PROVIDE THAT IF A COPY OF THE ANNUAL FINANCIAL AUDIT IS NOT FILED WITH THE STATE TREASURER WITHIN THIRTEEN MONTHS OF THE END OF THE AUDIT YEAR, THAT STATE PAYMENTS TO THE MUNICIPALITY MUST BE SUSPENDED, TO REQUIRE ADDITIONAL FORENSIC AUDITS IN THE CASE OF A SUSPENSION OF STATE PAYMENTS, AND TO PROVIDE THAT IF THE DELINQUENT AUDIT AND THE FORENSIC AUDITS ARE NOT FILED WITHIN THIRTEEN MONTHS OF THE BEGINNING OF THE STATE PAYMENTS SUSPENSION, THE MUNICIPALITY’S CERTIFICATE OF INCORPORATION MUST BE CANCELED BY THE SECRETARY OF STATE.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 5‑7‑240 of the 1976 Code is amended to read:

“Section 5‑7‑240. (A) The council shall provide for an independent annual audit of all financial records and transactions of the municipality and any agency funded in whole by municipal funds and may provide for more frequent audits as it ~~deems~~ considers necessary. Funding for this audit must be included in the municipality’s annual budget. Special audits may be provided for any agency receiving municipal funds as the municipality ~~deems~~ considers necessary. ~~Such~~ These audits ~~shall~~ must be ~~made~~ conducted by a certified public accountant or public accountant or firm of such accountants who have no personal interest, direct or indirect, in the fiscal affairs of the municipal government or any of its officers. The council ~~may~~, without requiring competitive bids, may designate ~~such~~ the accountant or firm annually or for a period not exceeding four years, ~~provided, that~~ but the designation for any particular fiscal year ~~shall~~ must be made no later than thirty days after the beginning of such fiscal year. The report of the audit ~~shall~~ must be made available for public inspection and filed with the State Treasurer as provided pursuant to Section 14‑1‑208(E). The council, ~~may~~ in its discretion, may accept independent audits of municipal agencies and departments and include such audits in its general report of the audit of the municipality.

(B)(1) A copy of the annual financial audit required pursuant to subsection (A) and as supplemented pursuant to Section 14‑1‑208(E) must be filed with the Office of the State Treasurer (OST) as provided pursuant to Section 14‑1‑208(E).

(2) If a municipality fails to file a copy of the audit within thirteen months of the end of the municipality’s fiscal year, the OST shall withhold all state payments otherwise due the municipality until a complete copy of the audit is received in the OST.

(3) A municipality subject to the withholding of state payments as provided pursuant to item (2) of this subsection must cause to be conducted a forensic audit for the fiscal year report delinquency giving rise to the state payment suspension and the two preceding fiscal years.

If copies of all delinquent financial audit reports and the forensic audit reports have not been received by the Office of the State Treasurer within thirteen months of the beginning of the suspension of state payments, the State Treasurer shall certify the delinquency to the Secretary of State. The Secretary of State shall forthwith cancel the municipality’s certificate of incorporation.”

SECTION 2. This act takes effect July 1, 2013, and applies for audits of municipal fiscal years beginning after June 30, 2013.

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