COMMITTEE REPORT

April 14, 2010

**S. 699**

Introduced by Senator Leatherman

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Read the first time April 14, 2009.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 699) to amend Chapter 1, Title 6 of the 1976 Code, by adding Article 2 enacting the “Financial Accountability Act” to require political subdivisions of this State to have annual, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

HUGH K. LEAHTERMAN, SR. for Committee.

**A** **BILL**

TO AMEND CHAPTER 1, TITLE 6 OF THE 1976 CODE, BY ADDING ARTICLE 2 ENACTING THE “FINANCIAL ACCOUNTABILITY ACT” TO REQUIRE POLITICAL SUBDIVISIONS OF THIS STATE TO HAVE ANNUAL FINANCIAL AUDITS AND PROVIDE COPIES OF THESE AUDITS TO THE STATE TREASURER WHERE NOT ALREADY REQUIRED BY LAW, TO PROVIDE FOR ENFORCEMENT OF THIS REQUIREMENT BY MEANS OF WITHHOLDING A PORTION OF STATE FUNDS OTHERWISE DUE THE POLITICAL SUBDIVISION UNTIL COMPLIANCE IS ACHIEVED, TO AUTHORIZE THE STATE TREASURER TO DEVELOP STANDARDS FOR AND REPORT ON THE FINANCIAL HEALTH OF POLITICAL SUBDIVISIONS AND MAKE AUDITS PUBLIC ELECTRONICALLY, AND TO DIRECT THE STATE BUDGET AND CONTROL BOARD TO ASSIST IN THE IMPLEMENTATION OF THIS ACT.

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

SECTION 1. A. The General Assembly finds:

(1) proper financial reporting is critical to providing accountability and transparency in government;

(2) timely and accurate disclosure is crucial to maintaining public confidence;

(3) policymakers, taxpayers, and the public generally are benefitted by systematic and publicly disclosed analysis of how public funds are being managed.

B. The General Assembly declares that, in the best interest of the citizens of the State, a uniform method of financial reporting and analysis be implemented for the political subdivisions of the State and to that end enacts the “Financial Accountability Act”.

SECTION 2. Chapter 1, Title 6 of the 1976 Code is amended by adding:

“Article 2

Financial Accountability Act

Section 6‑1‑210. This article may be cited as the ‘Financial Accountability Act’.

Section 6‑1‑220. (A) If not otherwise required by law, each political subdivision in this State shall conduct an annual financial audit of its records according to generally accepted accounting principles. The State Treasurer may develop criteria for determining and allowing smaller political subdivisions to provide an alternate financial report. For the purposes of this article, political subdivisions include, but are not limited to, counties, municipalities, school districts, special purpose and public service districts, and regional councils of governments.

(B) If not otherwise required by law, each political subdivision shall provide a copy of its annual financial audit to the State Treasurer within seven months of the close of its fiscal year.

(C) If not otherwise provided for by law, if a political subdivision fails to remit a copy of its annual financial audit within seven months of the close of its fiscal year, the State Treasurer shall withhold ten percent of any funds, not to exceed a total of ten thousand dollars in a month, otherwise due to be distributed by the State Treasurer to that political subdivision until the audit is received.

Section 6‑1‑230. The State Treasurer may develop standards for and report on the financial health of political subdivisions to the Governor and General Assembly. Audits received and reports by the State Treasurer may be made available to the public by electronic means. The State Budget and Control Board shall provide assistance in implementing this article.”

SECTION 3. This act takes effect upon approval by the Governor and first applies for county, municipality, and school district audits for fiscal year 2008‑2009, and all other political subdivisions beginning with audits for fiscal year 2009‑2010.

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