**South Carolina General Assembly**

125th Session, 2023-2024

**A71, R63, S31**

**STATUS INFORMATION**

General Bill

Sponsors: Senators Hutto and K. Johnson

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Introduced in the Senate on January 10, 2023

Introduced in the House on March 2, 2023

Last Amended on May 10, 2023

Currently residing in the Senate

Summary: Municipal Audit

**HISTORY OF LEGISLATIVE ACTIONS**

 Date Body Action Description with journal page number

 11/30/2022 Senate Prefiled

 11/30/2022 Senate Referred to Committee on **Finance**

 1/10/2023 Senate Introduced and read first time (Senate Journal‑page 27)

 1/10/2023 Senate Referred to Committee on **Finance** (Senate Journal‑page 27)

 2/22/2023 Senate Committee report: Favorable with amendment **Finance** (Senate Journal‑page 7)

 2/27/2023 Scrivener's error corrected

 2/28/2023 Senate Committee Amendment Adopted (Senate Journal‑page 14)

 2/28/2023 Senate Read second time (Senate Journal‑page 14)

 2/28/2023 Senate Roll call Ayes-40 Nays-0 (Senate Journal‑page 14)

 3/1/2023 Senate Read third time and sent to House (Senate Journal‑page 6)

 3/1/2023 Scrivener's error corrected

 3/2/2023 House Introduced and read first time (House Journal‑page 4)

 3/2/2023 House Referred to Committee on **Ways and Means** (House Journal‑page 4)

 5/4/2023 House Committee report: Favorable with amendment **Ways and Means** (House Journal‑page 7)

 5/8/2023 Scrivener's error corrected

 5/9/2023 House Debate adjourned (House Journal‑page 27)

 5/10/2023 House Amended (House Journal‑page 82)

 5/10/2023 House Read second time (House Journal‑page 82)

 5/10/2023 House Roll call Yeas-104 Nays-7 (House Journal‑page 83)

 5/11/2023 House Read third time and returned to Senate with amendments (House Journal‑page 17)

 5/11/2023 Senate Concurred in House amendment and enrolled (Senate Journal‑page 42)

 5/11/2023 Senate Roll call Ayes-42 Nays-0 (Senate Journal‑page 42)

 5/17/2023 Ratified R 63

 5/22/2023 Vetoed by Governor

 5/23/2023 Senate Veto overridden by originating body Ayes-45 Nays-0 (Senate Journal‑page 59)

 6/7/2023 House Veto overridden Yeas-72 Nays-33 (House Journal‑page 35)

 6/8/2023 Effective date 06/07/23

 6/8/2023 Act No. 71

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**VERSIONS OF THIS BILL**

[12/01/2022](https://www.scstatehouse.gov/sess125_2023-2024/prever/31_20221201.docx)

[02/22/2023](https://www.scstatehouse.gov/sess125_2023-2024/prever/31_20230222.docx)

[02/27/2023](https://www.scstatehouse.gov/sess125_2023-2024/prever/31_20230227.docx)

[02/28/2023](https://www.scstatehouse.gov/sess125_2023-2024/prever/31_20230228.docx)

[03/02/2023](https://www.scstatehouse.gov/sess125_2023-2024/prever/31_20230302.docx)

[05/05/2023](https://www.scstatehouse.gov/sess125_2023-2024/prever/31_20230505.docx)

[05/08/2023](https://www.scstatehouse.gov/sess125_2023-2024/prever/31_20230508.docx)

[05/10/2023](https://www.scstatehouse.gov/sess125_2023-2024/prever/31_20230510.docx)

 6/7/2023 House Veto overridden Yeas-72 Nays-33 ([House Journal‑page 35](file:///h%3A%5Chj%5C20230607.docx))

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[05/10/2023](https://www.scstatehouse.gov/sess125_2023-2024/prever/31_20230510.docx)

(A71, R63, S31)

AN ACT TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 5-7-240, RELATING TO INDEPENDENT AUDITS OF MUNICIPAL FINANCIAL RECORDS AND TRANSACTIONS, SO AS TO ALLOW MUNICIPALITIES WITH LESS THAN $500,000 IN TOTAL REVENUES TO PROVIDE A COMPILATION OF FINANCIAL STATEMENTS; BY AMENDING SECTION 14-1-208, RELATING TO FINES AND ASSESSMENTS, SO AS TO INCLUDE REFERENCES TO FILING A COMPILATION OF FINANCIAL STATEMENTS; AND BY AMENDING SECTION 4‑9‑150, RELATING TO AUDITS OF COUNTY RECORDS, SO AS TO ALLOW FOR A FILING EXTENSION IN CERTAIN CIRCUMSTANCES.

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

Municipal audits

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

 Section 5‑7‑240. (A) The council of each municipality having total recurring revenues at or above the threshold in Section 5-7-240(D) shall provide for an annual audit of financial statements. The council may, without requiring competitive bids, designate a certified public accountant or public accounting firm annually or for a period not exceeding four years, provided, that the designation for any particular fiscal year shall be made no later than thirty days after the beginning of such fiscal year.

 (B) The council of each municipality having total recurring revenues below the threshold in Section 5-7-240(D) may elect to provide for either an audit of financial statements or a compilation of financial statements in lieu of an audit as follows:

 (1) annually for municipalities that have a court system; or

 (2) at least once every three years for municipalities that do not have a court system.

 (C) The audit or compilation must be performed by an independent certified public accountant or a firm of certified public accountants. The report of the audit or compilation shall be made available for public inspection. Financial statements of municipalities with a court system must include the requirements of Section 14-1-208.

 A municipality that exceeds the threshold in the current fiscal year but was below the threshold in the previous fiscal year must begin submitting audited financial statements annually beginning no later than the fiscal year following the year in which its total revenues exceed the threshold.

 (D) Beginning with the municipality fiscal year which begins after January 1, 2024, the reporting threshold is $500,000 of the total recurring revenue of a municipality. As soon as practicable at the beginning of each subsequent calendar year, the Revenue and Fiscal Affairs Office must determine the increase or decrease in the ratio of the Consumer Price Index to the index as of December 31 of the previous year and the threshold must be increased accordingly. If the average of the twelve-month consumer price index experiences a negative percentage, the average is deemed to be zero. For purposes of this subsection, “Consumer Price Index” means the Consumer Price Index for All Urban Consumers as published by the United States Department of Labor, Bureau of Labor Statistics.

Fines and assessments

SECTION 2. Section 14‑1‑208(E) of the S.C. Code is amended to read:

 (E) To ensure that fines and assessments imposed pursuant to this section and Section 14‑1‑209(A) are properly collected and remitted to the State Treasurer, the audit or compilation performed for each municipality pursuant to Section 5‑7‑240 must include a Uniform Supplemental Schedule Form detailing all fines and assessments collected at the court level, the amount remitted to the municipal treasurer, and the amount remitted to the State Treasurer.

 (1) To the extent that records are made available in the format determined pursuant to subsection (E)(4), the Uniform Supplemental Schedule Form developed by the Office of the Attorney General, South Carolina Crime Victim Services Division, must be used by all counties and municipalities to report their crime victim services funds and must include the following elements:

 (a) all fines collected by the clerk of court for the municipal court;

 (b) all assessments collected by the clerk of court for the municipal court;

 (c) the amount of fines retained by the municipal treasurer;

 (d) the amount of assessments retained by the municipal treasurer;

 (e) the amount of fines and assessments remitted to the State Treasurer pursuant to this section; and

 (f) the total funds, by source, allocated to victim services activities, how those funds were expended, and any balances carried forward.

 (2) For municipalities required to provide for an annual audit of financial statements pursuant to Section 5‑7‑240, the Uniform Supplemental Schedule Form must be included in the external auditor’s report as required by generally accepted auditing standards when information accompanies the basic financial statements in auditor submitted documents.

 (3) For municipalities allowed to provide for a compilation of financial statements pursuant to Section 5‑7‑240, the Uniform Supplement Schedule Form must be included in the compilation report as supplemental information. In addition, the municipality is required to engage the external accountant to perform agreed upon procedures related to the supplemental schedule as established annually by the Office of the State Treasurer and approved by the Office of the State Auditor.

 (4) Within thirty days of issuance of the audited or compiled financial statement, the municipality must submit to the State Treasurer a copy of the audited or compiled financial statement and a statement of the actual cost associated with the preparation of the Uniform Supplemental Schedule Form required in this section and, if applicable, the agreed upon procedures. Upon submission to the State Treasurer, the municipality may retain and pay from the fines and assessments collected pursuant to this section the actual expense charged by the external auditor or accountant associated with the Uniform Supplemental Schedule Form required in this subsection, not to exceed two thousand dollars each year.

 (5) The clerk of court and municipal treasurer shall keep records of fines and assessments required to be reviewed pursuant to this subsection in the format determined by the municipal governing body and make those records available for review.

Audits of county records

SECTION 3. Section 4-9-150 of the S.C. Code is amended to read:

 Section 4-9-150. The council shall provide for an independent annual audit of all financial records and transactions of the county and any agency funded in whole by county funds and may provide for more frequent audits as it considers necessary. Special audits may be provided for any agency receiving county funds as the county governing body considers necessary. The audits must be made by a certified public accountant or public accountant or firm of these accountants who have no personal interest, direct or indirect, in the fiscal affairs of the county government or any of its officers. The council may, without requiring competitive bids, designate the accountant or firm annually or for a period not exceeding three years. The designation for any particular fiscal year must be made no later than thirty days after the beginning of the fiscal year. The report of the audit must be made available for public inspection. A copy of the report of the audit must be submitted to the State Treasurer no later than January first each year following the close of the books of the previous fiscal year. Upon a showing of proper cause, as determined by the State Treasurer, the State Treasurer shall grant a county an extension of ninety days. To be considered, a request for extension must be signed by the chair of the council before the deadline for filing.

 If the report is not filed with the State Treasurer by January first, or within the time extended for filing the report, funds distributed by the State Treasurer to the county in the current fiscal year must be withheld pending receipt of a copy of the report.

Time effective

SECTION 4. This act takes effect upon approval by the Governor.

Ratified the 17th day of May, 2023.

Vetoed by the Governor -- 5/22/23.

Veto overridden by Senate -- 5/23/23.

Veto overridden by House -- 6/7/23.

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