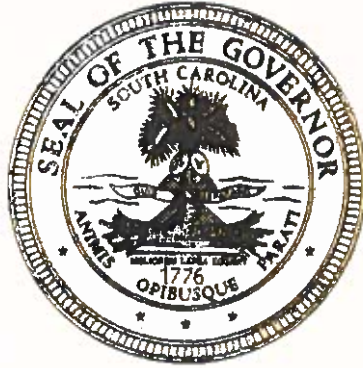


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Veto of R-63, S.31

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HENRY MCMASTER
GOVERNOR

May 22, 2023

The Honorable Thomas C. Alexander
President of the Senate
State House, Second Floor
Columbia, South Carolina 29201

Dear Mr. President and Members of the Senate:

I am hereby vetoing and returning without my approval R-63, S. 31, which seeks to amend several provisions of existing law so as to relax annual financial-reporting requirements for municipalities and to authorize the State Treasurer to extend the deadline for a county to submit an independent annual audit of its financial records and transactions. Although I do not doubt that this is a well-intentioned effort to address what may be an onerous reporting requirement for smaller municipalities and to provide flexibility to counties under certain circumstances, because I believe current law does not afford the State sufficient oversight over local governments' fiscal affairs, I cannot support legislation that risks reducing rather than enhancing transparency and accountability. Accordingly, for the reasons detailed further below, I must veto S. 31 and return the same without my signature.

As I have noted in previous State of the State addresses, the public should know—and, indeed, has a right to know—whether officials are properly spending tax dollars entrusted to their care and control. This is particularly true for local governments, which have, for far too long, operated without adequate oversight or sufficient accountability. While the public can, and should, hold public officials accountable for their actions or inactions on election day, allegations of waste, fraud, mismanagement, or other misconduct involving public officials, employees, or resources must be identified, investigated, and addressed in real time. Transparency is a critical component of ensuring trust and confidence in government, particularly on an issue as significant as a government's financial status. Yet, as a general rule, while certain state agencies and officials are authorized to inspect or review discreet aspects of a county's or municipality's financial records, no state official or agency has the specific jurisdiction or express legal authority to conduct a comprehensive audit of a local government's fiscal affairs and transactions in most instances or to otherwise exercise oversight or local elected officials. Thus, I have repeatedly urged the General Assembly to expand the State Inspector General's investigative jurisdiction to include local governments.

In view of these considerations, I am concerned that this legislation risks significantly, albeit perhaps unintentionally, weakening the State's ability to detect financial irregularities and deter mismanagement and misconduct by local government officials and employees. Specifically, S. 31 would alter existing law to allow municipalities with less than \$500,000 in total revenues to provide a compilation of financial statements instead of an independent audit of all of the municipality's financial records and transactions. This bill would also seemingly relax the audit requirements for municipalities above the aforementioned revenue threshold, allowing a larger municipality to submit an annual audit *of financial statements* in lieu of an independent yearly audit of "all financial records and transactions of the municipality and any agency funded in whole by municipal funds." S.C. Code Ann. § 5-7-240. In attempting to incorporate the above-referenced changes to the statute governing fines collected by a municipal court, it appears S. 31 would also eliminate the specific statutory requirement that a municipality's "annual independent external audit . . . must include a review of the accounting controls over the collection, reporting, and distribution of fines and assessments from the point of collection to the point of distribution." *Compare* S. 31, § 2, with S.C. Code Ann. § 14-1-208(E). Finally, S. 31 seeks to amend the statute requiring counties to submit independent annual audits so as to require counties to file those audits with the Treasurer rather than the Comptroller General and to allow the Treasurer to grant a 90-day extension for a county to file the required audit. Although this last proposed change to current law appears reasonable, the remaining provisions of S. 31 would seemingly reduce rather than enhance the State's existing, and already limited, means of providing oversight and accountability with respect to local governments' financial affairs.

For the foregoing reasons, I am respectfully vetoing R-63, S. 31 and returning the same without my signature.

Yours very truly,



Henry McMaster