

2015 -- S 0740

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LC001738
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

A N A C T

RELATING TO PUBLIC FINANCE

Introduced By: Senators DiPalma, DaPonte, Ottiano, E O'Neill, and Pichardo

Date Introduced: March 19, 2015

Referred To: Senate Finance

(Administration)

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 35-14-2 of the General Laws in Chapter 35-14 entitled "Financial
2 Integrity and Accountability" is hereby amended to read as follows:

3 **35-14-2. Policy.** -- (a) The legislature hereby finds that:

4 (1) Fraud and errors in state programs are more likely to occur from a lack of ~~effective~~
5 ~~systems of internal accounting and administrative control in the~~ sufficient internal control
6 structures at state agencies;

7 (2) Effective ~~systems of~~ internal ~~accounting and administrative~~ control structures provide
8 the basic foundation upon which ~~a structure of~~ public accountability must be built;

9 (3) ~~Effective systems of internal accounting and administrative control are necessary to~~
10 ~~assure that state assets and funds are adequately safeguarded, as well as to produce reliable~~
11 ~~financial information for the state;~~ An entity's system of internal control structures consists of
12 policies and procedures designed to provide management with reasonable assurance that the
13 agency achieves its objectives and goals including:

14 (i) Reliability of financial reporting;

15 (ii) Compliance with applicable laws and regulations; and

16 (iii) Effectiveness and efficiency of operations.

17 (4) ~~Systems of internal accounting and administrative~~ Internal control structures are
18 necessarily dynamic and must be continuously evaluated and, where necessary, improved; and

19 (5) Reports ~~regarding~~ addressing the adequacy of the ~~system of~~ internal ~~accounting and~~

1 ~~administrative~~ control structure of each state agency are necessary to enable the executive branch,
2 the legislature, and the public to evaluate the agency's performance of its public responsibilities
3 and accountability.

4 (b) The legislature declares that:

5 (1) ~~Each~~ The management of each state agency ~~must maintain effective systems of~~
6 ~~internal accounting and administrative control as an integral part of its management practices; is~~
7 responsible for establishing and maintaining an adequate internal control structure, and policies
8 and procedures for financial reporting;

9 (2) ~~The systems of internal accounting and administrative control of each~~ Each state
10 agency shall perform an assessment and produce a report on the effectiveness of the internal
11 control structure and procedures for financial reporting; ~~be evaluated on an ongoing basis~~ and,
12 when detected, weaknesses must be promptly corrected; and

13 (3) All levels of management of the state agencies must be involved in assessing and
14 strengthening the systems of internal ~~accounting and administrative~~ control structures to
15 minimize fraud, errors, abuse, and waste of government funds.

16 SECTION 2. Section 35-20-2 of the General Laws in Chapter 35-20 entitled "Public
17 Corporation Financial Integrity and Accountability" is hereby amended to read as follows:

18 **35-20-2. Policy.** -- (a) The legislature hereby finds that:

19 (1) Fraud and errors in public and quasi-public programs are more likely to occur from a
20 lack of ~~effective systems of internal accounting and administrative control~~ sufficient internal
21 control structures in the state authorized public corporations.

22 (2) Effective ~~systems of~~ internal ~~accounting and administrative~~ control structures provide
23 the basic foundation upon which ~~a structure of~~ public accountability must be built.

24 (3) ~~Effective systems of internal accounting and administrative control are necessary to~~
25 ~~assure that public and quasi-public state assets and funds are adequately safeguarded, as well as to~~
26 ~~produce reliable financial information for the state.~~ An entity's system of internal control
27 structures consists of policies and procedures designed to provide management with reasonable
28 assurance that the agency achieves its objectives and goals including:

29 (i) Reliability of financial reporting;

30 (ii) Compliance with applicable laws and regulations; and

31 (iii) Effectiveness and efficiency of operations.

32 (4) ~~Systems of internal accounting and administrative~~ Internal control structures are
33 necessarily dynamic and must be continuously evaluated and, where necessary, improved.

34 (5) Reports ~~regarding~~ addressing the adequacy of the ~~system of internal accounting and~~

1 ~~administrative~~ internal control structure of each public corporation are necessary to enable the
2 executive branch, the legislature, and the public to evaluate the corporation's performance of its
3 public and quasi-public responsibilities and accountability.

4 (b) The legislature declares that:

5 (1) ~~Each~~ The management of each public corporation ~~must maintain effective systems of~~
6 ~~internal accounting and administrative control as an integral part of its management practices. is~~
7 responsible for establishing and maintaining an adequate internal control structure, and policies
8 and procedures for financial reporting.

9 (2) ~~The systems of internal accounting and administrative control of each state agency~~
10 ~~shall be evaluated on an ongoing basis~~ Each public corporation shall perform an assessment and
11 produce a report on the effectiveness of the internal control structure and procedures for financial
12 reporting and, when detected, control weaknesses must be promptly corrected.

13 (3) All levels of management of the public corporation must be involved in assessing and
14 strengthening the systems of internal ~~accounting and administrative~~ control structures to
15 minimize fraud, errors, abuse, and waste of public and quasi-public funds.

16 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
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1 This act would require state agencies and public corporations to establish and maintain
2 adequate internal control structures, and financial reporting policies and procedures, in order to
3 reduce fraud and errors in state programs.

4 This act would take effect upon passage.

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