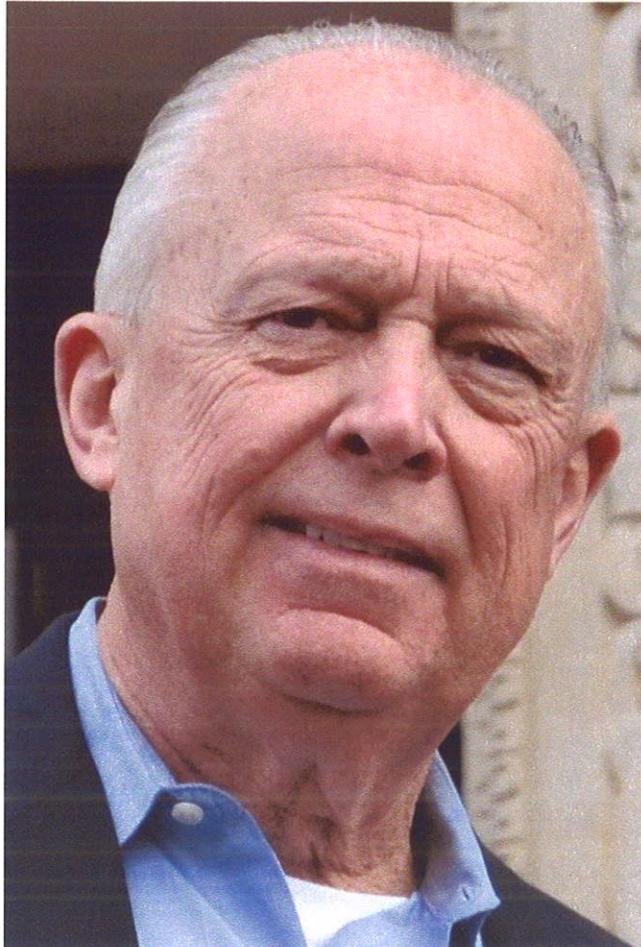


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## Eckstrom column: Timely financial reporting vital for public institutions:

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Richard Eckstrom

Each October, many state agencies – including public colleges and universities – are required to submit to me their financial statements for the previous fiscal year. I use those statements to produce South Carolina’s financial report, which is used by lawmakers, credit rating agencies, and others to assess the state’s financial condition.

An agency's failure to turn in its statements on time can have ramifications beyond just that one agency. If it holds up completion of the state's financial report, it potentially hinders policymakers' ability to make decisions about spending and taxes. It may also send a troubling signal to investors interested in buying state bonds, or otherwise reflect poorly on the state.

Untimely financial statements sometimes raise red flags about an agency's accounting and record keeping. In the recent past, they've led to discovery of serious deficiencies – such as failure to reconcile bank statements regularly, or a lack of CPAs in crucial accounting positions. Even worse, they can indicate indifference toward the importance of financial reporting.

When an agency misses the deadline, it's up to me to light a fire under them. But my options for doing so are limited. Hopefully, with repeated phone calls and a little nudging, I'll have the statements in enough time to complete the state's financial report without much delay.

But what happens when an agency is evasive or uncooperative – for example, won't return calls? With no legal authority to force them to do anything, my only recourse is to raise the issue publicly and hope the unflattering attention will motivate the tardy officials to get with the program.

Which brings me to the subject of S.C. State University...

SCSU boasts a loyal student body and faithful alumni, yet its governance -- particularly its financial leadership -- has often fallen short. In 2014, its troubles came into the open: out of control spending, large budget deficits, about \$10 million in unpaid vendor bills, mismanaged funds, and improperly recorded transactions -- all of which resulted in a two-year probation by the regional accreditation agency. Losing its accreditation would have been disastrous, as it would have meant its students were no longer eligible for federal aid and may well have caused SCSU to close its doors.

Since then, much money and effort have gone into putting SCSU on sound financial footing. Lawmakers purged the entire board of trustees. The Legislature gave the school around \$20 million in state loans which later were forgiven, meaning taxpayers foot the bill to clean up the mess.

Given the resources invested in righting the ship, there was no joy in notifying other state leaders last month that SCSU was late again this year submitting its financial statements. After missing the Oct. 1 deadline, university officials assured me I'd have the statements by Nov. 22. That date came and went. It wasn't until Dec. 12 – more than two months late – that the statements were turned in.

All who care about SCSU's future should be concerned. Timely financial disclosures are crucial for keeping the university healthy and solvent. And again, late financial statements can portend broader issues.

While its fiscal woes only became known to the public in 2014, I actually had begun sounding the alarm years earlier -- after growing concerned by the school's chronic problems turning in its financial statements. Out of an abundance of caution, I'm sounding the alarm again.

Certainly, SCSU finances have stabilized over the past few years, and the quality of its board and administration are much-improved. Nonetheless, we mustn't tempt fate. Given its track record and the magnitude of its recent troubles, complacency isn't an option.

S.C. State's crisis was rooted in a lax attitude toward the notions of oversight and accountability -- a mindset partially cultivated by state leaders' hands-off approach to the university; the storied, historically black university was treated as a special case, allowing its administrators to operate nearly oversight-free. What was actually needed, then as now, was "tough love."

Three years later, the high stakes dictate keeping an attentive eye on SCSU administrators. We must remind them we're watching and what's expected of them. Failure to meet minimum standards isn't acceptable.

And there's a cautionary tale here for governmental bodies at all levels. While not a sensational topic, oversight measures such as financial reporting requirements are fundamental to an institution's well-being.

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