

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 549
Committee Substitute Favorable 4/8/25
PROPOSED COMMITTEE SUBSTITUTE H549-PCS30418-RN-15

Short Title: Clarify Powers of State Auditor.

(Public)

Sponsors:

Referred to:

March 31, 2025

A BILL TO BE ENTITLED
AN ACT TO CLARIFY THE POWERS OF THE STATE AUDITOR AND TO MAKE OTHER
CHANGES RELATED TO THE STATE AUDITOR.

The General Assembly of North Carolina enacts:

PART I. CLARIFY POWERS OF STATE AUDITOR

SECTION 1. G.S. 143-64.24 reads as rewritten:

"§ 143-64.24. Applicability of Article.

This Article ~~shall~~does not apply to the following agencies:

...

(10) The Office of the State Auditor."

SECTION 2. G.S. 143B-1320(b) reads as rewritten:

"(b) Exemptions. – Except as otherwise specifically provided by law, ~~the provisions of this Chapter do~~ this Article does not apply to the following entities: the General Assembly, the Judicial Department, and The University of North Carolina and its constituent institutions. institutions, and the Office of the State Auditor. These entities may elect to participate in the information technology programs, services, or contracts offered by the Department, including information technology procurement, in accordance with the statutes, policies, and rules of the Department. The election must be made in writing, as follows:

(1) For the General Assembly, by the Legislative Services Commission.

(2) For the Judicial Department, by the Chief Justice.

(3) For The University of North Carolina, by the Board of Governors.

(4) For the constituent institutions of The University of North Carolina, by the respective boards of trustees.

(5) For the Office of the State Auditor, by the State Auditor."

SECTION 3. G.S. 143B-1350 reads as rewritten:

"§ 143B-1350. Procurement of information technology.

(a) The State CIO is responsible for establishing policies and procedures for information technology procurement for State agencies.

~~Notwithstanding~~ Except as otherwise provided by subsection (l) of this section, ~~notwithstanding~~ any other provision of law, the Department shall procure all information technology goods and services for participating agencies and shall approve information technology procurements for separate agencies. The State CIO may cancel or suspend any agency information technology procurement that occurs without State CIO approval.

...



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(l) The Office of the State Auditor is exempt from this Part and may procure information technology services pursuant to G.S. 147-64.7(b)(1)."

SECTION 4. G.S. 147-64.4 reads as rewritten:

"§ 147-64.4. Definitions.

The following definitions apply in this Article:

...

(5) Publicly funded entity. – Any individual, private corporation, institution, association, board, or other organization that receives, disburses, or otherwise handles State or federal funds."

SECTION 5. G.S. 147-64.6B(b) reads as rewritten:

"(b) The Auditor shall investigate reports of allegations of improper governmental activities of State ~~agencies and State employees~~ agencies, employees of those agencies, and publicly funded entities within the scope of authority set forth in G.S. 147-64.6, including misappropriation, mismanagement, or waste of State resources, fraud, violations of State or federal law, rule or regulation by State agencies or State employees administering State or federal programs, and substantial and specific danger to the public health and safety. When the allegation involves issues of substantial and specific danger to the public health and safety, the Auditor shall notify the appropriate State agency immediately. When the Auditor believes that an allegation of improper governmental activity is outside the authority set forth in G.S. 147-64.6, the Auditor shall refer the allegation to the appropriate State agency responsible for the enforcement or administration of the matter for investigation. When the Auditor believes that an allegation of improper governmental activity involves matters set forth in subdivisions (1), (2), or (3) of this subsection, those matters shall be referred as follows:

- (1) Allegations of criminal misconduct to either the State Bureau of Investigation or the District Attorney for the county where the alleged misconduct occurred.
- (2) Allegations of violations of Chapter 138A, Chapter 120C and Article 14 of Chapter 120 of the General Statutes to the State Ethics Commission.
- (3) Allegations of violations of Chapter 163 of the General Statutes to the State Board of Elections."

SECTION 6. G.S. 147-64.7 reads as rewritten:

"§ 147-64.7. Authority.

(a) Access to Persons and Records. –

- (1) The Auditor and the Auditor's authorized representatives shall have ready access to persons and may examine and copy all books, records, reports, vouchers, correspondence, files, personnel files, investments, and any other documentation of any State agency. Upon demand of the Auditor, access shall extend to continuous and unrestricted view of databases, datasets, and digital records necessary for any purpose within the authority of the Auditor, including performing audits of any type, assessing government efficiency, risk assessment, fraud detection, audit planning, and evidence gathering. The review of State tax returns shall be limited to matters of official business and the Auditor's report shall not violate the confidentiality provisions of tax laws. Notwithstanding confidentiality provisions of tax laws, the Auditor may use and disclose information related to overdue tax debts in support of the Auditor's statutory mission.
- (2) ~~The For audits or investigations conducted under G.S. 147-64.6(c)(25), the Auditor and the Auditor's duly authorized representatives shall have such access to persons, records, papers, reports, vouchers, correspondence, books, databases, datasets, digital records, and any other documentation which that is in the possession of any individual, private corporation, institution,~~

~~association, board, or other organization~~ publicly funded entity which pertain
to either of the following:

- a. Amounts received pursuant to a grant or contract from the federal government, the State, or its political subdivisions.
- b. Amounts received, disbursed, or otherwise handled on behalf of the federal ~~government or the State~~ government, the State, or its political subdivisions. In order to determine that payments to providers of social and medical services are legal and proper, the providers of ~~such these~~ services ~~will shall~~ give the Auditor, or the Auditor's authorized representatives, access to the records of recipients ~~who that~~ receive ~~such these~~ services.

(3) The Auditor shall, for the purpose of examination and audit ~~authorized by this act~~, have the authority, and will be provided ready access, to examine and inspect all property, equipment, and facilities in the possession of any State agency or any ~~individual, private corporation, institution, association, board, or other organization~~ publicly funded entity which were furnished or otherwise provided through grant, contract, or any other type of funding by the State of North Carolina, or the federal government. Audits and investigations of publicly funded entities are limited as provided in G.S. 147-64.6(c)(25).

(4) All contracts or grants entered into by State agencies or political subdivisions shall include, as a necessary part, a clause providing access as intended by this section.

(5) The Auditor and ~~his the~~ Auditor's authorized ~~agents are authorized to~~ representatives may examine all books and accounts of any individual, firm, or corporation only insofar as they relate to transactions with any agency of the State.

(a1) Hearing. – If a person fails or refuses to provide to the Auditor or the Auditor's authorized representatives the access described in subsection (a) of this section, the Auditor may commence an action in superior court for a show cause hearing. The person shall appear at the hearing and show cause why the person failed or refused to comply with subsection (a) of this section. The court may issue an injunction to the person to comply with subsection (a) of this section.

...."

PART II. OTHER STATE AUDITOR AMENDMENTS

SECTION 7.(a) G.S. 126-5 reads as rewritten:

"§ 126-5. Employees subject to Chapter; exemptions.

...

(c1) Except as to Articles 6 and 7 of this Chapter, this Chapter does not apply to any of the following:

...

(41) Officers and employees of the Office of the State Auditor.

...

(c14) Notwithstanding any provision of this Chapter to the contrary, each Council of State agency not exempted under subsection (c1) of this section and the Office of the State Controller has the sole authority to set the salary of its exempt policymaking and exempt managerial positions within the minimum rates, and the maximum rates plus ten percent (10%), established by the State Human Resources Commission under G.S. 126-4(2).

...."

SECTION 7.(b) G.S. 126-1.1(c) reads as rewritten:

"(c) Notwithstanding the provisions of subsection (a) above:

...

(4) Employees of the Office of the State Auditor who attained career status before July 1, 2025, have the option of either (i) continuing employment with career State employee status if the employee remains in the post the employee occupied on June 30, 2025, or (ii) waiving career State employee status and continuing employment as an exempt employee under G.S. 126-5(c1)(41). The Office of the State Auditor shall provide each affected employee with a written explanation of the impact of an election to waive career State employee status. An employee's election to waive career State employee status must be acknowledged either through the employee's written or electronic signature after receiving the written explanation.

(5) Probationary State employees of the Office of the State Auditor hired before July 1, 2025, have the option of either (i) continuing employment for the time period required by G.S. 126-1.1(a) or (c)(1) and earning career State employee status or (ii) continuing employment as an exempt employee under G.S. 126-5(c1)(41). The Office of the State Auditor shall provide each affected employee with a written explanation of the impact of an election to waive career State employee status. An employee's election to waive career State employee status must be acknowledged either through the employee's written or electronic signature after receiving the written explanation."

SECTION 8. G.S. 143B-168.12(b) is repealed.

SECTION 9. Section 62(b) of S.L. 2014-115 is repealed.

SECTION 10. G.S. 143B-1410 is repealed.

SECTION 11. G.S. 147-64.6(c) reads as rewritten:

"(c) Responsibilities. – The Auditor is responsible for the following acts and activities:

...

(24) If an audit or investigation reveals that money is owed to a State agency by a person pursuant to a contract, transaction, or other arrangement authorized by law, the Auditor shall notify the Department of Revenue so that the owed amount may be collected.

(25) The Auditor may engage in an audit or investigation of any publicly funded entity. Any such audit or investigation conducted shall be limited to the State or federal funds received, disbursed, or otherwise handled by the publicly funded entity."

PART III. EFFECTIVE DATE

SECTION 12. Sections 1, 2, and 3 of this act become effective July 1, 2025, and apply to contracts entered into or renewed on or after that date. The remainder of this act is effective when it becomes law.