



# HOUSE BILL 17: Office of State Auditor/Corrective Action/PED.

2017-2018 General Assembly

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<b>Committee:</b>	House Appropriations	<b>Date:</b>	March 8, 2017
<b>Introduced by:</b>	Reps. Davis, R. Turner	<b>Prepared by:</b>	Cindy Avrette
<b>Analysis of:</b>	Second Edition		Staff Attorney

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**OVERVIEW:** *House Bill 17 would require the State Auditor to follow up with an underperforming State agency and report any failure to take corrective action to the General Assembly. The bill would also require the State Auditor to annually report all findings of deficiencies to the General Assembly.*

**CURRENT LAW:** The State Auditor has a duty to independently examine whether State agencies are properly managing State funds and to identify any deficiencies in its audit reports. The Auditor offers recommendations to the agency to help resolve any deficiencies, but the specific solutions are the responsibility of agency management. The Auditor does not have authority to enforce recommendations, nor does the Auditor have a general duty to follow up or make legislative recommendations.

**BILL ANALYSIS:** House Bill 17 would require the Auditor to recommend how an agency may correct any deficiencies, and require the Auditor to follow-up with the agency within one year to determine whether the agency is making progress in correcting the identified deficiencies. The bill would also require the Auditor to publish an annual report identifying the deficiencies noted in audits conducted during the prior calendar year.

Section 1 of the bill would create two new General Statute sections. The first section, G.S. 147-64.6E, would impose the following requirements on the Auditor:

- If the Auditor identifies any deficiencies, the Auditor must include recommendations in the audit report on how the State agency should correct the deficiencies.
- One year later, the Auditor must conduct a follow-up audit to determine whether the State agency has made significant progress in correcting the deficiencies.
- If the Auditor finds that the State agency has not made significant progress, the Auditor must report its findings to the chairs of both appropriations committees and make one or more recommendations for legislative action:
  - Direct the State agency to appear before a legislative committee to explain how it is resolving the deficiencies.
  - Enact legislation modifying the State agency's authority to implement the deficient process or program.
  - Change the amount of State funds appropriated to the State agency for the deficient process or program.
  - Other specified lawful action.

Karen Cochrane-Brown  
Director



Legislative Analysis  
Division  
919-733-2578

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The second section, G.S. 147-64.6F, would require an annual report from the Auditor regarding all findings of deficiencies to the General Assembly beginning January 1, 2018. The report must distinguish between findings resulting in financial loss to the State, findings of noncompliance with State law regarding the expenditure of public funds, and other findings.

**EFFECTIVE DATE:** This act would become effective when it becomes law.

**BACKGROUND:** The bill addresses concerns raised by the State Auditor at the Joint Legislative Program Evaluation Oversight Committee's September 16, 2016, meeting. The Committee approved the bill draft and voted to recommend the legislation to the 2017 General Assembly at its December 12, 2016, meeting.

*David Unwin, Staff Attorney, substantially contributed to this summary.*