



HOUSE BILL 233: State Auditor/Local Finance Officer Amends.

2019-2020 General Assembly

Committee: Senate Rules and Operations of the Senate	Date: May 16, 2019
Introduced by: Reps. Riddell, Cleveland, Floyd, Barnes	Prepared by: Shawn Middlebrooks
Analysis of: Second Edition	Staff Attorney

OVERVIEW: *House Bill 233 would:*

- *Amend various statutes related to the Office of the State Auditor, as requested by the Office of the State Auditor.*
- *Amend the powers and duties of the finance officer appointed by a Local Government or Public Authority.*
- *Grant the Local Government Commission (LGC) authority to establish minimum qualifications for a finance officer, require a finance officer to undergo training in certain circumstances, and require a local government or public authority to contract with outside entities due to deficiencies in complying with local government finance laws.*

CURRENT LAW AND BILL ANALYSIS: House Bill 233 would do all of the following:

<u>Section</u>	<u>Explanation</u>
1	State law requires the Auditor to provide various means to receive reports of allegations of improper governmental activities or misuse of governmental funds, including a telephone hotline. Section 1 would require non-State entity recipients of grant funds to post the State Auditor's hotline telephone number in a conspicuous place in the office of the grantee or subgrantee. This section would become effective July 1, 2019.
2	Would allow the Auditor to determine the length of time an auditee has to respond to a performance audit in order to have the response included in the final report. Currently, the auditee has 30 days. This section would allow the Auditor to set the length of time an auditee has to respond between 15 and 30 days, commensurate with the number and complexity of the findings.
3	Would allow the State Auditor to share information obtained through an investigation or audit with other governmental agencies prior to the completion of an investigation or the issuance of an audit report. Under current law, the Auditor cannot share its confidential work papers and related supported materials until the audit report is issued.
4	G.S. 147-64.7 gives the Auditor access to documentation related to its audits. Section 4 would provide that the production of documents or information by an auditee does not constitute a waiver or an impairment of the attorney client privilege or the attorney work product privilege.
5	Would require the Auditor to make and enforce only those rules reasonably necessary for the operation of the Auditor's office. The section also makes technical changes.

Karen Cochrane-Brown
Director



Legislative Analysis
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6.1	Would expand who may appoint a finance officer for a local government or public authority to include a <i>designated official</i> of the local government or public authority. Under existing law, only the local government or public authority may appoint a finance officer.
6.2	Would (i) expand the powers and duties of a finance officer appointed by a local government or public authority to include contracting with outside entities to ensure fulfillment of the officer's duties as set forth in G.S. 159-25; (ii) allow the Local Government Commission (LGC) to establish minimum qualifications for a finance officer, (iii) expand the circumstances in which the LGC may require a finance officer to undergo training related to the officer's powers, duties and responsibilities; and (iv) allow the LGC to require that a local government or public authority contract with outside entities pursuant to G.S. 159-25(9) due to a deficiency in complying with this Chapter or an internal control finding in the most recent financial audit.

EFFECTIVE DATE: Section 1, requiring posting of the Auditor's hotline number in the office of a non-State entity recipient of grant funds, would become effective July 1, 2019. The remainder of the act would be effective when it becomes law.

**Nicholas Giddings, Counsel to House State and Local Government, contributed substantially to this summary.*