



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

2019-2020 General Assembly

Committee:		Date:	December 10, 2019
Introduced by:		Prepared by:	Brad Krehely Staff Attorney
Analysis of:	S.L. 2019-19		

OVERVIEW: *S.L. 2019-19 does all of the following:*

- *Requires non-State entities that receive State funds to post the State Auditor's hotline telephone number. This provision became effective July 1, 2019.*
- *Amends various statutes related to the Office of the State Auditor, as requested by the Office of the State Auditor.*
- *Amends the powers and duties of the finance officer appointed by a local government or public authority.*
- *Grants the Local Government Commission 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.*

Except as otherwise provided herein, this act became effective June 3, 2019.

CURRENT LAW AND BILL ANALYSIS: S.L. 2019-19 does 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 requires 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 became effective July 1, 2019.
2	Allows 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. Prior to the enactment of S.L. 2019-19, the auditee had 30 days. This section allows 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	Allows 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. Prior to the enactment of S.L. 2019-19, the Auditor could not share its confidential work papers and related supported materials until the audit report was issued.
4	G.S. 147-64.7 gives the Auditor access to documentation related to its audits. Section 4 provides that the production of documents or information by an auditee does not constitute a

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	waiver or an impairment of the attorney client privilege or the attorney work product privilege.
5	Requires 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.
6.1	Expands 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. Prior to the enactment of S.L. 2019-19, only the local government or public authority could appoint a finance officer.
6.2	Does all of the following: (i) expands 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) allows the Local Government Commission (LGC) to establish minimum qualifications for a finance officer, (iii) expands 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) allows 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, became effective July 1, 2019. The remainder of the act became effective June 3, 2019.

**Nicholas Giddings, Jeff Hudson, and Shawn Middlebrooks, Attorneys for the Legislative Analysis Division, contributed substantially to this summary.*