



This Bill Analysis reflects the contents of the bill as it was presented in committee.

HOUSE BILL 471: State Auditor/Info. Systems/Corrective Action.

2023-2024 General Assembly

Committee:	House State Government. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	April 20, 2023
Introduced by:	Reps. Cleveland, Riddell	Prepared by:	Kellette Wade
Analysis of:	PCS to First Edition H471-CSBW-8		Committee Co-Counsel

OVERVIEW: *The Proposed Committee Substitute (PCS) for House Bill 471 would make technical changes and do the following:*

- Clarify that occupational licensing boards, including their materials and operations, are subject to audit by the State Auditor.
- Create and define "information systems" as an additional element of a State agency audit by the State Auditor. Information systems include any State agency hardware, software, network communications, or data.
- Make certain audit work papers confidential except in certain circumstances.
- Require the State Auditor to recommend corrective action to State agencies following an audit that found certain deficiencies. State agencies would be required to submit a progress report on the corrective action taken to the Joint Legislative Oversight Committee on General Government and the Office of the State Auditor within one year.
- Clarify that a violation for obstructing an audit requires an obstruction of the State Auditor's statutory duties.

CURRENT LAW and BILL ANALYSIS:

Section 1

G.S. 93B-4 requires the State Auditor to audit occupational licensing boards. Their books, records, and operations are currently subjected to the State Auditor's oversight. Occupational licensing boards with budgets of at least \$50,000 must conduct an annual financial audit and provide a copy to the State Auditor.

The PCS would specify that books, records, and operations of occupational licensing boards are subject to audit by the State Auditor and make it discretionary whether occupational licensing board with budgets of at least \$50,000 will provide a copy of their annual financial audit to the State Auditor.

Section 2

G.S. 147-64.4 provides various definitions for laws relating to the State Auditor, including "audit" which currently has three elements: (1) financial and compliance, (2) economy and efficiency, and (3) program results.

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House 471 PCS

Page 2

The PCS would include "information systems" as an additional element in the definition of an audit. An information systems audit would evaluate the State agency hardware, software, network communications, data, etc. and assess whether controls are in place to reduce or mitigate risks.

Section 3

G.S. 147-64.6 requires the State Auditor to audit State agencies, specifying the areas that must be examined and the State Auditor's responsibilities. There are currently seven areas of examination in a State agency audit.

The PCS would add an eighth area of examination to State agency audits, requiring the State Auditor to examine whether State agencies are operating information systems in accordance with applicable laws. It would also classify audit work papers and related supportive material as confidential and not public records but would otherwise require the State Auditor to provide these work papers to authorized State and federal government personnel for investigations unless otherwise prohibited by law.

Section 4

The PCS would enact a new section in Article 5A of Chapter 147 of the General Statutes to require the State Auditor to include recommended, corrective action in a State agency audit report if the agency has not met certain areas of examination. It would also require the State agency to report within one year on any progress made in those areas to the Joint Legislative Oversight Committee on General Government and the Office of the State Auditor.

Section 5

G.S. 147-64.6E makes it a Class 2 misdemeanor to obstruct an audit.

The PCS would clarify that a violation for obstructing an audit requires an obstruction of the State Auditor's statutory duties.

EFFECTIVE DATE: Section 5 is effective December 1, 2023, and applies to offenses committed on or after that date. The remainder of the act would become effective October 1, 2023.