



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:	Senate Judiciary. If favorable, re-refer to Rules and Operations of the Senate	Date:	June 9, 2023
Introduced by:	Reps. Cleveland, Riddell	Prepared by:	Bill Patterson*
Analysis of:	Second Edition		Committee Co-Counsel

OVERVIEW: 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. Information systems would include 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.
- Remove the intent to interfere from the elements of obstruction of an audit and clarify that a violation for hindering or obstructing the Auditor or a designee 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 subject 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.

House Bill 471 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 boards with budgets of at least \$50,000 will provide a copy of their annual financial audits to the State Auditor.

Section 2

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

House Bill 471 would include "information systems" as an additional element of an audit. This audit element would evaluate risks relevant to information system assets, verify the presence of controls to reduce or mitigate those risks, and verify that information systems and applications are appropriate to meet agency needs, are efficient, and are adequately controlled to ensure valid, reliable, and timely operations.

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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.

House Bill 471 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 and best practices. 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

House Bill 471 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 is deficient 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. 147-64.7A makes it a Class 2 misdemeanor to obstruct an audit.

House Bill 471 would remove the intent to interfere from the elements of obstruction of an audit and clarify that a violation for hindering or obstructing the Auditor or a designee requires an obstruction of the State Auditor's statutory duties.

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

**Kелette Wade and Brad Krehely, Staff Attorneys for the Legislative Analysis Division, contributed substantially to this summary.*