



# HOUSE BILL 549: Clarify Powers of State Auditor.

2025-2026 General Assembly

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<b>Committee:</b>	House Judiciary 1. If favorable, re-refer to State and Local Government. If favorable, re-refer to Rules, Calendar, and Operations of the House	<b>Date:</b>	April 8, 2025
<b>Introduced by:</b>	Reps. B. Jones, Setzer, Torbett, Kidwell	<b>Prepared by:</b>	Brad Krehely
<b>Analysis of:</b>	PCS to First Edition H549-CSRN-8		Committee Co-Counsel

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**OVERVIEW:** *House Bill 549 would exempt the Office of State Auditor from certain statutes, would amend powers of the State Auditor, and would delete requirements that the State Auditor perform certain audits and certifications. The Proposed Committee Substitute corrects the effective date.*

## CURRENT LAW AND BILL ANALYSIS:

### Section 1

Under current law, subject to some exceptions, no State agency may contract to obtain services of a consultant or advisory nature unless the proposed contract has been justified to and approved in writing by the Governor of North Carolina. All written approvals shall be maintained on file as part of the agency's records for not less than five years. The term "agency" shall mean every State agency, institution, board, commission, bureau, department, division, council, member of the Council of State, or officer of the State government.

**Section 1** would exempt the Office of the State Auditor from getting written approval from the Governor before contracting to obtain the services of a consultant.

### Section 2

Article 15 of Chapter 143B of the General Statutes addresses the Department of Information Technology. The Department has the power to provide technology support and services to State agencies. Under current law, unless otherwise provided by law, this does not apply to the General Assembly, the Judicial Department, and the University of North Carolina and its constituent institutions. These entities may elect to participate in the information technology programs, services, or contracts offered by the Department, including information technology procurement, in accordance with statutes and rules of the Department. The election must be made in writing.

**Section 2** would generally exempt the Office of the State Auditor from the statutes governing information technology. The Auditor's Office could elect to participate in the information technology programs, services, and contracts offered by the Department of Information Technology, including procurement. The Office of State Auditor would have to make this election in writing.

### Section 3

G.S. 143B-1350 provides that the State CIO is responsible for establishing policies and procedures for information technology procurement for State agencies. Notwithstanding any other provision of law, the

Kara McCraw  
Director



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Department must procure all information technology goods and services for participating agencies and shall approve information technology procurements for separate agencies. The State CIO may cancel or suspend any agency information technology procurement that occurs without State CIO approval.

**Section 3** would exempt the Office of the State Auditor from statutes requiring the Department of Information Technology to approve information technology procurement. The Auditor would be permitted to procure information technology services under the Auditor's authority to contract with professional persons and experts.

## Section 4

Under G.S. 147-64.4, the term "federal agency" is defined as "[a]ny department, agency, or instrumentality of the federal government and any federally owned or controlled corporation." The term "State agency" is defined as "[a]ny department, political subdivision, institution, board, commission, committee, division, bureau, officer, official or any other entity for which the State has oversight responsibility, including but not limited to, any university, mental or specialty hospital, community college, or clerk of court."

**Section 4** would provide that the definition of "federal agency" includes an entity that receives federal funds, and the definition of "State agency" includes any entity that receives State funds.

## Section 5

Under G.S. 147-64.6B, the Auditor must investigate reports of allegations of improper governmental activities of State agencies and State employees within his or her authority including misappropriation, mismanagement, or waste of State resources, fraud, violations of State or federal law, rule or regulation by State agencies or State employees administering State or federal programs, and substantial and specific danger to the public health and safety. When the allegation involves issues of substantial and specific danger to the public health and safety, the Auditor shall notify the appropriate State agency immediately. When the Auditor believes that an allegation of improper governmental activity is outside the Auditor's authority, the Auditor must refer the allegation to the appropriate State agency responsible for the enforcement or administration of the matter for investigation.

**Section 5** would provide that the State Auditor is required to investigate reports of improper governmental activities of individuals who receive public funds in addition to State agencies and employees of those agencies.

## Section 6

G.S. 147-64.7 addresses the Auditor's access to persons and records. Subdivision (1) provides that the Auditor and the Auditor's authorized representatives must have access to persons and may examine and copy all books, records, reports, vouchers, correspondence, files, personnel files, investments, and any other documentation of any State agency. The review of State tax returns is limited to matters of official business and the Auditor's report must not violate the confidentiality provisions of tax laws. Notwithstanding confidentiality provisions of tax laws, the Auditor may use and disclose information related to overdue tax debts.

**Section 6** would provide that upon demand of the Auditor, access to persons and records would include continuous and unrestricted view of databases, datasets, and digital records necessary for any purpose within the authority of the Auditor. It would allow the Auditor to commence an action in superior court for a show cause hearing if a person failed to provide access to persons or records. The person would have to show cause as to why he or she failed to comply with the statute, and the court would be allowed to issue an injunction to require compliance.

## Section 7

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The State Human Resources Act is intended to establish for the government of the State, a system of personnel administration under the Governor (State Human Resources Commission, the policy and rule-making body); the system of personnel administration as it applies to local employees paid entirely or in part from federal funds and to make provisions for a decentralized system of personnel administration.

**Section 7** would provide that the North Carolina State Human Resources Act does not apply to officers and employees of the Office of State Auditor, except for provisions dealing with equal employment and compensation opportunities and the privacy of personnel records.

## Section 8

Under G.S. 143B-168.12(b), the North Carolina Partnership For Children is subject to audit and review by the State Auditor, including a requirement that the Auditor conduct annual financial compliance audits of the North Carolina Partnership.

**Section 8** would delete the statute making the North Carolina Partnership For Children subject to audit and review by the State Auditor.

## Section 9

Under current law, the State Auditor must verify and certify the following each year: (i) the total membership count and the State, political subdivision of the State, or public school employee membership count of a domiciled employees' association that has at least 2,000 members, 500 of whom are employees of the State, a political subdivision of the State, or public school employees and (ii) the total membership count and the public school teacher membership count of a domiciled employees' association that has at least 40,000 members, the majority of whom are public school teachers.

**Section 9** would delete language requiring the State Auditor to verify and certify these membership counts each year.

## Section 10

Under current law, the State Auditor is authorized to perform audits of the 911 Board. The Auditor must perform an audit of the 911 Board at least every two years.

**Section 10** would delete the statute requiring an audit of the 911 Board at least every two years.

## Section 11

G.S. 147-64.6(c) sets out the responsibilities of the State Auditor.

**Section 11** would provide that if an audit or investigation revealed that a person owed money to a State agency under a contract or other arrangement, then the Auditor must notify the Department of Revenue so the money could be collected.

**EFFECTIVE DATE:** Sections 1, 2, and 3 would become effective July 1, 2025, and apply to contracts entered into or renewed on or after that date. The remainder of the act would be effective when it becomes law.