



HOUSE BILL 549: Clarify Powers of State Auditor.

2025-2026 General Assembly

Committee:	House State and Local Government. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	April 29, 2025
Introduced by:	Reps. B. Jones, Setzer, Torbett, Kidwell	Prepared by:	Brad Krehely
Analysis of:	PCS to Second Edition H549-CSR-N-15		Committee Co-Counsel

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 (PCS): *(1) would maintain the current definitions for federal agency and State agency, but create a new definition for "publicly-funded entity;" (2) would permit the Auditor to audit or investigate any publicly-funded entity, but limit the investigation to State or federal funds received, disbursed, or handled by the publicly-funded entity; (3) would clarify that the Auditor and the Auditor's representatives would have access to certain databases, datasets, and digital records of publicly-funded entities; (4) would provide that employees of the Auditor's Office who attained career status before July 1, 2025, may either (a) continue employment with career State employee status if the employee remains in the post the employee occupied on June 30, 2025, or (b) waive career State employee status and continue employment as an exempt employee and would create a similar provision for probationary State employees of the Auditor's Office; and (5) would make technical and conforming changes.*

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. All written approvals must 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,

Kara McCraw
Director



Legislative Analysis
Division
919-733-2578

House 549 PCS

Page 2

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 Department must procure all information technology goods and services for participating agencies and must 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

G.S. 147-64.4 includes definitions for the statutes addressing the State Auditor. Currently, there is no definition for "publicly-funded entity."

Section 4 would define a "publicly-funded entity" as " [a]ny individual, private corporation, institution, association, board, or other organization that receives, disburses, or otherwise handles State or federal 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 publicly-funded entities in addition to State agencies and employees of those agencies.

Section 11 would limit these audits and investigations to State or federal funds received, disbursed, or otherwise handled by the publicly-funded entity.

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.

House 549 PCS

Page 3

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 of a State agency would include continuous and unrestricted view of databases, datasets, and digital records necessary for any purpose within the authority of the Auditor.

It also would permit the Auditor to have access to databases, datasets, digital records, and other documentation of publicly-funded entities which pertain to either: (i) amounts received from a grant or contract from the federal government, the State, or its political subdivisions or (ii) amounts received, disbursed, or otherwise handled for the federal government, the State, or its political subdivisions.

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 did not comply with the statute, and the court would be allowed to issue an injunction to require compliance.

Section 7

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.(a) 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 7.(b) would provide that employees of the Auditor's Office who attained career status before July 1, 2025, may either (i) continue employment with career State employee status if the employee remains in the post the employee occupied on June 30, 2025, or (ii) waive career State employee status and continue employment as an exempt employee. The Office of the State Auditor would have to give each employee a written explanation of the impact of waiving career State employee status. An employee's election to waive career State employee status would have to be acknowledged by the employee's written or electronic signature after receiving the written explanation. It also would make a similar provision for probationary State employees of the Auditor's Office.

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.

House 549 PCS

Page 4

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. It also would permit the State Auditor to audit or investigate any publicly funded entity. This audit or investigation would be limited to the State or federal funds received, disbursed, or otherwise handled by the publicly-funded entity.

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.