

GENERAL ASSEMBLY OF NORTH CAROLINA
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SENATE BILL DRS45223-ML-47A (01/25)

Short Title: Required Financial Audits.

(Public)

Sponsors: Senators Tarte, Hise, and B. Jackson (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO REQUIRE FINANCIAL AUDITS OF CERTAIN NONPROFIT
3 CORPORATIONS AND ALL STATE OFFICES, DEPARTMENTS, AND AGENCIES
4 AND AN ANNUAL SUBMISSION OF COMPLETED AUDITS TO THE STATE
5 AUDITOR BY UNITS OF LOCAL GOVERNMENT AND PUBLIC AUTHORITIES.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.** Article 5A of Chapter 147 of the General Statutes is amended by
8 adding a new section to read:

9 **"§ 147-64.6E. Required financial audits.**

10 (a) Principal State Department Requirement. – All principal offices and departments
11 listed in G.S. 143A-11 and G.S. 143B-6 shall be subject to an annual financial audit.

12 (b) Requirement for Other State Agencies. – State agencies not subject to the
13 requirement set forth in subsection (a) of this section shall be subject to a biennial financial
14 audit.

15 (c) Nonprofit Corporation Requirement. – All nonprofit corporations that receive State
16 funds, as defined in G.S. 143C-1-1, or local funds shall be subject to a quadrennial financial
17 audit. This subsection shall not apply to nonprofit corporations that have dissolved or ceased
18 operations at the time an audit under this subsection is required.

19 (d) Local Government Requirement. – Each unit of local government and public
20 authority subject to G.S. 159-34 shall submit to the Auditor, the General Assembly, and the
21 Governor any audit of its accounts completed in accordance with G.S. 159-34. Audits
22 submitted in accordance with this subsection shall be a public record.

23 (e) Performance of Audits. – The State Auditor shall select independent certified public
24 accountants to perform the audits required under subsections (a) through (c) of this section, and
25 the audits shall be completed under the supervision of the Auditor. The results of the audits
26 shall be submitted to the Auditor, the General Assembly, and the Governor and shall be a
27 public record.

28 (f) Timing. – To the extent possible, and to avoid duplication of efforts, the Auditor
29 shall align the completion of audits required under subsections (a) and (b) of this section with
30 the completion of the State's Comprehensive Annual Financial Report.

31 (g) Contract. – Contracting for services under subsection (e) of this section shall be in
32 accordance with Article 3 of Chapter 143 of the General Statutes. In addition, the following
33 requirements shall be met:

34 (1) The maximum length of any contract under this section shall be 10 years.



1 (2) An independent certified public accountant shall not perform more than 10
2 consecutive financial audits for the same State office, department, or agency,
3 or nonprofit corporation.

4 (h) Costs. – Notwithstanding any provision of law to the contrary, the Auditor is
5 authorized to charge and collect from each State office, department, or agency, and each
6 nonprofit corporation, the actual costs of audit work required under subsections (a) through (c)
7 of this section.

8 (i) Discretionary Audits. – Audits performed under this section shall be in addition to
9 any audit made at the discretion of the Auditor under G.S. 147-64.6."

10 **SECTION 2.** G.S. 147-64.6(c)(2) reads as rewritten:

11 "(c) The Auditor shall be responsible for the following acts and activities:

12 ...
13 (2) ~~Financial~~ Except as otherwise provided in G.S. 147-64.6E, financial and
14 compliance audits may be made at the discretion of the Auditor without
15 advance notice to the organization being audited. Audits of economy and
16 efficiency and program results shall be discussed in advance with the
17 prospective auditee unless an unannounced visit is essential to the audit."

18 **SECTION 3.** This act becomes effective January 1, 2018.