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SENATE BILL DRS45540-MUa-104

Short Title: 2026 Office of the State Auditor Agency Bill.-AB (Public)

Sponsors: Senators Sawrey and Jones (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE VARIOUS CHANGES FOR THE OFFICE OF THE STATE AUDITOR.
3 The General Assembly of North Carolina enacts:

4 SECTION 1.(a) G.S. 147-64.6 reads as rewritten:
5 "§ 147-64.6. Duties and responsibilities.

6 ...
7 (c) Responsibilities. – The Auditor is responsible for the following acts and activities:

8 ...
9 (3) The Auditor, on the Auditor's own initiative and as often as the Auditor deems
10 necessary, or as requested by the Governor or the General Assembly, shall, to
11 the extent deemed practicable and consistent with the Auditor's overall
12 responsibility as contained in this Article, make or cause to be made audits of
13 all or any part of the activities of the State agencies. Each State agency
14 receiving a financial statement audit by the Auditor under this ~~subdivision~~
15 subsection shall prepare a and submit financial statement statements and
16 supplementary information in the format required by the Auditor. Financial
17 statements and supplementary information prepared as required by this
18 subdivision shall be completed and submitted to the Auditor not later than 60
19 days after the deadline for the State agency's Annual Comprehensive Annual
20 Financial Report submission as established by the State Controller.

21 ...
22 (5) The Auditor may contract with federal audit agencies, or any governmental
23 agency, on a cost reimbursable basis, for the Auditor to perform audits of
24 federal grants and programs administered by State agencies in accordance
25 with agreements negotiated between the Auditor and the contracting federal
26 audit agencies or any governmental agency. In instances where the grantee
27 State agency subgrants these federal funds to local governments, regional
28 councils of government, and other local groups or private or semiprivate
29 institutions or agencies, the Auditor may examine the books and records of
30 these subgrantees to the extent necessary to determine eligibility and proper
31 use in accordance with State and federal laws.

32 ~~The Auditor shall charge and collect from the contracting federal audit~~
33 ~~agencies, or any governmental agencies, the actual cost of all the audits of the~~
34 ~~grants and programs contracted by the Auditor to do. Amounts collected under~~
35 ~~these arrangements shall be deposited in the State Treasury and be budgeted~~
36 ~~in the Department of State Auditor and shall be available to hire sufficient~~



- 1 personnel to perform these contracted audits and to pay for related travel,
2 supplies, and other necessary expenses.
3 ...
- 4 (11) The Auditor shall, through appropriate tests, satisfy himself or herself
5 concerning the propriety of the data presented in the Annual Comprehensive
6 ~~Annual~~ Financial Report and shall express ~~the appropriate auditor's an~~ an audit
7 opinion of it in accordance with generally accepted auditing standards.
8 ...
- 9 (13) At the conclusion of an audit, the Auditor or the Auditor's designated
10 representative shall discuss the audit with the official whose office is subject
11 to audit and submit necessary underlying facts developed for all findings and
12 recommendations that may be included in the audit report. On audits of
13 economy and efficiency and program results, the auditee's written response
14 shall be included in the final report if received within 15 ~~to 30~~ days from
15 receipt of the draft report. ~~The length of time shall be determined by the~~
16 ~~Auditor and shall be commensurate with the number and complexity of the~~
17 ~~findings.~~
18 ...
- 19 (25) The Auditor may elect to be exempted from oversight by the Department of
20 Administration on the matters of purchasing, contracts, acquisition and
21 maintenance of real property, and leasing of office space under
22 G.S. 143-341(2), (4)d. and d1., and (8)d. and Article 6 of Chapter 146 of the
23 General Statutes. This election shall be made in writing by the Auditor and
24 shall be sent to the Secretary of Administration.
- 25 (26) The Auditor may enter into an agreement with the Conference of District
26 Attorneys to assign resource prosecutors under G.S. 7A-415 to matters
27 referred by the Auditor to district attorneys. A resource prosecutor working
28 under this agreement may do all of the following:
29 a. Handle financial crimes and any criminal matters that result from an
30 investigation conducted by the Auditor.
31 b. Assist the Auditor and Auditor's staff in criminal matters.
32 c. At the request of a district attorney, prosecute criminal matters that
33 result from an investigation by the Auditor.
34 d. Perform other duties assigned by the Executive Director of the
35 Conference of District Attorneys.
- 36 (27) The Auditor may enter into an agreement with the State Bureau of
37 Investigation to assign agents to matters referred by the Auditor to the State
38 Bureau of Investigation.
- 39 (28) The Auditor may enter into agreements under G.S. 147-64.7(b) for
40 subject-matter expertise and assistance in auditing Medicaid providers, as
41 defined in G.S. 108C-2. Any contingent fees paid to contractors that enter into
42 agreements with the Auditor under this subdivision shall be calculated in the
43 same manner and subject to the same procedural requirements as payments
44 made under G.S. 108C-5.1 and shall be paid from the final overpayment, as
45 defined in G.S. 108C-2, when the overpayment was identified and referred to
46 the Department of Health and Human Services by the Auditor's respective
47 contractors. The Auditor and any contractors that enter into agreements under
48 this subdivision shall work with the Department of Health and Human
49 Services with respect to potential adverse determinations, as defined in
50 G.S. 108C-2, and refer any matter to the appropriate law enforcement entities
51 in accordance with G.S. 147-64.6B.

The Auditor and any contractors that enter into agreements with the Auditor under this subdivision are not acting under the Medicaid Recovery Audit Contractors Program set forth in 42 U.S.C. § 1396a(a)(42) and 42 C.F.R. Part 455, Subpart F. Nothing in this subdivision limits the authority of the Department of Health and Human Services as the single State agency designated under 42 C.F.R. § 431.10.

...

(f) Costs of Audits. – The Auditor shall charge and collect from contracting federal audit agencies, or any governmental agencies, the actual cost of all audits of the grants and programs contracted by the Auditor to do pursuant to subdivision (c)(5) of this section. The Auditor may charge and collect from each State agency the actual cost of the financial statement audits completed pursuant to subdivision (c)(3) of this section and the actual cost of audits of the financial information and workbooks prepared by State agencies for submission into the Annual Comprehensive Financial Report when the audits support the Auditor's opinion of the Annual Comprehensive Financial Report. The Auditor may also charge and collect from the Office of State Controller the actual cost of auditing the Annual Comprehensive Financial Report. Amounts collected under this subsection shall be deposited with the Department of State Treasurer and shall be budgeted for the Department of State Auditor. The Department of State Auditor may use these funds to hire sufficient personnel to perform these contracted audits and to pay for related travel, supplies, and other necessary expenses."

SECTION 1.(b) G.S. 147-64.7(b)(2) reads as rewritten:

"(2) No State agency ~~may~~ shall enter into ~~any~~ a contract for auditing services ~~which that may impact on the State's comprehensive annual financial report~~ Annual Comprehensive Financial Report without consultation with, and the prior written approval of, the Auditor, ~~except in instances where audits are called for by the Governor under G.S. 143C-2-1 and he shall so notify the Auditor.~~ The Auditor shall prescribe policy and establish guidelines containing appropriate criteria for selection and use of independent public accountants, qualified management consultants, or other professional persons by State agencies and governing bodies to perform all or part of the audit function."

SECTION 1.(c) This section becomes effective October 1, 2026.

SECTION 2.(a) Notwithstanding any other provision of law, the Auditor may change existing appropriated positions and benefits responsible for performing financial statement audits to receipt-supported positions and benefits. These appropriated funds shall not revert to the General Fund.

SECTION 2.(b) This section becomes effective July 1, 2026.

SECTION 3. Except as otherwise provided, this act is effective when it becomes law.