

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025**

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**SENATE BILL 1013
State and Local Government Committee Substitute Adopted 6/17/26**

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

(Public)

Sponsors:

Referred to:

May 4, 2026

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 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 agreements under G.S. 147-64.7(b) for
37 subject-matter expertise and assistance in auditing Medicaid providers, as
38 defined in G.S. 108C-2. Any contingent fees paid to contractors that enter into
39 agreements with the Auditor under this subdivision shall be calculated in the
40 same manner and subject to the same procedural requirements as payments
41 made under G.S. 108C-5.1 and shall be paid from the final overpayment, as
42 defined in G.S. 108C-2, when the overpayment was identified and referred to
43 the Department of Health and Human Services by the Auditor's respective
44 contractors. The Auditor and any contractors that enter into agreements under
45 this subdivision shall work with the Department of Health and Human
46 Services with respect to potential adverse determinations, as defined in
47 G.S. 108C-2, and refer any matter to the appropriate law enforcement entities
48 in accordance with G.S. 147-64.6B.

49 The Auditor and any contractors that enter into agreements with the
50 Auditor under this subdivision are not acting under the Medicaid Recovery
51 Audit Contractors Program set forth in 42 U.S.C. § 1396a(a)(42) and 42

1 C.F.R. Part 455, Subpart F. Nothing in this subdivision limits the authority of
 2 the Department of Health and Human Services as the single State agency
 3 designated under 42 C.F.R. § 431.10.

4 ...

5 (f) Costs of Audits. – The Auditor shall charge and collect from contracting federal audit
 6 agencies, or any governmental agencies, the actual cost of all audits of the grants and programs
 7 contracted by the Auditor to do pursuant to subdivision (5) of subsection (c) of this section. The
 8 Auditor may charge and collect from each State agency the actual cost of the financial statement
 9 audits completed pursuant to subdivision (3) of subsection (c) of this section and the actual cost
 10 of audits of the financial information and workbooks prepared by State agencies for submission
 11 into the Annual Comprehensive Financial Report when the audits support the Auditor's opinion
 12 of the Annual Comprehensive Financial Report. The Auditor shall not charge or collect from the
 13 Office of the State Controller any costs associated with auditing the Annual Comprehensive
 14 Financial Report. Amounts collected under this subsection shall be deposited with the
 15 Department of State Treasurer and shall be budgeted for the Department of State Auditor. The
 16 Department of State Auditor may use these funds to hire sufficient personnel to perform these
 17 contracted audits and to pay for related travel, supplies, and other necessary expenses."

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

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

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

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

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

34 **SECTION 3.** G.S. 143B-1208.3 reads as rewritten:

35 **"§ 143B-1208.3. General powers and duties of Director and law enforcement officers of the**
 36 **State Bureau of Investigation.**

37 The Director of the Bureau and other sworn law enforcement officers of the State Bureau of
 38 Investigation are given the same power of arrest as is now vested in the sheriffs of the several
 39 counties, and their jurisdiction shall be statewide. The Director of the Bureau and other sworn
 40 law enforcement officers of the Bureau may give assistance to sheriffs, police officers, district
 41 attorneys, ~~and judges~~ judges, and the State Auditor when called upon by them and so directed.
 42 They shall also give assistance, when requested, to the Department of Public Safety in the
 43 investigation of cases pending before the parole office and of complaints lodged against parolees,
 44 when so directed by the Governor."

45 **SECTION 4.(a)** There is appropriated from the General Fund to the Office of State
 46 Auditor the sum of five hundred thousand dollars (\$500,000) in recurring funds for the
 47 2026-2027 fiscal year to be used by the Office of State Auditor to pay for the cost of auditing the
 48 Annual Comprehensive Financial Report.

49 **SECTION 4.(b)** This section becomes effective July 1, 2026.

50 **SECTION 5.** Except as otherwise provided, this act is effective when it becomes
 51 law.