

Article 5A.

Auditor.

**§ 147-64.1. Salary of State Auditor.**

(a) The salary of the State Auditor shall be set by the General Assembly in the Current Operations Appropriations Act.

(b) In addition to the salary set by the General Assembly in the Current Operations Appropriations Act, longevity pay shall be paid on the same basis as is provided to employees of the State who are subject to the North Carolina Human Resources Act. (1983, c. 761, s. 214; c. 913, s. 2; 1983 (Reg. Sess., 1984), c. 1034, s. 164; 1987, c. 738, s. 32(b); 2013-382, s. 9.1(c).)

**§ 147-64.2. Legislative policy and intent.**

The General Assembly is ultimately responsible for authorizing the expenditure of public moneys, designating the sources from which moneys may be collected, and shaping the administrative structure to perform the work of government throughout the State, and is held finally accountable for how the funds are spent and what is accomplished with them. The legislature should, therefore, provide the basic direction for audits of State agencies as defined in G.S. 147-64.4.

In the interest of reducing audit overlap and expense at all levels of government, the General Assembly and the Auditor should promote, to the extent possible, coordinated nonduplicating audits of public programs and activities of all governmental levels throughout the State.

It is the intent of this Article that all State agencies, and entities supported, partially or entirely, by public funds be subject to audit and investigation under the policy guidance of the Auditor. These audits and investigations shall be made to assist in furnishing the General Assembly, the Governor, the executive departments and agencies of the State, the governing bodies and executive departments of the political subdivisions of the State, and the public in general with an independent evaluation of public program performance. (1983, c. 913, s. 2; 2021-112, s. 1.)

**§ 147-64.3. Legislative and management control system.**

It is the intent of this Article that the State Auditor shall perform or coordinate all audit functions for State government. As appropriate, all State agencies are encouraged to establish, maintain, and use effective systems of management control. The adequacy of these control systems will be reviewed by the Auditor. The Auditor may, at his discretion, use such reviews to limit his audit activity or to suggest guidelines, make recommendations, and provide assistance where necessary within the resources available. (1983, c. 913, s. 2.)

**§ 147-64.4. Definitions.**

The following definitions apply in this Article:

- (1) Recodified as subdivision (2a) of this section by Session Laws 2021-112, s. 2(a).
- (2) Accounting system or system of accounting. – The total structure of records and procedures that discover, record, classify, and report information on the financial position and operating results of a State agency or any of its funds, balanced account groups, and organizational components.

- (2a) **Audit.** – An independent review or examination of State agency organizations, programs, activities, and functions. The purpose of an audit is to help ensure full accountability and assist State agency officials and employees in carrying out their responsibilities. The elements of an audit are as follows:
  - a. **Financial and compliance:** to determine whether financial operations are properly conducted, whether the financial reports of a State agency are presented fairly, and whether the State agency has complied with applicable laws.
  - b. **Economy and efficiency:** to determine whether the State agency is managing or utilizing its resources (such as personnel and property) in an economical and efficient manner and the causes of any inefficiencies or uneconomical practices, including inadequacies in laws, management information systems, administrative policies and procedures, or organizational structures.
  - c. **Program results:** to determine whether the desired results or benefits are being achieved, whether the objectives established by the General Assembly or another authorizing body are being met, and whether the State agency has considered alternatives that might yield desired results at lower costs.
  - d. An audit may include all three elements or only one or two. It is not intended or desirable that every audit include all three. Economy and efficiency and program result audits should be selected when their use will meet the needs of expected users of audit results.
- (3) **Federal agency.** – Any department, agency, or instrumentality of the federal government and any federally owned or controlled corporation.
- (3a) **Investigation.** – An independent review or examination of an allegation of an improper governmental activity regarding a State agency organization, program, activity, or function. The purpose of an investigation is to help ensure full accountability and assist State agency officials and employees in carrying out their responsibilities.
- (4) **State agency.** – Any 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. (1983, c. 913, s. 2; 1987, c. 564, s. 31; 2021-112, s. 2(a), (b).)

**§ 147-64.5. Cooperation with Joint Legislative Commission on Governmental Operations and other governmental bodies.**

(a) **Joint Legislative Commission on Governmental Operations.** – The Auditor shall furnish copies of any and all audits only when requested by the Joint Legislative Commission on Governmental Operations. The copies shall be in written or electronic form, as requested. Accordingly, the Auditor shall, upon request by the chairmen, appear before the Commission to present findings and answer questions concerning the results of these audits. The Commission is hereby authorized to use these audit findings in its inquiries concerning the operations of State agencies and is empowered to require agency heads to advise the Commission of actions taken or to be taken on any recommendations made in the report or explain the reasons for not taking action.

(b) Requests for Auditor Assistance. – Committees of the General Assembly, the Governor, and other State officials may make written requests that the Auditor undertake, to the extent deemed practicable and within the resources provided, a specific audit or investigation; provide technical assistance and advice; and provide recommendations on management systems, finance, accounting, auditing, and other areas of management interest. The Auditor may request the advice of the Joint Legislative Commission on Governmental Operations in prioritizing these requests and in determining whether the requests are practicable and can be undertaken within the resources provided.

(c) Cooperation with Other Governmental Bodies. – The Auditor shall cooperate, act, and function with other audit or evaluation organizations in the State, with appropriate councils or committees of other states, with governing bodies of the political subdivisions of the State, and with federal agencies in an effort to maximize the extent of intergovernmental audit coordination and thereby avoid unnecessary duplication and expense of audit effort. Nothing in this Article is intended nor shall it be construed as giving the Auditor control over the internal auditors of any agency. (1983, c. 913, s. 2; 1997-443, s. 25; 2001-424, s. 9.1(b).)

#### **§ 147-64.6. Duties and responsibilities.**

(a) General Duty. – It is the policy of the General Assembly to provide for the auditing and investigation of State agencies by the impartial, independent State Auditor.

(b) Areas of Examination. – The duties of the Auditor are independently to examine into and make findings of fact on whether State agencies have done or are doing all of the following:

- (1) Have established adequate operating and administrative procedures and practices; systems of accounting, reporting, and auditing; and other necessary elements of legislative or management control.
- (2) Are providing financial and other reports that disclose fairly, consistently, fully, and promptly all information needed to show the nature and scope of programs and activities and have established bases for evaluating the results of these programs and operations.
- (3) Are promptly collecting, depositing, and properly accounting for all revenues and receipts arising from their activities.
- (4) Are conducting programs and activities and expending funds made available in a faithful, efficient, and economical manner in compliance with and in furtherance of applicable laws of the State, and, if applicable, federal law.
- (5) Are determining that the authorized activities or programs effectively serve the intent and purpose of the General Assembly and, if applicable, federal law.
- (6) Are adhering to statutory requirements that include conditions precedent, classifications, and similar eligibility or qualifying standards to assure that statutory intent is carried out while the requirements are in effect.
- (7) Are not engaging in an improper governmental activity as provided in G.S. 147-64.6B, including misappropriation, mismanagement, waste of State resources, fraud, or a violation of State or federal law.

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

- (1) Audits made or caused to be made by the Auditor shall be conducted in accordance with generally accepted auditing standards as prescribed by the American Institute of Certified Public Accountants, the United States General

Accounting Office, or other professionally recognized accounting standards-setting bodies.

- (2) Financial and compliance audits may be made at the discretion of the Auditor without advance notice to the organization being audited. Audits of economy and efficiency and program results shall be discussed in advance with the prospective auditee unless an unannounced visit is essential to the audit.
- (3) The Auditor, on the Auditor's own initiative and as often as the Auditor deems necessary, or as requested by the Governor or the General Assembly, shall, to the extent deemed practicable and consistent with the Auditor's overall responsibility as contained in this Article, make or cause to be made audits of all or any part of the activities of the State agencies. Each State agency receiving a financial statement audit by the Auditor under this subdivision shall prepare a financial statement and supplementary information in the format required by the Auditor. Financial statements and supplementary information prepared as required by this subdivision shall be completed and submitted to the Auditor not later than 60 days after the deadline for the State agency's Comprehensive Annual Financial Report submission as established by the State Controller.
- (4) The Auditor, at the Auditor's own discretion, may, in selecting audit areas and in evaluating current audit activity, consider and utilize, in whole or in part, the relevant audit coverage and applicable reports of the audit staffs of the various State agencies, independent contractors, and federal agencies. The Auditor shall coordinate, to the extent deemed practicable, the auditing conducted within the State to meet the needs of all governmental bodies.
- (5) The Auditor may contract with federal audit agencies, or any governmental agency, on a cost reimbursable basis, for the Auditor to perform audits of federal grants and programs administered by State agencies in accordance with agreements negotiated between the Auditor and the contracting federal audit agencies or any governmental agency. In instances where the grantee State agency subgrants these federal funds to local governments, regional councils of government, and other local groups or private or semiprivate institutions or agencies, the Auditor may examine the books and records of these subgrantees to the extent necessary to determine eligibility and proper use in accordance with State and federal laws.

The Auditor shall charge and collect from the contracting federal audit agencies, or any governmental agencies, the actual cost of all the audits of the grants and programs contracted by the Auditor to do. Amounts collected under these arrangements shall be deposited in the State Treasury and be budgeted in the Department of State Auditor and shall be available to hire sufficient personnel to perform these contracted audits and to pay for related travel, supplies, and other necessary expenses.

- (6) The Auditor shall, in the Auditor's reports of audits or reports of investigations, make any comments, suggestions, or recommendations the Auditor deems appropriate concerning any aspect of the State agency's activities and operations.
- (7) The Auditor may charge and collect from each examining and licensing board the actual cost of each audit of the board. Costs collected under this subdivision

shall be based on the actual expense incurred by the Auditor's office in making the audit, and the affected State agency is entitled to an itemized statement of the costs. Amounts collected under this subdivision shall be deposited into the General Fund as nontax revenue.

- (8) The Auditor shall examine as often as necessary the accounts kept by the State Treasurer, and if the Auditor discovers any irregularity or deficiency in the accounts, unless the irregularity or deficiency is rectified or explained to the Auditor's satisfaction, report it in writing to the General Assembly and provide a copy of the report to the Governor and Attorney General. In addition to regular audits, the Auditor shall check the Treasurer's records at the time a new Treasurer assumes office and charge the Treasurer with the balance in the accounts and shall check the Treasurer's records at the time the Treasurer leaves office to determine that the accounts are in order.
- (9) The Auditor may examine the accounts and records of any bank or financial institution relating to transactions with the State Treasurer, or with any State agency, or the Auditor may require banks doing business with the State to furnish the Auditor information relating to transactions with State agencies.
- (10) The Auditor may, as often as the Auditor deems advisable, conduct a detailed review of the bookkeeping and accounting systems in use in the various State agencies that are supported partially or entirely from State funds. These examinations shall be for the purpose of evaluating the adequacy of systems in use by these State agencies. In instances where the Auditor determines that existing systems are outmoded, inefficient, or otherwise inadequate, the Auditor shall recommend changes to the State Controller. The State Controller shall prescribe and supervise the installation of these changes, as provided in G.S. 143B-426.39(2).
- (11) The Auditor shall, through appropriate tests, satisfy himself or herself concerning the propriety of the data presented in the Comprehensive Annual Financial Report and shall express the appropriate auditor's opinion in accordance with generally accepted auditing standards.
- (12) The Auditor shall provide a report to the Governor and Attorney General, and other appropriate officials, of facts in the Auditor's possession that pertain to the apparent violation of criminal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee.
- (13) At the conclusion of an audit, the Auditor or the Auditor's designated representative shall discuss the audit with the official whose office is subject to audit and submit necessary underlying facts developed for all findings and recommendations that may be included in the audit report. On audits of economy and efficiency and program results, the auditee's written response shall be included in the final report if received within 15 to 30 days from receipt of the draft report. The length of time shall be determined by the Auditor and shall be commensurate with the number and complexity of the findings.
- (14) The Auditor shall notify the General Assembly, the Governor, the head of each State agency audited, and other persons as the Auditor deems appropriate, that an audit report has been published, its subject and title, and the locations, including State libraries, at which the report is available. The Auditor shall then

distribute copies of the report only to those who request a report. The copies shall be in written or electronic form, as requested. The Auditor shall also file a copy of the audit report in the Auditor's office which shall be a permanent public record. In addition, the Auditor may publish on the Auditor's website any reports from audits of State agencies not directly conducted by the Auditor. Nothing in this subsection permits the publication of information whose disclosure is otherwise prohibited by law.

- (15) The audit and investigation function does not infringe upon or deprive the General Assembly and the executive or judicial branches of State government of any rights, powers, or duties vested in or imposed upon them by statute or the Constitution.
- (16) The Auditor is responsible for receiving reports of allegations of the improper governmental activities as provided in G.S. 147-64.6B. The Auditor shall adopt policies and procedures necessary to provide for the investigation or referral of these allegations.
- (17) Repealed by Session Laws 2009-136, s. 2, effective June 19, 2009.
- (18) Repealed by Session Laws 2010-31, s. 6.15(b), effective July 1, 2010.
- (19) Whenever the Auditor believes that information received or collected by the Auditor may be evidence of a violation of any of the provisions of Chapter 138A of the General Statutes, Chapter 120C of the General Statutes, or Article 14 of Chapter 120 of the General Statutes, the Auditor shall report that information to the State Ethics Commission and the Secretary of State as appropriate. The Auditor is bound by interpretations issued by the State Ethics Commission as to whether or not any information reported by the Auditor under this subdivision involves or may involve a violation of Chapter 138A of the General Statutes, Chapter 120C of the General Statutes, or Article 14 of Chapter 120 of the General Statutes. Nothing in this subdivision limits the Auditor's authority under subdivision (1) of this subsection.
- (20) Whenever the Auditor believes that information received or collected by the Auditor may be evidence of criminal misconduct, the Auditor shall report that information to either the State Bureau of Investigation or the district attorney for the county where the alleged misconduct occurred. Nothing in this subdivision limits the Auditor's authority under subdivision (1) of this subsection.
- (21) If an audit or investigation undertaken by the Auditor results in a finding that a private person or entity has received public funds as a result of fraud, misrepresentation, or other deceptive acts or practices while doing business with a State agency, the Auditor shall submit a detailed written report of the finding, and any additional necessary supporting documentation, to the State Purchasing Officer or the appropriate official, as applicable. A report submitted under this subsection may include a recommendation that the private person or entity be debarred from doing business with the State or a State agency.
- (22) Verification audits for compliance with statutory requirements, with or without advance notice to the State agency being audited, may be initiated at the discretion of the Auditor or as requested by the Governor or General Assembly.

(d) Reports and Work Papers. – The Auditor shall maintain for 10 years a complete file of all audit reports and reports of other examinations, investigations, surveys, and reviews issued under the Auditor's authority. Audit work papers and other evidence and related supportive material directly pertaining to the work of the Auditor's office shall be retained according to an agreement between the Auditor and State Archives. To promote intergovernmental cooperation and avoid unnecessary duplication of audit effort, and notwithstanding the provisions of G.S. 126-24, pertinent work papers and other supportive material related to an audit or investigation made pursuant to this section may be, at the discretion of the Auditor and unless otherwise prohibited by law, made available for inspection by duly authorized representatives of the State and federal government who desire access to and inspection of the records in connection with some matter officially before them, including criminal investigations.

Except as provided in this section, or upon an order issued in Wake County Superior Court upon 10 days' notice and hearing finding that access is necessary to a proper administration of justice, audit work papers and related supportive material are confidential, including any interpretations, advisory opinions, or other information or materials furnished to or by the State Ethics Commission under this section.

(e) Access to Records. – The Auditor may examine the accounts and records of any organization or State agency relating to a verification audit for compliance with a statutory condition precedent, classification, or other similar eligibility or qualifying standard. (1983, c. 913, s. 2; 1985 (Reg. Sess., 1986), c. 1024, ss. 24, 25; 1987, c. 738, s. 62; 1989, c. 236, s. 2; 1999-188, s. 2; 2001-142, s. 2; 2001-424, ss. 9.1(a), 15.2(c); 2002-126, s. 27.2(b); 2002-159, s. 48; 2004-129, s. 46; 2008-215, ss. 1(a), 2, 3; 2009-136, s. 2; 2010-31, s. 6.15(b); 2010-194, s. 27; 2014-100, ss. 25.2, 25.3; 2015-241, s. 25.1(b); 2015-268, s. 7.4; 2017-6, s. 3; 2018-5, s. 27.1; 2018-146, ss. 3.1(a), (b), 6.1; 2019-19, ss. 2, 3; 2020-78, s. 18.1; 2021-112, s. 3.)

**§ 147-64.6A:** Repealed by Session Laws 2012-142, s. 8.4, effective July 1, 2012.

**§ 147-64.6B. Reports of improper governmental activities.**

(a) The Auditor shall provide various means, including a telephone hotline, electronic mail, and Internet access to receive reports of allegations of improper governmental activities. The Auditor shall periodically publicize the hotline telephone number, electronic mail address, Internet Web site address, and any other means by which the Auditor may receive reports of allegations of improper governmental activities. Individuals who make a report under this section may choose to remain anonymous until the individual affirmatively consents to having his or her identity disclosed.

(b) The Auditor shall investigate reports of allegations of improper governmental activities of State agencies and State employees within the scope of authority set forth in G.S. 147-64.6, 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 authority set forth in G.S. 147-64.6, the Auditor shall refer the allegation to the appropriate State agency responsible for the enforcement or administration of the matter for investigation. When the Auditor believes that an allegation of

improper governmental activity involves matters set forth in subdivisions (1), (2), or (3) of this subsection, those matters shall be referred as follows:

- (1) Allegations of criminal misconduct to either the State Bureau of Investigation or the District Attorney for the county where the alleged misconduct occurred.
- (2) Allegations of violations of Chapter 138A, Chapter 120C and Article 14 of Chapter 120 of the General Statutes to the State Ethics Commission.
- (3) Allegations of violations of Chapter 163 of the General Statutes to the State Board of Elections.

(c) All records maintained by the Auditor of reports of unsubstantiated allegations of improper governmental activities shall be destroyed within four years from the date the unsubstantiated allegation was received. (2008-215, s. 1(b); 2017-6, s. 3; 2018-146, ss. 3.1(a), (b), 6.1.)

**§ 147-64.6C. Cost of audit report published.**

Each audit report shall itemize the number of staff hours used in conducting the audit and in preparation of the audit report and the total cost of conducting the audit and preparing the audit report. (2012-142, s. 17.3.)

**§ 147-64.6D. Cost of CPA audit report published.**

Each audit report prepared for a State agency by a Certified Public Accountant shall itemize the number of hours used in conducting the audit and in preparation of the audit report and the total cost of conducting the audit and preparing the audit report. (2012-142, s. 17.4.)

**§ 147-64.6E:** Reserved for future codification purposes.

**§ 147-64.6F:** Reserved for future codification purposes.

**§ 147-64.6G:** Reserved for future codification purposes.

**§ 147-64.6H:** Reserved for future codification purposes.

**§ 147-64.6I:** Reserved for future codification purposes.

**§ 147-64.6J. Annual performance audit of the Department of Transportation.**

(a) Beginning the 2019-2020 fiscal year, the Office of the State Auditor shall conduct a performance audit of the Department of Transportation every year. The performance audit shall include an examination of the following:

- (1) Budget adherence by department, division, and highway division.
- (2) Timeliness of federal reimbursement requests and timeliness of the Department's responses to any federal requests for additional information or action.

- (3) Department controls and oversight of divisions and highway divisions as to cash management, project coordination and delivery, and budget adherence.
- (4) Efficacy of communication and coordination within the Department.
- (5) Efficacy of cash management by the Department.
- (6) Other items the State Auditor deems relevant to study, including implementation of the provisions of this act.

(b) The State Auditor shall submit a report of the performance audit to the Joint Legislative Commission on Governmental Operations, Joint Legislative Transportation Oversight Committee, and the Fiscal Research Division. The Department of Transportation shall give the State Auditor full access to all employees and data necessary to complete the audit and the report. The State Auditor shall submit the annual report required by this subsection by the fifteenth day of January beginning in 2021. (2020-91, s. 5.9.)

**§ 147-64.7. Authority.**

(a) Access to Persons and Records. –

- (1) The Auditor and the Auditor's authorized representatives shall have ready 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 shall be limited to matters of official business and the Auditor's report shall 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 in support of the Auditor's statutory mission.
- (2) The Auditor and the Auditor's duly authorized representatives shall have such access to persons, records, papers, reports, vouchers, correspondence, books, and any other documentation which is in the possession of any individual, private corporation, institution, association, board, or other organization which pertain to:
  - a. Amounts received pursuant to a grant or contract from the federal government, the State, or its political subdivisions.
  - b. Amounts received, disbursed, or otherwise handled on behalf of the federal government or the State. In order to determine that payments to providers of social and medical services are legal and proper, the providers of such services will give the Auditor, or the Auditor's authorized representatives, access to the records of recipients who receive such services.
- (3) The Auditor shall, for the purpose of examination and audit authorized by this act, have the authority, and will be provided ready access, to examine and inspect all property, equipment, and facilities in the possession of any State agency or any individual, private corporation, institution, association, board, or other organization which were furnished or otherwise provided through grant, contract, or any other type of funding by the State of North Carolina, or the federal government.
- (4) All contracts or grants entered into by State agencies or political subdivisions shall include, as a necessary part, a clause providing access as intended by this section.

- (5) The Auditor and his authorized agents are authorized to examine all books and accounts of any individual, firm, or corporation only insofar as they relate to transactions with any agency of the State.
- (b) Experts; Contracted Audits. –
- (1) The Auditor may obtain the services of independent public accountants, qualified management consultants, or other professional persons and experts as he deems necessary or desirable to carry out the duties and functions assigned under the act.
  - (2) No State agency may enter into any contract for auditing services which may impact on the State's comprehensive annual 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.
- (c) Authority to Administer Oaths, Subpoena Witnesses and Records, and Take Depositions. –
- (1) For the purposes of this Article the Auditor or his authorized representative shall have the power to subpoena witnesses, to take testimony under oath, to cause the deposition of witnesses (residing within or without the State) to be taken in a manner prescribed by law, and to assemble records and documents, by subpoena or otherwise. The subpoena power granted by this section may be exercised only at the specific written direction of the Auditor or his chief deputy.
  - (2) In case any person shall refuse to obey a subpoena, the Auditor shall invoke the aid of any North Carolina court within the jurisdiction of which the investigation is carried on or where such person may be, in requiring the attendance and testimony of witnesses and the production of books, papers, correspondence, memoranda, contracts, agreements, and other records. Such court may issue an order requiring such person to appear before the Auditor or officers designated by the Auditor, there to produce records, if so ordered, or to give testimony touching the matter under investigation or in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof.
- (d) No Waiver. – The production of documents or information required by this section does not constitute a waiver or an impairment of the attorney-client privilege or the attorney work-product privilege. (1983, c. 913, s. 2; 1999-188, s. 1; 2006-203, s. 116; 2007-484, s. 34.5; 2019-19, s. 4.)

#### **§ 147-64.7A. Obstruction of audit.**

Any person who shall willfully make or cause to be made to the State Auditor or his designated representatives any false, misleading, or unfounded report for the purpose of interfering with the performance of any audit, special review, or investigation, or to hinder or obstruct the State Auditor

or the State Auditor's designated representatives in the performance of their duties, shall be guilty of a Class 2 misdemeanor. (1997-526, s. 1.)

**§ 147-64.7B. Failure to respond to verification audit.**

When the Auditor requests information from any organization, other than a State agency, as part of a verification audit and the organization fails to provide the requested information, the organization shall be treated as if the organization failed to meet any condition precedent, classification, or other similar eligibility or qualifying standard subject to the verification audit. The Auditor shall document the organization's failure to provide the requested information in a public record. (2021-112, s. 4(a).)

**§ 147-64.8. Independence.**

The Auditor shall maintain independence in the performance of his authorized duties. Except as otherwise provided by law, neither the General Assembly nor the Governor nor any department or agency of the executive or judicial branches of State government shall have the authority to limit the scope, direction, or report of an audit undertaken by the Auditor. No State regulatory agency shall by any fiscal or administrative requirements attempt to limit the scope, direction, or report of an audit undertaken by the Auditor. (1983, c. 913, s. 2.)

**§ 147-64.9. Rules.**

The Auditor shall make and enforce only those rules that the Auditor determines are reasonably necessary for the operation of the Auditor's office. The Auditor shall install an adequate accounting system for the office and shall keep or cause to be kept a complete, accurate, and adequate record of all fiscal transactions of the office. (1983, c. 913, s. 2; 2019-19, s. 5.)

**§ 147-64.10. Powers of appointment.**

The Auditor may, subject to the provisions of the North Carolina Human Resources Act, appoint all employees necessary to perform the duties and functions assigned to him by the provisions of this Article.

Except where otherwise provided in this Article, all powers and duties vested in the Auditor may be delegated by him to deputies, assistants, employees, or other auditors, consultants, professionals, and experts, whose services are obtained in accordance with the provisions of this act; but the Auditor shall retain responsibility for the powers and duties so delegated. (1983, c. 913, s. 2; 2013-382, s. 9.1(c).)

**§ 147-64.11. Review of office.**

The Auditor may, on his own initiative and as often as he deems necessary, or as requested by the General Assembly, cause to be made a quality review audit of the operations of his office. Such a "peer review" shall be conducted in accordance with standards prescribed by the accounting profession. Upon the recommendation of the Joint Legislative Commission on Governmental Operations may contract with an independent public accountant, qualified management consultant, or other professional person to conduct a financial and compliance, economy and efficiency, and program result audit of the State Auditor. (1983, c. 913, s. 2; 2006-203, s. 117.)

**§ 147-64.12. Conflict of interest.**

(a) To preserve the independence and objectivity of the audit function, the Auditor and his employees may not, unless otherwise expressly authorized by statute, serve in any capacity on an administrative board, commission, or agency of government of a political subdivision of the State or any other organization that, under the provisions of this act, they have the responsibility or authority to audit. Nor shall they have a material, direct or indirect financial, or other economic interest in the transactions of any State agency.

(b) The Auditor shall not conduct an audit on a program or activity for which he had management responsibility or in which he has been employed during the preceding two years. The General Assembly shall otherwise provide for the necessary audit of programs and activities within the meaning of this subsection.

If the Auditor's hotline receives a report of allegations of improper governmental activities in a program or activity that the Auditor is prohibited by this subsection from auditing, the Hotline Manager shall transmit the report to the Legislative Services Officer or his designee. The report shall retain the same confidentiality after transmittal to the General Assembly that it had in the possession of the Auditor. (1983, c. 913, s. 2; 1993, c. 152, s. 1; 1996, 2nd Ex. Sess., c. 18, s. 8(n).)

**§ 147-64.13. Construction.**

This Article shall be construed liberally in the aid of its declared purpose. It is the intent of this Article that the establishment of the Office of the Auditor and the duties, powers, qualifications, and purposes herein specified shall take precedence over any conflicting part or application of any other law. (1983, c. 913, s. 2.)

**§ 147-64.14. Severability.**

If any provision of this Article or the application thereof to any person, State agency, political subdivision, or circumstance is held invalid, such invalidation shall not affect other provisions or applications of this Article which can be given effect without the invalid provision of application, and to this end the provisions of this Article are declared severable. (1983, c. 913, s. 2.)