

GENERAL ASSEMBLY OF NORTH CAROLINA
1997 SESSION

S.L. 1997-71
SENATE BILL 265

AN ACT TO AMEND THE STATUTES ON SPECIAL RESPONSIBILITY
CONSTITUENT INSTITUTIONS IN THE UNIVERSITY OF NORTH
CAROLINA SYSTEM TO CLARIFY THE ROLE OF THE OFFICE OF THE
STATE AUDITOR.

The General Assembly of North Carolina enacts:

Section 1. G.S. 116-30.1 reads as rewritten:

"§ 116-30.1. Special responsibility constituent institutions.

The Board of Governors of The University of North Carolina, acting on recommendation made by the President of The University of North Carolina after consultation by him with the State Auditor, may designate one or more constituent institutions of The University as special responsibility constituent institutions. That designation shall be based on an express finding by the Board of Governors that each institution to be so designated has the management staff and internal financial controls that will enable it to administer competently and responsibly all additional management authority and discretion to be delegated to it. The Board of Governors, on recommendation of the President, shall adopt rules prescribing management staffing standards and internal financial controls and safeguards, including the lack of any significant ~~exceptions or audit~~ findings in the annual financial audit by the State Auditor's Office, that must be met by a constituent institution before it may be designated a special responsibility constituent institution and must be maintained in order for it to retain that designation. These rules shall not be designed to prohibit participation by a constituent institution because of its size. These rules shall establish procedures for the President and his staff to review the annual financial audit ~~reports or any other reports,~~ special reports, electronic data processing reports, or performance reports ~~reports,~~ management letters, or any other report issued by the State ~~Auditors~~ Auditor's Office for each special responsibility constituent institution. The President shall take immediate action regarding reported weaknesses in the internal control structure, deficiencies in the accounting records, and noncompliance with rules and regulations. In any instance where ~~such audit exceptions~~ significant findings are identified, the President shall notify the Chancellor of the particular special responsibility constituent institution that ~~such exceptions must be resolved to the satisfaction of the State Auditor and~~ the institution must make satisfactory progress in resolving the findings, as determined by the President of The University ~~University,~~ after consultation with the State Auditor, within a three-month period commencing with

the date of receipt of the published financial audit ~~report.~~ report, any other audit report, or management letter. ~~If the exceptions are not satisfactorily resolved~~ satisfactory progress is not made within a three-month period, the President of The University shall recommend to the Board of Governors at its next meeting that the designation of the particular institution as a special responsibility constituent institution be terminated until such time as the exceptions are resolved to the satisfaction of ~~the State Auditor and the President of The University of North Carolina.~~ Carolina, after consultation with the State Auditor. However, once the designation as a special responsibility constituent institution has been withdrawn by the Board of Governors, reinstatement may not be effective until the beginning of the following fiscal year at the earliest. Any actions taken by the Board of Governors with respect to withdrawal or reinstatement of an institution's status as a special responsibility constituent institution shall be reported immediately to the Joint Legislative Education Oversight Committee.

The rules established under this section shall include review by the President, after ~~and~~ consultation with the State Auditor, the Director of the Office of State Personnel, and the Director of the Division of State Purchasing and Contracts in ascertaining whether or not a constituent institution has the management staff and internal financial controls to administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and 143-53.1. Such review and consultation must take place no less frequently than once each biennium."

Section 2. This act is effective when it becomes law.

In the General Assembly read three times and ratified this the 14th day of May, 1997.

s/ Marc Basnight
President Pro Tempore of the Senate

s/ Harold J. Brubaker
Speaker of the House of Representatives

s/ James B. Hunt, Jr.
Governor

Approved 9:53 a.m. this 22nd day of May, 1997