

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

S

3

SENATE BILL 252

Government Performance Audit Select Committee Substitute Adopted 4/8/93

Appropriations Committee Substitute Adopted 7/23/93

Short Title: GPAC Omnibus.

(Public)

Sponsors:

Referred to:

February 19, 1993

A BILL TO BE ENTITLED

AN ACT TO IMPLEMENT VARIOUS RECOMMENDATIONS OF THE GOVERNMENT PERFORMANCE AUDIT COMMITTEE.

The General Assembly of North Carolina enacts:

PART I.--STATE STRATEGIC PLANNING PROCESS AND OUTCOME MEASURES.

Section 1.1. G.S. 143A-17 is repealed.

Sec. 1.2. G.S. 143-3.5 reads as rewritten:

"§ 143-3.5. Coordination of statistics.

It shall be the duty of the ~~Director~~ Director, through the Office of State Budget and Management to coordinate the efforts of governmental agencies in the collection, development, dissemination and analysis of official economic, demographic and social statistics pertinent to State budgeting. The ~~Office shall~~ Director shall:

- (1) Prepare and release the official demographic and economic estimates and projections for the State;
- (2) Conduct special economic and demographic analyses and studies to support statewide budgeting;
- (3) Develop and coordinate cooperative arrangements with federal, State and local governmental agencies to facilitate the exchange of data to support State budgeting;

- 1 (4) Compile, maintain, and disseminate information about State programs  
2 which involve the distribution of State aid funds to local governments  
3 including those variables used in their allocation; and,  
4 (5) Develop and maintain in cooperation with other State and local  
5 governmental agencies, an information system providing comparative  
6 data on resources and expenditures of local governments.

7 Every fiscal analysis prepared by the Director or the Office of State Budget and  
8 Management addressing the State budget outlook shall encompass the upcoming five-  
9 year period. Every fiscal analysis prepared by the Director or the Office of State Budget  
10 and Management addressing the impact of proposed legislation on the State budget shall  
11 estimate the impact for the first five fiscal years the legislation would be in effect. To  
12 minimize duplication of effort in collecting or developing new statistical series pertinent  
13 to State planning and budgeting, including contractual arrangements, State agencies  
14 must submit to the Director proposed procedures and funding requirements.

15 This section shall not apply to the General Assembly, any of its committees and  
16 subcommittees, the Legislative Research Commission, the Legislative Services  
17 Commission, or any other committee or commission in the legislative branch."

18 Sec. 1.3. Article 1 of Chapter 143 of the General Statutes is amended by  
19 adding the following sections to read:

20 "**§ 143-10.3. Strategic planning process.**

21 (a) The Director, through the Office of State Budget and Management, shall  
22 establish and implement a strategic planning process for State government. The  
23 strategic planning process shall be designed to produce statewide goals, and State  
24 agencies shall develop agency goals and objectives that are consistent with those  
25 statewide goals. The Director, in conjunction with State agencies, shall prepare and  
26 apply performance measures and indicators of program impact, and shall require agency  
27 performance to be periodically reviewed to determine progress toward statewide goals  
28 and agency goals. Results of the strategic planning process and agency performance  
29 reviews shall be reflected in the budget document proposed by the Governor, as  
30 provided in G.S. 143-10.4(b).

31 The performance measures and indicators of program impact for each agency shall  
32 be based upon goals that are established by that agency. The Director shall be  
33 responsible for developing and implementing statewide comprehensive performance  
34 measures and indicators of program impact in a standardized format applicable across  
35 agency lines.

36 (b) If a member of the Council of State does not agree with the performance  
37 measures, departmental operations plans, and indicators of program impact developed in  
38 accordance with this section, G.S. 143-10.4, and G.S. 143-10.5, that apply to the  
39 member's department, the member of the Council of State shall submit to the Director of  
40 the Budget a statement of specific objections to the program measures and indicators of  
41 program impact. The Director of the Budget shall submit the statement to the General  
42 Assembly in accordance with G.S. 143-11(5)."

43 "**§ 143-10.4. Departmental operations plans.**

1       The Director, through the Office of State Budget and Management and in  
2 conjunction with State agencies, shall have prepared biennially in the even-numbered  
3 years, a comprehensive operations plan for each department, agency, and institution, for  
4 which the Director may recommend an appropriation of State funds in the next biennial  
5 period. The operations plans shall address the statewide and agency goals contained in  
6 the strategic plans developed in accordance with G.S. 143-10.3. The operations plans  
7 shall provide objectives, activities, and supporting statistics for the current biennium  
8 and for the following three biennial periods. The operations plans shall also provide  
9 performance measures and outcome indicators, which measures and indicators shall be  
10 used for program evaluation and shall be reported in the Governor's biennial budget  
11 submission.

12       The Director shall provide unified planning and budgeting instructions to the  
13 departments, agencies, and institutions for use in developing operations plans and  
14 biennial budgets.

15       **§ 143-10.5. Development of performance measures for major programs.**

16       (a) The Director of the Budget, through the Office of State Budget and  
17 Management and through State agencies, departments, and institutions, shall develop  
18 performance measures for the major programs for each State agency, department, and  
19 institution. These performance measures shall be developed as part of the biennial  
20 comprehensive plan and shall serve as the basis for the development of the biennial  
21 budget, beginning with the 1995-97 fiscal biennium.

22       (b) The Director shall institute a standard process for developing program  
23 performance measures and for evaluating performance results, uniform performance  
24 measurement terms, and a standardized format for presentation.

25       (c) The program performance measurement system shall include:

26           (1) A description of the key performance measures for the program. The  
27 performance measures should include: program efficiency or unit cost,  
28 outputs or program activity, and outcomes or performance results, with  
29 emphasis on the use of program outcome measures.

30           (2) Identification of the current level of performance.

31           (3) Targets for the desired level of performance.

32           (4) Identification of future performance measures that should be  
33 developed and a time frame for development.

34           (5) A methodology for regular monitoring of departmental, agency, and  
35 institutional performance in relation to the measure.

36           (6) A methodology for assessing programs that have achieved the desired  
37 performance targets through innovative management actions.

38       (d) The Director of the Budget shall prepare a comprehensive plan for the  
39 implementation of a performance measurement system and shall present the plan to the  
40 General Assembly by October 1, 1993. With regard to programs for which it is  
41 anticipated that performance measures will not be fully developed by that date, the  
42 Director of the Budget shall submit to the General Assembly by May 1, 1994, a plan  
43 and timetable for the development and implementation of performance measures. In  
44 developing the plan, consideration shall be given to any recommendations and reports

1 of the Governmental Accounting Standards Board. In the event the Director shall  
2 conclude that it is not feasible to develop performance measures for particular  
3 programs, the Director shall set forth detailed reasons for the conclusion in the report.

4 (e) The Director of the Budget shall report to the General Assembly no later than  
5 February 1 in odd-numbered years and no later than April 1 in even-numbered years on:

6 (1) The status of the development of the program performance  
7 measurement system.

8 (2) The programs that have not achieved the desired level of performance  
9 and the reasons performance targets were not achieved.

10 (3) The programs that have achieved performance targets through  
11 management innovation.

12 **"§ 143-10.6. Responsibilities of other State agencies.**

13 All State agencies, departments, and institutions shall cooperate with the Director of  
14 the Budget to assist in the implementation of strategic planning, departmental planning,  
15 and performance budgeting. The Director of the Budget may assign any responsibility  
16 to any State agency, department, or institution as appropriate or needed to implement  
17 strategic planning, departmental planning, and performance budgeting."

18 Sec. 1.4. G.S. 143-11 reads as rewritten:

19 **"§ 143-11. Survey of departments.**

20 On or before the fifteenth day of December, biennially in the even-numbered years,  
21 the Director shall make a complete, careful survey of the operation and management of  
22 all the departments, bureaus, divisions, officers, boards, commissions, institutions, and  
23 agencies and undertakings of the State and all persons or corporations who use or  
24 expend State funds, in the interest of economy and efficiency, and of obtaining a  
25 working knowledge upon which to base recommendations to the General Assembly as  
26 to appropriations for maintenance and special funds and capital expenditures for the  
27 succeeding biennium. If the Director and the Commission shall agree in their  
28 recommendations for the budget for the next biennial period, he shall prepare their  
29 report in the form of a proposed budget, together with such comment and  
30 recommendations as they may deem proper to make. If the Director and Commission  
31 shall not agree in substantial particulars, the Director shall prepare the proposed budget  
32 based on his own conclusions and judgment, and the Commission or any of its members  
33 retain the right to submit separately to the General Assembly such statement of  
34 disagreement and the particulars thereof as representing their views. The budget report  
35 shall contain a complete and itemized plan of all proposed expenditures for each State  
36 department, bureau, board, division, institution, commission, State agency or  
37 undertaking, person or corporation who receives or may receive for use and expenditure  
38 any State funds, in accordance with the classification adopted by the State Controller,  
39 and of the estimated revenues and borrowings for each year in the ensuing biennial  
40 period beginning with the first day of July thereafter. Opposite each item of the  
41 proposed expenditures, the budget shall show in separate parallel columns the amount  
42 expended for the last preceding appropriation year, for the current appropriation year,  
43 and the increase or decrease. The budget shall clearly differentiate between general

1 fund expenditures for operating and maintenance, special fund expenditures for any  
2 purpose, and proposed capital outlays.

3 The Director shall accompany the budget with:

- 4 (1) A budget message supporting his recommendations and outlining a  
5 financial policy and program for the ensuing biennium. The message  
6 will include an explanation of increase or decrease over past  
7 expenditures, a discussion of proposed changes in existing revenue  
8 laws and proposed bond issues, their purpose, the amount, rate of  
9 interest, term, the requirements to be attached to their issuance and the  
10 effect such issues will have upon the redemption and annual interest  
11 charges of the State debt.
- 12 (2) State Controller reports including:  
13 a. An itemized and complete financial statement for the State at  
14 the close of the last preceding fiscal year ending June 30.  
15 b. A statement of special funds.
- 16 (2a) A statement showing the itemized estimates of the condition of the  
17 State treasury as of the beginning and end of each of the next two  
18 appropriation years.
- 19 (3) A report on the fees charged by each State department, bureau,  
20 division, board, commission, institution, and agency during the  
21 previous fiscal year, the statutory or regulatory authority for each fee,  
22 the amount of the fee, when the amount of the fee was last changed,  
23 the number of times the fee was collected during the prior fiscal year,  
24 and the total receipts from the fee during the prior fiscal year.
- 25 (4) A statement showing the State Board of Education's request, in  
26 accordance with G.S. 115C-96, for sufficient funds to provide  
27 textbooks to public school students.
- 28 (5) Statements of the objections of members of the Council of State  
29 received pursuant to G.S. 143-10.3(b) to the performance measures,  
30 departmental operations plans, and indicators of program impact  
31 prepared in accordance with G.S. 143-10.3, 143-10.4, and 143-10.5.
- 32 (6) A list of the budget requests of members of the Council of State that  
33 are not included in the proposed budget.

34 It shall be a compliance with this section by each incoming Governor, at the first  
35 session of the General Assembly in his term, to submit the budget report with the  
36 message of the outgoing Governor, if he shall deem it proper to prepare such message,  
37 together with any comments or recommendations thereon that he may see fit to make,  
38 either at the time of the submission of the said report to the General Assembly, or at  
39 such other time, or times, as he may elect and fix."

40 The function of the Advisory Budget Commission under this section applies only if  
41 the Director of the Budget consults with the Commission in preparation of the budget."  
42

43 PART II.—IMPLEMENT PERFORMANCE BUDGETING

1           Sec. 2.1. To the extent feasible, the Director of the Budget shall develop a  
2 plan for preparing the 1995-97 fiscal biennium budget in a performance budget format.  
3 In developing the plan, consideration shall be given to the program areas of health and  
4 safety, environment, correction, justice, social and economic well-being, and cultural  
5 resources, for which funding shall be provided. The performance budget format shall  
6 include the following:

- 7           (1) A description of the resources previously expended and proposed for  
8           each major program, including expenditures and numbers of  
9           employees.
- 10          (2) A description of the goals, objectives, and need for programs,  
11          including statutory requirements.
- 12          (3) A description of the principal program services and activities  
13          performed in order to meet program goals and the resources allocated  
14          to the major program services.
- 15          (4) A description of the efficiency, or unit cost, of providing program  
16          services and activities.
- 17          (5) A presentation of information on program performance and  
18          accomplishments in relation to performance measures established by  
19          the Director of the Budget in the department plan, as prescribed in G.S.  
20          143-10.4 and G.S. 143-10.5.
- 21          (6) Line item detail on expenditure data for the following: salaries,  
22          employee benefits, contracted services, State aid, other costs, and any  
23          other object of expenditure that represents a significant portion of the  
24          budget of a program, subprogram, or element as prescribed by the  
25          Director. The source of funding for each program shall be identified  
26          by each major State fund, federal funds, special funds, and other  
27          receipts.
- 28          (7) Any changes in the proposed scope of any budget elements, other than  
29          to provide for increases in costs due to inflation, shall include  
30          explanations as to the impact of the expected changes upon the outputs  
31          and performance outcomes of that element subprogram or program.

32  
33 PART III.—ANNUAL FINANCIAL MODEL REQUIRED.

34           Sec. 3.1. G.S. 143-15.1 reads as rewritten:

35 **"§ 143-15.1. Current Operations Appropriations Act.**

36           The General Assembly shall enact the Current Operations Appropriations Act by  
37 June 15 of odd-numbered years and by June 30 of even-numbered years in which a  
38 Current Operations Appropriations Act is enacted. The Current Operations  
39 Appropriations Act shall state the amount of General Fund appropriations availability  
40 upon which the General Fund budget is based. The statement of availability shall list  
41 separately the beginning General Fund credit balance, General Fund revenues, and any  
42 other components of the availability amount.

43           The Current Operations Appropriations Act shall incorporate by reference the  
44 General Fund Financial Model. The General Assembly shall set out with the financial

1 model the assumptions of the model and the impact over five years on the budget that is  
2 anticipated by the model.

3 The General Fund operating budget appropriations, including appropriations for  
4 local tax reimbursements and local tax sharing, for the second year in a Current  
5 Operations Appropriations Act that contains a biennial budget shall not be more than  
6 two percent (2%) greater than the General Fund operating budget appropriations for the  
7 first year of the biennial budget."  
8

9 PART IV.--STUDY STATE EMPLOYEE CLASSIFICATION AND  
10 COMPENSATION/EVALUATE STATE EMPLOYEE BENEFITS.

11 Sec. 4.1. The State Personnel Commission shall retain a consultant to  
12 conduct a study of job classifications and compensation of all employees of the State  
13 departments, institutions, and agencies of the executive branch. The following shall be  
14 excluded from the study:

- 15 (1) The instructional staff, research staff, chancellors, provosts, vice-  
16 chancellors, deans, and head librarians of the constituent and affiliated  
17 institutions of The University of North Carolina;
- 18 (2) The President and Vice-Presidents of The University of North Carolina  
19 General Administration; and
- 20 (3) Officers and employees whose salaries are set directly by the General  
21 Assembly in the Current Operations Appropriations Act.

22 The consultant retained by the State Personnel Commission shall be selected  
23 through a competitive procurement process. The request for proposals shall be  
24 submitted to the Joint Legislative Commission on Governmental Operations for review  
25 before a consultant is selected.

26 The State Personnel Commission shall assemble a Task Force to assist the  
27 consultant. The Task Force shall be comprised of staff from the Office of State  
28 Personnel, at least three agency personnel directors, three agency program managers,  
29 and three members from the private sector with management-level personnel  
30 administration experience. The Director of the Office of State Personnel shall serve as  
31 the study coordinator. To minimize costs in conducting the study, each State agency  
32 shall, upon the request of the Director of the Office of State Personnel, provide data,  
33 personnel analysts, and other assistance to the Task Force, provided that the assistance  
34 does not impair the ability of the agency to perform and manage its own personnel  
35 functions.

36 The study shall include the recommendation and development of the  
37 following components: classification system (including job descriptions), compensation  
38 philosophy, salary structure, pay delivery, and external and internal job evaluations.  
39 The study shall determine which State jobs are paid below, at, or above the market rates.

40 In addition to its other responsibilities, the Task Force shall review the  
41 current performance appraisal procedure to assure that it is consistent with the new  
42 classification system.

43 Beginning October 1, 1993, the consultant shall make quarterly reports on the  
44 study's progress to the Joint Legislative Commission on Governmental Operations. The

1 consultant shall complete the study and present its findings to the State Personnel  
2 Commission and the Joint Legislative Commission on Governmental Operations no  
3 later than December 15, 1994.

4 Sec. 4.2. Article 1 of Chapter 143 of the General Statutes is amended by  
5 adding a new section to read:

6 **"§ 143-11.2. Comprehensive compensation and benefit program evaluation.**

7 (a) On or before the fifteenth day of December of each year, the Director shall  
8 have conducted a comprehensive compensation and benefit program evaluation for all  
9 full-time, part-time, and temporary employees supported by funds appropriated by the  
10 State. This comprehensive evaluation shall include, but not be limited to, a review of:

11 (1) Benefit programs offered by other states and employers within the  
12 southeast region;

13 (2) Employer costs associated with benefit programs provided;

14 (3) Benefit levels provided by the programs; and

15 (4) Compensation program and respective salary levels.

16 (b) This evaluation shall include health, retirement, payment for time not worked  
17 (including vacations, holidays, and sick leave), and salary levels.

18 (c) A Total Benefits Index shall be calculated from the results of the evaluation  
19 to enable the State to compare its benefits to those of other southeastern states and  
20 employers."

21 Sec. 4.3. To avoid duplication of effort, the Director of the Budget, when  
22 performing the evaluation required under section 4.2., shall solicit from the Office of  
23 State Personnel and other State agencies information already available concerning  
24 compensation and benefits analysis. Copies of the evaluation results shall be provided  
25 to all State agencies.

26  
27 PART V.--STATE HUMAN RESOURCES MANAGEMENT.

28 Sec. 5.1. Article 1 of Chapter 126 of the General Statutes is amended by  
29 adding two new sections to read:

30 **"§ 126-4.1. State human resources management coordination.**

31 (a) The Office of State Personnel shall be responsible for planning, guiding, and  
32 coordinating the State's ongoing human resources management effort and shall, with the  
33 participation of each State department, agency, and institution determine the mission  
34 and future of the State's human resources management programs and functions. Human  
35 resources management coordination shall include planning and coordination with regard  
36 to the recruitment, selection, organization, training, and development of the State  
37 employee work force.

38 (b) The Office of State Personnel shall coordinate the State's management of  
39 human resources so as to ensure that all State human resources management programs  
40 are integrated fully within a comprehensive overall human resources management  
41 system.

42 **"§ 126-4.2. State human resources management monitored.**

43 (a) The Office of State Personnel shall determine appropriate performance  
44 measures to monitor and evaluate the human resources function within State



1 government. The overall effectiveness of State policies and programs pertaining to  
2 human resources management within State departments, agencies, and institutions shall  
3 be evaluated by considering performance measures in each of the following areas:

4 (1) Absence and Turnover. – Performance measures to signal potential  
5 problems with workforce absenteeism and dissatisfaction with pay and  
6 turnover rates.

7 (2) Hiring and Staffing. – Performance measures to evaluate the rate at  
8 which persons are entering State employment, the cost of hiring, the  
9 time taken to fill jobs, and the ratio of job offers to acceptances.

10 (3) Equal Employment. – Performance measures to evaluate inequities in  
11 hiring, promotions, and compensation as they relate to minorities,  
12 women, and the disabled.

13 (4) Training and Development. – Performance measures to evaluate the  
14 cost per unit of training delivered, change in knowledge and skill  
15 based on pre- and post-competency scores, and the number of hours of  
16 training available to trainees.

17 (b) The Office of State Personnel shall develop an automated system to track and  
18 monitor on an ongoing basis the human resources management function.

19 (c) Each State department, agency, and institution shall utilize the automated  
20 system to assess the effectiveness of the human resources management of the  
21 department, agency, or institution.

22 (d) The human resources management function performance measures shall be  
23 benchmarked in relation to individual agencies, departments, and institutions as well as  
24 against other state governments. The Office of State Personnel may solicit other state  
25 and local governments to participate in a survey of performance measures.

26 (e) The Office of State Budget may assist the Office of State Personnel in  
27 developing the performance monitoring systems required in subsection (a) of this  
28 section."

29  
30 PART VI.--STATE EMPLOYEE TRAINING FOR PERFORMANCE  
31 MANAGEMENT AND EQUAL OPPORTUNITY TRAINING.

32 Sec. 6.1. The Office of State Personnel shall implement appropriate training  
33 programs in the areas of performance management training and equal employment  
34 opportunity training.

35  
36 PART VII.--ORGANIZATIONAL AND STAFFING ANALYSES OF STATE  
37 AGENCIES.

38 Sec. 7.1. (a) The Governor shall conduct organizational and staffing analyses of  
39 State agencies, except as provided in subsection (b) of this section. The analyses shall  
40 use the following guidelines:

41 (1) Eliminate one-on-one reporting relationships at middle management  
42 and supervisory levels.

1 (2) Achieve spans of control of supervisors to employees within the range  
2 of 1:4 to 1:7, with a span of control of 1:4 applying to highly technical,  
3 policy-sensitive, or nonrepetitive functions.

4 (3) Consolidate units with small numbers of staff into larger, more  
5 efficient units.

6 (b) Each member of the Council of State shall be responsible for conducting the  
7 organizational and staffing analyses of the member's own department in accordance  
8 with guidelines set out in subsection (a) of this section and for submitting the reports  
9 required under subsection (c) of this section to the Governor.

10 (c) The Governor shall make an initial report to the General Assembly no later  
11 than March 1, 1994, on the implementation of subsection (a) of this section, and shall  
12 make annual progress reports to the General Assembly by January 1 of each year  
13 thereafter.

14  
15 PART VIII.—LEGISLATIVE AUDIT SUBCOMMITTEE/JOINT LEGISLATIVE  
16 COMMISSION ON GOVERNMENTAL OPERATIONS.

17 Sec. 8.1. Article 13 of Chapter 120 of the General Statutes is amended by  
18 adding the following new sections to read:

19 "**§ 120-80. Legislative Audit Subcommittee established.**

20 There is hereby established the Legislative Audit Subcommittee of the Commission  
21 (hereinafter the 'Subcommittee'). Except as provided in G.S. 120-80.1, the  
22 Subcommittee shall consist of four Senate members of the Commission appointed by  
23 the President Pro Tempore of the Senate, one of whom shall be designated to cochair  
24 the Subcommittee, and four House members of the Commission appointed by the  
25 Speaker of the House of Representatives, one of whom shall be designated to cochair  
26 the Subcommittee.

27 "**§ 120-80.1. Additional members.**

28 The cochairmen of the Commission, in order to accommodate the need for  
29 membership on the Subcommittee, may enlarge the membership of the Commission  
30 under G.S. 120-74 by two additional members from each house, or they may enlarge the  
31 membership of the Subcommittee under G.S. 120-80 by two additional members from  
32 each house who are not members of the Commission. Appointments made under either  
33 method are subject to the applicable provisions of G.S. 120-74. Members of the  
34 General Assembly who serve on the Subcommittee but not on the Commission are  
35 entitled to reimbursement and compensation as provided for Commission members  
36 under G.S. 120-78.

37 "**§ 120-81. Duties and powers.**

38 Subject to the approval of the cochairmen of the Commission, the Subcommittee  
39 may:

40 (1) Exercise the powers and duties of the Commission under G.S. 120-76  
41 with respect to evaluations of State agency programs;

42 (2) Evaluate requests for audits by members and committees of the  
43 General Assembly and recommend to the State Auditor and the

1 Commission which of the audits the subcommittee would like to have  
2 undertaken by the State Auditor;

3 (3) Review agency compliance with performance audit findings and  
4 recommendations made by the State Auditor that the subcommittee  
5 would like to have undertaken by the State Auditor; and

6 (4) Meet periodically with the State Auditor to review work plans and  
7 work in progress, discuss potential audit plans, and review the status of  
8 follow-up work on completed performance audits. The State Auditor  
9 shall not be required to include any information that, if made public,  
10 would jeopardize the integrity of any program review or performance  
11 audit.

12 Nothing in this Article is intended nor shall it be construed to limit the duties,  
13 powers or independence of the State Auditor as set forth in Article 5A of Chapter 147 of  
14 the General Statutes."

15 **"§ 120-82. Compliance review.**

16 The Subcommittee shall monitor agency compliance with recommendations made  
17 by the State Auditor as follows:

18 (1) Compliance Reports. – The State Auditor shall report to the  
19 Subcommittee within 12 months of the issuance of the State Auditor's  
20 report on the progress made by agencies in implementing  
21 recommendations made by the State Auditor. Each agency reviewed  
22 shall have the opportunity to respond in writing to the findings on their  
23 progress.

24 (2) Public Hearing. – After review of the State Auditor's report and of an  
25 agency's response, if the Subcommittee is not satisfied that the agency  
26 has addressed or is making substantial progress in addressing the audit  
27 findings and recommendations, it shall schedule a public hearing, prior  
28 to issuing a final report, to receive additional testimony on agency  
29 noncompliance. The attendance of the head of the affected department  
30 or institution or other appropriate officials may be compelled in  
31 accordance with the provisions of G.S. 120-19.2. Additionally, the  
32 Subcommittee, while in the discharge of its official duties, may  
33 exercise all of the powers of a joint committee of the General  
34 Assembly provided for under the provisions of G.S. 120-19, and G.S.  
35 120-19.1 through G.S. 120-19.4.

36 (3) Final Report. – The final report shall contain the findings concerning  
37 agency noncompliance and recommendations for further action or  
38 legislation. The Subcommittee may issue one report that covers  
39 several audits. The Subcommittee may at any time conduct a follow-  
40 up review of agency compliance. All Subcommittee reports shall be  
41 issued to the Commission. The Commission shall review each report  
42 of the Subcommittee and may approve, disapprove, or modify the  
43 report.

44 **"§ 120-83. Government Performance Audit legislation.**

1       (a) The State Auditor shall issue a report to the Subcommittee no later than April  
2 15, 1994, on agency compliance with enacted legislation recommended by the  
3 Government Performance Audit Committee. Each agency reviewed shall have the  
4 opportunity to respond in writing to the findings on their progress, subject to deadlines  
5 imposed by the State Auditor.

6       (b) The Subcommittee shall issue a report to the Commission on agency  
7 compliance with enacted legislation recommended by the Government Performance  
8 Audit Committee. With the approval of the Commission, the Subcommittee may follow  
9 the procedures outlined in G.S. 120-82 or it may adopt a different review procedure.  
10 With regard to any additional review and audit that the subcommittee determines is  
11 needed, the resources of the State Auditor's office shall be made available for that  
12 purpose. If the agency has been specifically directed by the Government Performance  
13 Audit legislation to report to any other legislative commission created pursuant to this  
14 Chapter, it shall also report to the Subcommittee. The Subcommittee may review and  
15 report on the agency's compliance notwithstanding review by other legislative  
16 commissions. The Subcommittee shall issue a final report to the Commission no later  
17 than December 1, 1994. The Commission shall review the reports of the Subcommittee  
18 and may approve, disapprove, or modify them."

19       Sec. 8.2. G.S. 147-64.6(c) reads as rewritten:

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

- 21       (1) Audits made or caused to be made by the Auditor shall be conducted  
22       in accordance with generally accepted auditing standards as prescribed  
23       by the American Institute of Certified Public Accountants, the United  
24       States General Accounting Office, or other professionally recognized  
25       accounting standards-setting bodies.
- 26       (2) Financial and compliance audits may be made at the discretion of the  
27       Auditor without advance notice to the organization being audited.  
28       Audits of economy and efficiency and program results shall be  
29       discussed in advance with the prospective auditee unless an  
30       unannounced visit is essential to the audit.
- 31       (3) The Auditor, on his own initiative and as often as he deems necessary,  
32       or as requested by the Governor or the General Assembly, shall, to the  
33       extent deemed practicable and consistent with his overall  
34       responsibility as contained in this act, make or cause to be made audits  
35       of all or any part of the activities of the State agencies. Audit requests  
36 from members or committees of the General Assembly shall be  
37 submitted to the Joint Legislative Commission on Governmental  
38 Operations, or, at the direction of the Commission chairmen, to the  
39 Commission's Legislative Audit Subcommittee.
- 40       (4) The Auditor, at his own discretion, may, in selecting audit areas and in  
41       evaluating current audit activity, consider and utilize, in whole or in  
42       part, the relevant audit coverage and applicable reports of the audit  
43       staffs of the various State agencies, independent contractors, and  
44       federal agencies. He shall coordinate, to the extent deemed

1 practicable, the auditing conducted within the State to meet the needs  
2 of all governmental bodies.

- 3 (5) The Auditor is authorized to contract with federal audit agencies, or  
4 any governmental agency, on a cost reimbursable basis, for the  
5 Auditor to perform audits of federal grants and programs administered  
6 by the State Departments and institutions in accordance with  
7 agreements negotiated between the Auditor and the contracting federal  
8 audit agencies or any governmental agency. In instances where the  
9 grantee State agency shall subgrant these federal funds to local  
10 governments, regional councils of government and other local groups  
11 or private or semiprivate institutions or agencies, the Auditor shall  
12 have the authority to examine the books and records of these  
13 subgrantees to the extent necessary to determine eligibility and proper  
14 use in accordance with State and federal laws and regulations.

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

- 23 (6) The Auditor is authorized and directed in his reports of audits or  
24 reports of special investigations to make any comments, suggestions,  
25 or recommendations he deems appropriate concerning any aspect of  
26 such agency's activities and operations.

- 27 (7) The Auditor shall charge and collect from each examining and  
28 licensing board the actual cost of each audit of such board. Costs  
29 collected under this subdivision shall be based on the actual expense  
30 incurred by the Auditor's office in making such audit and the affected  
31 agency shall be entitled to an itemized statement of such costs.  
32 Amounts collected under this subdivision shall be deposited into the  
33 general fund as nontax revenue.

- 34 (8) The Auditor shall examine as often as may be deemed necessary the  
35 accounts kept by the Treasurer, and if he discovers any irregularity or  
36 deficiency therein, unless the same be rectified or explained to his  
37 satisfaction, report the same forthwith in writing to the General  
38 Assembly, with copy of such report to the Governor and Attorney  
39 General. In addition to regular audits, the Auditor shall check the  
40 treasury records at the time a Treasurer assumes office (not to succeed  
41 himself), and therein charge him with the balance in the treasury, and  
42 shall check the Treasurer's records at the time he leaves office to  
43 determine that the accounts are in order.

- 1 (9) The Auditor may examine the accounts and records of any bank or  
2 financial institution relating to transactions with the State Treasurer, or  
3 with any State agency, or he may require banks doing business with  
4 the State to furnish him information relating to transactions with the  
5 State or State agencies.
- 6 (10) The Auditor may, as often as he deems advisable, conduct a detailed  
7 review of the bookkeeping and accounting systems in use in the  
8 various State agencies which are supported partially or entirely from  
9 State funds. Such examinations will be for the purpose of evaluating  
10 the adequacy of systems in use by these agencies and institutions. In  
11 instances where the Auditor determines that existing systems are  
12 outmoded, inefficient, or otherwise inadequate, he shall recommend  
13 changes to the State Controller. The State Controller shall prescribe  
14 and supervise the installation of such changes, as provided in G.S.  
15 143B-426.39 (2).
- 16 (11) The Auditor shall, through appropriate tests, satisfy himself  
17 concerning the propriety of the data presented in the Comprehensive  
18 Annual Financial Report and shall express the appropriate auditor's  
19 opinion in accordance with generally accepted auditing standards.
- 20 (12) The Auditor shall provide in a written statement to the Governor and  
21 Attorney General, and other appropriate officials, such facts as are in  
22 his possession which pertain to the apparent violation of penal statutes  
23 or apparent instances of malfeasance, misfeasance, or nonfeasance by  
24 an officer or employee.
- 25 (13) At the conclusion of an audit, the Auditor or his designated  
26 representative shall discuss the audit with the official whose office is  
27 subject to audit and submit necessary underlying facts developed for  
28 all findings and recommendations which may be included in the audit  
29 report. On audits of economy and efficiency and program results, the  
30 auditee's written response shall be included in the final report if  
31 received within 30 days from receipt of the draft report.
- 32 (14) The Auditor shall provide copies of each audit report to the Joint  
33 Legislative Commission on Governmental Operations of the General  
34 Assembly, the Governor, the Chief Executive Officer of each agency  
35 audited, and other persons as the Auditor deems appropriate. He shall  
36 also file a copy of the audit report in the Auditor's office, which will be  
37 a permanent public record; Provided, nothing in this subsection shall  
38 be construed as authorizing or permitting the publication of  
39 information whose disclosure is otherwise prohibited by law.
- 40 (15) It is not the intent of the audit function, nor shall it be so construed, to  
41 infringe upon or deprive the General Assembly and the executive or  
42 judicial branches of State government of any rights, powers, or duties  
43 vested in or imposed upon them by statute or the Constitution.

1 (16) The Auditor shall be responsible for receiving reports of allegations of  
2 the improper governmental activities set forth in G.S. 126-84. The  
3 Auditor shall provide a telephone hotline to receive such allegations  
4 and informant may choose whether to remain anonymous. The  
5 Auditor shall implement the necessary policies and procedures to  
6 investigate hotline allegations and recommend appropriate action.  
7 When the allegation involves issues of substantial and specific danger  
8 to the public health and safety, the Auditor shall notify the appropriate  
9 agency immediately. In addition, the Auditor shall publicize the  
10 hotline number periodically and shall report findings to the agencies  
11 involved.

12 All records maintained by the State Auditor which involve  
13 unsubstantiated allegations of improper governmental activities set  
14 forth in G.S. 126-84 shall be destroyed within four years from the date  
15 such allegation was received."

16 Sec. 8.3. G.S. 147-64.5 reads as rewritten:

17 **"§ 147-64.5. Cooperation with Joint Legislative Commission on governmental**  
18 **operations and other governmental bodies.**

19 (a) Joint Legislative Commission on Governmental Operations. – The Auditor  
20 shall furnish copies of any and all audits requested by the Joint Legislative Commission  
21 on Governmental ~~Operations~~ Operations or its Legislative Audit Subcommittee.  
22 Accordingly, the Auditor shall, upon request by the chairmen, appear before the  
23 Commission or the Subcommittee to present findings and answer questions concerning  
24 the results of these audits. The Commission and the Subcommittee ~~are~~ is hereby  
25 authorized to use these audit findings in ~~its~~ their inquiries concerning the operations of  
26 State agencies and ~~is~~ are empowered to require agency heads to advise the Commission  
27 or Subcommittee of actions taken or to be taken on any recommendations made in the  
28 report or explain the reasons for not taking action.

29 (b) Requests for Auditor Assistance. – Committees of the General Assembly, the  
30 Governor, and other State officials may make written requests that the Auditor  
31 undertake, to the extent deemed practicable and within the resources provided, a  
32 specific audit or investigation; provide technical assistance and advice; and provide  
33 recommendations on management systems, finance, accounting, auditing, and other  
34 areas of management interest. Requests from members or committees of the General  
35 Assembly shall be submitted to the Joint Legislative Commission on Governmental  
36 Operations, or, at the direction of the Commission chairmen, to the Commission's  
37 Legislative Audit Subcommittee.

38 (c) Cooperation with Other Governmental Bodies. – The Auditor shall cooperate,  
39 act, and function with other audit or evaluation organizations in the State, with  
40 appropriate councils or committees of other states, with governing bodies of the  
41 political subdivisions of the State, and with federal agencies in an effort to maximize the  
42 extent of intergovernmental audit coordination and thereby avoid unnecessary  
43 duplication and expense of audit effort. Nothing in this Article is intended nor shall it  
44 be construed as giving the Auditor control over the internal auditors of any agency."

1           Sec. 8.4. G.S. 120-74 reads as rewritten:

2   "**§ 120-74. Appointment of members; terms of office.**

3       Except as provided in G.S. 120-80.1, the ~~The~~ Commission shall consist of 22  
4 members. The President pro tempore of the Senate, the Speaker pro tempore of the  
5 House, and the Majority Leader of the Senate and the Speaker of the House shall serve  
6 as ex officio members of the Commission. The Speaker of the House of  
7 Representatives shall appoint nine members from the House. The President pro  
8 tempore of the Senate shall appoint nine members from the Senate. Vacancies created  
9 by resignation or otherwise shall be filled by the original appointing authority.  
10 Members shall serve two-year terms beginning and ending on January 15 of the odd-  
11 numbered years, except that initial appointments shall begin on July 1, 1975. Members  
12 shall not be disqualified from completing a term of service on the Commission because  
13 they fail to run or are defeated for reelection. Resignation or removal from the General  
14 Assembly shall constitute resignation or removal from membership on the Commission.  
15 The terms of the initial members of the Commission shall expire January 15, 1977."

16           Sec. 8.5. Requirements as to program-based budgeting and program  
17 evaluation based on outcome measures necessitate that certain performance audit  
18 functions be conducted by personnel who have unique blends of skills and experiences  
19 that do not fall within the traditional classifications for auditors. Accordingly, the State  
20 Auditor may establish up to three positions that are exempt from the State Personnel Act  
21 for persons who conduct performance audits. These positions may be established as  
22 exempt positions if the State Auditor determines that there is no adequate classification  
23 for such positions within the State personnel system.

24  
25 PART IX.—STUDY GENERAL ASSEMBLY OPERATIONS.

26           Sec. 9.1. The Legislative Services Commission shall retain a consultant to  
27 conduct a study of job classifications and compensation of all legislative employees.

28           Under the direction of the Legislative Services Commission, the Legislative  
29 Administrative Officer shall provide assistance to the consultant.

30           The study shall include the development of the following components:  
31 classification system (including job descriptions), compensation philosophy, salary  
32 structure, pay delivery, and external and internal job evaluations. The study shall  
33 determine which jobs are paid below, at, or above the market rates.

34           The consultant retained by the Legislative Services Commission shall be  
35 selected through a competitive procurement process.

36           Beginning April 1, 1994, the consultant shall make quarterly reports on the  
37 study's progress to the Legislative Services Commission. The consultant shall complete  
38 the study and present its findings to the Legislative Services Commission no later than  
39 October 1, 1994.

40           Sec. 9.2. The Legislative Services Commission shall study the following  
41 issues and implement any recommendations regarding those issues: (i) the benefits  
42 provided to temporary legislative employees, (ii) the appointment of a Human  
43 Resources Management Officer for the General Assembly, and (iii) the overall  
44 organizational structure and staffing of the General Assembly.



1           Sec. 9.3. The General Assembly shall have conducted a peer review of the  
2 organizational structure and staffing capabilities and levels required to serve the General  
3 Assembly in the future. The review shall be completed by July 1, 1994.

4           Sec. 9.4. The Legislative Services Commission shall develop a facilities plan  
5 that defines current space needs and plans for future needs for facilities and storage  
6 space. This plan shall be completed by July 1, 1994.

7           Sec. 9.5. G.S. 120-31 is amended by adding a new subsection to read:

8           "(f) The Legislative Services Commission shall meet at least quarterly, but may  
9 provide for cancellation of a meeting if there is no business to transact."

10  
11 PART IX-A.—REVIEW BY JOINT LEGISLATIVE COMMISSION ON  
12 GOVERNMENTAL OPERATIONS.

13           Sec. 9A.1. The Director of the Budget shall report to the Joint Legislative  
14 Commission on Governmental Operations not later than December 1, 1993, on  
15 implementation progress of Parts I through III, Sec. 4.1. of Part IV, and Parts V through  
16 IX of this act and shall make a final report to the Joint Legislative Commission on  
17 Governmental Operations not later than March 1, 1994, on those Parts.

18  
19 PART X.—PART HEADINGS FOR REFERENCE ONLY

20           Sec. 10.1. The Part headings contained in this act are for reference only and  
21 they in no way limit, define, or prescribe the scope or application of the text of the act.

22  
23 PART XI.—EFFECTIVE DATE

24           Sec. 11.1. Sections 4.2 and 4.3 of this act become effective January 1, 1995.  
25 The remaining sections of this act are effective upon ratification and shall expire June  
26 30, 1994. Personnel positions for which funds have been appropriated to implement  
27 this act shall be time-limited permanent positions and shall expire June 30, 1994.