

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 1551
Committee Substitute Favorable 5/4/07

Short Title: State Gov't Acctability/Internal Control Act.

(Public)

Sponsors:

Referred to:

April 18, 2007

A BILL TO BE ENTITLED

1 AN ACT TO ENACT THE STATE GOVERNMENTAL ACCOUNTABILITY AND
2 INTERNAL CONTROL ACT; TO ESTABLISH INTERNAL CONTROL
3 STANDARDS FOR STATE GOVERNMENT; AND TO INCREASE FISCAL
4 ACCOUNTABILITY WITHIN STATE GOVERNMENT.
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6 Whereas, the people of North Carolina entrust the oversight of public
7 institutions to elected and appointed officials for the purpose of furthering the public
8 interest; and

9 Whereas, the oversight of those public institutions requires an effective and
10 efficient system of internal control providing reasonable assurance that the public's
11 objectives are met; and

12 Whereas, ensuring such a system of internal control requires applicable
13 statewide standards and specific assignment of related responsibilities; and

14 Whereas, for a system of internal control to continue to operate properly,
15 responsibilities for and within the system must be clearly demarked; Now, therefore,
16 The General Assembly of North Carolina enacts:

17 **SECTION 1.** The General Statutes are amended by adding a new Chapter to
18 read:

19 **"Chapter 143D.**

20 **"The State Governmental Accountability and Internal Control Act.**

21 **"Article 1.**

22 **"General Provisions.**

23 **"§ 143D-1. Title.**

24 This Chapter shall be known and may be cited as the 'State Governmental
25 Accountability and Internal Control Act.'

26 **"§ 143D-2. Purpose.**

27 The purpose of this Chapter is to ensure a strong and effective system of internal
28 control within State government and to clearly indicate responsibilities related to that
29 system of internal control. Therefore, it is the intent of the General Assembly in this

1 Chapter to clearly establish responsibilities related to internal control within State
2 government.

3 **"§ 143D-3. Definitions.**

4 The following definitions apply in this Chapter:

- 5 (1) Internal control. – An integral process, effected by an entity's
6 governing body, management, and other personnel, designed to
7 provide reasonable assurance regarding the achievement of objectives
8 related to the effectiveness and efficiency of operations, reliability of
9 financial reporting, and compliance with applicable laws and
10 regulations.
- 11 (2) Principal executive officer. – Executive head of a State agency.
- 12 (3) Principal fiscal officer. – Chief fiscal officer of a State agency.
- 13 (4) State agency. – Any department, institution, board, commission,
14 committee, division, bureau, officer, official, or any other entity for
15 which the State has oversight responsibility, including, but not limited
16 to, any university, mental or specialty hospital, community college, or
17 clerk of court.

18 "Article 2.

19 "Internal Control Responsibilities.

20 **"§ 143D-6. Standards setting responsibilities.**

21 The State Controller, in consultation with the State Auditor, shall establish
22 comprehensive standards, policies, and procedures to ensure a strong and effective
23 system of internal control within State government. These standards, policies, and
24 procedures shall be made readily available to all State agencies, and the State Controller
25 shall make appropriate education efforts to inform relevant State agency staffs of the
26 standards, policies, procedures, and internal control best practices. These efforts shall
27 include the development of training courses, manuals, and other information sources to
28 promulgate internal control standards, policies, procedures, and best practices
29 throughout all State agencies.

30 **"§ 143D-7. Agency management responsibilities.**

31 The management of each State agency bears full responsibility for establishing and
32 maintaining a proper system of internal control within that agency. Each principal
33 executive officer and each principal fiscal officer shall annually certify, in a manner
34 prescribed by the State Controller, that the agency has in place a proper system of
35 internal control. The State Controller shall develop policies and procedures to direct
36 agencies in their evaluation.

37 The management of each State agency also bears the responsibility periodically to
38 submit accurate and complete financial information to the State Controller for
39 compilation into North Carolina State government's various financial reports and other
40 related financial information disseminated to the public. With the submission of such
41 periodic reports to the State Controller, each agency's principal executive officer and
42 each agency's principal fiscal officer shall certify, in a manner prescribed by the State
43 Controller, to the accuracy and completeness of the financial information submitted.

44 **"§ 143D-8. Internet control documentation.**

