

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 265

Short Title: UNC Flexibility Procedures.

(Public)

Sponsors: Senator Lee.

Referred to: Education/Higher Education.

February 27, 1997

A BILL TO BE ENTITLED

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

4 The General Assembly of North Carolina enacts:

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

6 **"§ 116-30.1. Special responsibility constituent institutions.**

7 The Board of Governors of The University of North Carolina, acting on
8 recommendation made by the President of The University of North Carolina after
9 consultation by him with the State Auditor, may designate one or more constituent
10 institutions of The University as special responsibility constituent institutions. That
11 designation shall be based on an express finding by the Board of Governors that each
12 institution to be so designated has the management staff and internal financial controls
13 that will enable it to administer competently and responsibly all additional management
14 authority and discretion to be delegated to it. The Board of Governors, on
15 recommendation of the President, shall adopt rules prescribing management staffing
16 standards and internal financial controls and safeguards, including the lack of any
17 significant ~~exceptions or audit~~ findings in the annual financial audit by the State Auditor's
18 Office, that must be met by a constituent institution before it may be designated a special
19 responsibility constituent institution and must be maintained in order for it to retain that
20

1 designation. These rules shall not be designed to prohibit participation by a constituent
2 institution because of its size. These rules shall establish procedures for the President and
3 his staff to review the annual financial audit reports or any other ~~special~~ special, electronic
4 data processing, or performance audit reports or management letters issued by the State
5 Auditors Office for each special responsibility constituent institution. The President shall
6 take immediate action regarding reported weaknesses in the internal control structure,
7 deficiencies in the accounting records, and noncompliance with rules and regulations. In
8 any instance where ~~such audit exceptions~~ significant findings are identified, the President
9 shall notify the Chancellor of the particular special responsibility constituent institution
10 that ~~such exceptions must be resolved to the satisfaction of the State Auditor and the institution~~
11 must make satisfactory progress in resolving the findings, as determined by the President
12 of The University ~~University~~, after consultation with the State Auditor, within a three-
13 month period commencing with the date of receipt of the published financial audit ~~report.~~
14 report, any other audit report, or management letter. ~~If the exceptions are not satisfactorily~~
15 resolved ~~satisfactory progress is not made~~ within a three-month period, the President of
16 The University shall recommend to the Board of Governors at its next meeting that the
17 designation of the particular institution as a special responsibility constituent institution
18 be terminated until such time as the exceptions are resolved to the satisfaction of ~~the State~~
19 ~~Auditor and the President of The University of North Carolina.~~ Carolina, after consultation
20 with the State Auditor. However, once the designation as a special responsibility
21 constituent institution has been withdrawn by the Board of Governors, reinstatement may
22 not be effective until the beginning of the following fiscal year at the earliest. Any
23 actions taken by the Board of Governors with respect to withdrawal or reinstatement of
24 an institution's status as a special responsibility constituent institution shall be reported
25 immediately to the Joint Legislative Education Oversight Committee.

26 The rules established under this section shall include review by the President, after
27 ~~and~~ consultation with the State Auditor, the Director of the Office of State Personnel, and
28 the Director of the Division of State Purchasing and Contracts in ascertaining whether or
29 not a constituent institution has the management staff and internal financial controls to
30 administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and 143-
31 53.1. Such review and consultation must take place no less frequently than once each
32 biennium."

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