

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

S

2

SENATE BILL 265

Education/Higher Education Committee Substitute Adopted 3/18/97

Short Title: UNC Flexibility Procedures.

(Public)

Sponsors:

Referred to:

February 27, 1997

A BILL TO BE ENTITLED

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

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23 constituent institution has been withdrawn by the Board of Governors, reinstatement may  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

28 The rules established under this section shall include review by the President, after  
29 ~~and~~ consultation with the State Auditor, the Director of the Office of State Personnel, and  
30 the Director of the Division of State Purchasing and Contracts in ascertaining whether or  
31 not a constituent institution has the management staff and internal financial controls to  
32 administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and 143-  
33 53.1. Such review and consultation must take place no less frequently than once each  
34 biennium."

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