

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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SENATE DRS15281-LB-324A (5/11)

Short Title: State Grantees Disclose.

(Public)

Sponsors: Senator Shubert.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO IMPROVE DISCLOSURE OF EXPENDITURES BY ENTITIES RECEIVING STATE FUNDS, AND TO REQUIRE DISCLOSURE OF WHEN MEMBERS OF THE GENERAL ASSEMBLY OR THE MEMBERS OF THEIR IMMEDIATE FAMILY SERVE AS OFFICERS OR DIRECTORS OF ENTITIES RECEIVING STATE FUNDS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143-6.1 reads as rewritten:

"§ 143-6.1. Report on use of State funds by non-State entities.

(a) Disbursement and Use of State Funds. – Every corporation, organization, and institution that receives, uses, or expends any State funds shall use or expend the funds only for the purposes for which they were appropriated by the General Assembly or collected by the State. State funds include federal funds that flow through the State. For the purposes of this section, the term "grantee" means a corporation, organization, or institution that receives a grant of State funds from a State agency, department, or institution.

The State shall not disburse State funds appropriated by the General Assembly to any grantee or collected by the State for use by any grantee unless that grantee:

- (1) Provides all reports and financial information required under this section to the appropriate State agencies and officials; and
- (2) Provides any additional information that the Office of State Budget and Management deems necessary demonstrating that such grantee is capable of managing the funds in accordance with law and has established adequate financial procedures and controls.

All financial statements furnished to the State Auditor pursuant to this section, and any audits or other reports prepared by the State Auditor, are public records.

1 (b) State Agency Responsibilities. – A State agency that receives State funds and
2 then disburses the State funds to a grantee shall:

3 (1) Submit documents to the State Auditor in a prescribed format
4 describing standards of compliance and suggested audit procedures
5 sufficient to give adequate direction to independent auditors
6 performing audits.

7 (2) Annually, at the time the grant is made, notify each grantee, in writing,
8 of the reporting requirements set forth in this section and that the State
9 agency is not authorized to disburse funds to grantees that fail to
10 comply with the reporting requirements for funds received during the
11 prior fiscal year.

12 (3) Provide each grantee with the accounting form and other requirements
13 prescribed by the State Auditor.

14 (4) Submit a list to the State Auditor by October 31 each year of every
15 grantee to which the agency disbursed State funds in the prior fiscal
16 year, the amount disbursed to each grantee, and other such information
17 as required by the State Auditor to comply with the requirements set
18 forth in this section.

19 (5) Submit a list to the Office of State Budget and Management by
20 January 31 each year of every grantee to which the agency disbursed
21 State funds in the prior fiscal year and, for each grantee, whether that
22 grantee has filed ~~the~~ either:

23 a. The sworn accounting required by subsection (c) of this section
24 and whether the sworn accounting is in compliance with
25 subsection (c) of this ~~section~~ section; or

26 b. The sworn statement required by subsection (b1) of this section
27 and whether the sworn accounting is in compliance with
28 subsection (b1) of this section.

29 (b1) Grantee Simplified Statement of Receipts and Expenditures. – A grantee that
30 receives, uses, or expends fifteen thousand dollars (\$15,000) or less in State funds
31 annually must file annually with the State agency that disbursed the funds a sworn
32 statement of receipts and expenditures of the State funds and a description of activities
33 and accomplishments undertaken by the grantee with State funds. This statement must
34 be attested to by the treasurer of the grantee. The statement must be filed within 90 days
35 after the end of the grantee's fiscal year in which the State funds were received. The
36 statement shall be in the form required by the State Auditor and provided to the grantee
37 by the disbursing agency, and shall be in a simplified form.

38 (c) Grantee Receipt and Expenditure Reports. – A grantee that receives, uses, or
39 expends between fifteen thousand dollars (\$15,000) and three hundred thousand dollars
40 (\$300,000) in State funds annually must file annually with the State agency that
41 disbursed the funds a sworn accounting of receipts and expenditures of the State funds
42 and a description of activities and accomplishments undertaken by the grantee with
43 State funds. This accounting must be attested to by the treasurer of the grantee and one
44 other authorizing officer of the grantee. The accounting must be filed within six months

1 after the end of the grantee's fiscal year in which the State funds were received. The
2 accounting shall be in the form required by the State Auditor and provided to the
3 grantee by the disbursing agency.

4 (d) Grantee Audit Reports. – A grantee that receives, uses, or expends State
5 funds in the amount of three hundred thousand dollars (\$300,000) or more annually
6 must file annually with the State Auditor a financial statement in the form and on the
7 schedule prescribed by the State Auditor. These audit reports shall be filed no later than
8 nine months after the close of the grantee's fiscal year. The financial statement must be
9 audited in accordance with standards prescribed by the State Auditor to assure that State
10 funds are used for the purposes provided by law.

11 A grantee that receives, uses, or expends State funds in the amount of three hundred
12 thousand dollars (\$300,000) or more annually must file annually with the State agency
13 that disbursed the funds a description of activities and accomplishments undertaken by
14 the grantee with State funds. This description must be filed within 90 days after the end
15 of the grantee's fiscal year in which the State funds were received.

16 (d1) Grantee Statement of Legislative Affiliation. – Any grantee that has been a
17 member of the General Assembly or a member of the immediate family of a member of
18 the General Assembly as one of its officers, directors, employees, or subcontractors
19 shall disclose that fact to the State agency disbursing those funds, listing the name of the
20 person and the affiliation with the grantee. The disclosure shall be in writing, and filed
21 with the application for the grant, or if no formal grant application is required, with the
22 request for disbursement of funds. A copy of the disclosure shall be filed with the State
23 Auditor by the State agency. Failure to accurately disclose the affiliation shall void the
24 grant and funds disbursed in error must be repaid to the State.

25 (d1) State Auditor's Responsibilities. – The State Auditor shall:

- 26 (1) Review each audit submitted pursuant to subsection (d) of this section
27 and determine that it has been conducted in accordance with generally
28 accepted audit standards and that the grantee has received a clean audit
29 opinion.
- 30 (2) Notify disbursing agencies by January 31 each year of all grantees that
31 are not in compliance with the reporting requirements set forth in this
32 section.
- 33 (3) Notify disbursing agencies of any material audit findings in the audits
34 of their grantees.
- 35 (4) Submit a list to the Office of State Budget and Management by
36 January 31 each year of every grantee that received State funds in the
37 prior fiscal year and, for each grantee, whether that grantee has
38 complied with this subsection.

39 (d2) Before a State agency disburses any funds for the fourth quarter of a fiscal
40 year, the agency shall, in consultation with the Office of State Budget and Management,
41 verify that the grantee has complied with the reporting requirements of this section. A
42 State agency shall not disburse funds during the fourth quarter of the fiscal year to any
43 grantee that has not complied with this section by March 31 of each year.

1 (d3) The Office of State Budget and Management shall report to the Joint
2 Legislative Commission on Governmental Operations and the Fiscal Research Division
3 by May 1 of each year on all grantees that failed to comply with this section for the
4 prior fiscal year, the amount of State funds that were disbursed to each of those grantees
5 during that fiscal year, and the amount of State funds that were withheld.

6 (e) Federal Reporting Requirements. – Federal law may require a grantee to
7 make additional reports with respect to funds for which reports are required under this
8 section. Notwithstanding the provisions of this section, a grantee may satisfy the
9 reporting requirements of subsection (c) of this section by submitting a copy of the
10 report required under federal law with respect to the same funds or by submitting a copy
11 of the report described in subsection (d) of this section.

12 (f) Audit Oversight. – The State Auditor has audit oversight, pursuant to Article
13 5A of Chapter 147 of the General Statutes, of every grantee that receives, uses, or
14 expends State funds. Such a grantee must, upon request, furnish to the State Auditor for
15 audit all books, records, and other information necessary for the State Auditor to
16 account fully for the use and expenditure of State funds. The grantee must furnish any
17 additional financial or budgetary information requested by the State Auditor."

18 **SECTION 2.** This act is effective when it becomes law.