

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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SENATE BILL 976  
State and Local Government Committee Substitute Adopted 5/12/09

Short Title: Establish NC Office of Management Innovation. (Public)

Sponsors:

Referred to:

March 26, 2009

1 A BILL TO BE ENTITLED  
2 AN ACT TO ESTABLISH THE NORTH CAROLINA OFFICE OF MANAGEMENT  
3 INNOVATION.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 143-746(a) reads as rewritten:

6 "**§ 143-746. Internal auditing required.**

7 (a) Requirements. – A State agency shall establish a program of internal auditing that:

- 8 (1) Implements an effective system of internal controls that safeguards public  
9 funds and assets and minimizes incidences of fraud, waste, and abuse.  
10 (2) Ensures programs and business operations are administered in compliance  
11 with federal and state laws, regulations, and other requirements.  
12 (3) Reviews the effectiveness and efficiency of agency and program operations  
13 and service ~~delivery.~~ delivery, in consultation with the Office of  
14 Management Innovation.  
15 (4) Periodically audits the agency's major systems and controls, including:  
16 a. Accounting systems and controls.  
17 b. Administrative systems and controls.  
18 c. Electronic data processing systems and controls."

19 **SECTION 2.** Chapter 147 of the General Statutes is amended by adding a new  
20 Article to read:

21 "Article 3E.

22 "Office of Management Innovation.

23 "**§ 147-33.120. Office of Management Innovation established.**

24 The North Carolina Office of Management Innovation (Office) is established within the  
25 Office of State Budget and Management to provide training and support for State agencies to  
26 implement best practices in management in order to give agencies the tools necessary to  
27 improve efficiency and economy.

28 "**§ 147-33.121. Duties.**

29 The Office shall have the following duties:

- 30 (1) Train State agencies to identify ways to improve the effectiveness,  
31 efficiency, and quality of agency and program operations and services.  
32 (2) Train and assist State agencies to adopt a systems approach to management.  
33 This may include, but is not limited to, adopting elements of the following  
34 management systems:  
35 a. Lean Management.  
36 b. Total Quality Management.  
37 c. Theory of Constraints.



1 d. Competence-based Strategic Management.

2 (3) Encourage State agencies to adopt managerial accounting methods to assist  
3 managers in decision making.

4 (4) Develop and implement a train-the-trainer process.

5 (5) Develop an incentive plan to encourage State agencies to adopt best  
6 practices in management and present the plan to the Joint Legislative  
7 Program Evaluation Oversight Committee for review.

8 (6) Develop strategies for disseminating best practices developed by the Office.

9 (7) Provide input related to the proposals regarding new or revised legislation,  
10 regulations, and related changes which have a direct impact over  
11 implementation.

12 (8) Lead the development of alliances and partnerships with the business  
13 community, associations, consultants, and other stakeholders to enhance  
14 external support and advance the implementation of best practices in State  
15 government.

16 (9) Lead relations with the General Assembly and staff to build support for and  
17 understanding of best management practices in State government.

18 (10) Develop an Internet Web site for status reporting on Office initiatives and  
19 for providing information on Web-based training for agencies. The Web site  
20 may also be used for agencies to showcase their successes.

21 In carrying out its duties, the Office shall consult with and coordinate with the Program  
22 Evaluation Division of the Legislative Services Office.

23 The members of the core staff of the Office are encouraged to consult with the academic  
24 community to further their understanding of best management practices and the systems  
25 approach to public administration.

26 The Office shall make semiannual progress reports to the Governor and the Joint  
27 Legislative Program Evaluation Oversight Committee. The Program Evaluation Division of the  
28 Legislative Services Office shall review the report and present its evaluation of the report with  
29 regards to the progress made by the Office of Management Innovation to the Joint Legislative  
30 Program Evaluation Oversight Committee at its next meeting.

31 **"§ 147-33.122. Director; appointment and qualifications.**

32 The Governor shall appoint a Director for the Office. The Director of the Office shall report  
33 directly to the Governor and shall serve at the pleasure of the Governor. The Director shall  
34 have a minimum of a doctorate degree in a business management related field from an  
35 accredited college or university, with at least a basic understanding of systems approach to  
36 management, and a minimum of seven years of practical experience. The Director shall have a  
37 good balance of experience conducting research and practical experience in business  
38 management.

39 **"§ 147-33.123. Office staff.**

40 The Director shall hire staff to carry out the duties of the Office. The core staff of the Office  
41 shall consist of individuals with understanding in:

42 (1) Systems approach to management.

43 (2) Lean Management, Total Quality Management, and Organizational  
44 Development.

45 (3) Operations management, with a focus on the Theory of Constraints.

46 (4) Certified managerial accounting.

47 (5) Activity-based costing.

48 (6) Management Information Systems.

49 (7) Human resources.

50 (8) Marketing.

1 Members of the core staff shall have a minimum of a masters' degree and a good balance of  
2 experience in academia and practical private sector experience in their respective fields. The  
3 Director may hire additional administrative staff to support the core staff."

4 **SECTION 3.** Part 2 of Article 1 of Chapter 116 of the General Statutes is amended  
5 by adding a new section to read:

6 "**§ 116-34.2. Institute of Management Innovation established.**

7 The Board of Governors of The University of North Carolina shall establish the Institute of  
8 Management Innovation within the Department of Political Science and Public Affairs at  
9 Western Carolina University to conduct research regarding best practices in management and  
10 act as a resource for the North Carolina Office of Management Innovation, established in  
11 Article 3E of Chapter 147 of the General Statutes."

12 **SECTION 4.** There is appropriated from the General Fund to the Office of State  
13 Budget and Management the sum of one million sixty-eight thousand dollars (\$1,068,000) for  
14 the 2009-2010 fiscal year and the sum of one million sixty-eight thousand dollars (\$1,068,000)  
15 for the 2010-2011 fiscal year for the support of the Office of Management Innovation. There is  
16 appropriated from the General Fund to The University of North Carolina the sum of two  
17 hundred fifty thousand dollars (\$250,000) for the 2009-2010 fiscal year and the sum of two  
18 hundred fifty thousand dollars (\$250,000) for the 2010-2011 fiscal year for the support of the  
19 Institute of Management Innovation at Western Carolina University.

20 **SECTION 5.** This act becomes effective July 1, 2009.