



*A Constitutional Office of the
State of North Carolina*



Dave Boliek
State Auditor

DHHS Update

March 10, 2026

What's Covered?

- ① **Financial Audits**
- ② **Performance Audits**
- ③ **Division of Accountability, Value, and Efficiency Long-Term Vacancies and Lapsed Salaries at DHHS**
- ④ **What's Next?**



Financial Statement Audits

Annual Audit Process

OSA conducts yearly audits for DHHS to support the State’s Annual Comprehensive Financial Report (ACFR) and standalone financial statements.

The Department’s financial operations are reflected in the State’s ACFR, primarily in the General Fund.

Because Department’s financial information is combined with other state agencies in the “General Fund” column, we issue a separate departmental audit after the State’s ACFR is completed.

The 2025 financial statement audit is currently in progress with an expected release in May 2026.

2024 DHHS Financial Audit Figures	
Federal Revenue	\$26 Billion
State Appropriation Revenue	\$7.3 Billion
Grant, State Aid, and Subsidies Expenditures	\$31.8 Billion
Salaries & Benefits Expenditures	\$1.3 Billion
Contracted Personal Services	\$993 Million

Results
No material issues noted in the past or recent related to the Department’s financial statement audits.



Federal Compliance Audits

Annual Audit Process

Annually, OSA completes federal compliance audit work across several federal programs to support the State's Single Audit.

OSA publishes the State's Single Audit Report in early April of each year.



Historically Audited Programs

- Medicaid
- Children's Health Insurance Program (CHIP)
- Temporary Assistance for Needy Families (TANF)
- Supplemental Nutrition Assistance Program (SNAP)
- Women, Infants, and Children (WIC)
- Child Support Services
- Child and Adult Care Food Program
- Opioid
- Substance Abuse Block Grants
- Vocational Rehabilitation Services
- Foster Care
- Adoption Assistance
- Aging Cluster
- HIV Care Formula Grants
- Immunization Cooperative Agreements



Federal Compliance Audits – Common Findings



Subrecipient Monitoring

- This is where the Department passes funds to local governments, nonprofits, etc. to carry out part of the program.
- The Department is responsible for making sure subrecipients use the federal funds correctly and in line with the program's purpose.
- Issues in this area are common because responsibilities are spread across different teams – program staff oversee activities, while finance staff process payments. Limited staff and resources at the Department level are often the main cause.
- Effective monitoring depends heavily on the Department's risk assessment of each subrecipient, which determines how often monitoring occurs, the type of monitoring (such as on-site visits), and the level of review required.



Eligibility

- Programs (like Medicaid and TANF) that provide benefits are highly dependent on accurate eligibility determinations. These determinations are made during intake at the local level (county departments of social services) where staff must interpret and apply complex eligibility rules.
- Although the counties perform the eligibility determinations, the Department remains responsible for establishing eligibility policies, maintaining the eligibility systems, and facilitating training to county staff.
- Issues in this area are common due to the high volume of eligibility determinations made across all 100 counties. The combination of complex rules, policy changes, and human error with data entry increases the risk of mistakes.



Medicaid Provider Enrollment Audit Recap

The Office of the State Auditor's (OSA) July 2025 *Medicaid Provider Enrollment Follow-Up* audit found DHHS did not fully implement recommendations made in OSA's June 2021 [Medicaid Provider Enrollment](#) performance audit.

Key Findings:

- Non-Practice Agreements
- License limitations



- No required credentials
- No verification

Why it Matters?

- **Increased risk** that providers whose actions posed a **threat to patient safety** were enrolled in Medicaid and could receive payments from North Carolina's Medicaid program.
- Given this report came **four years** after similar findings, it's clear DHHS has failed to fully remedy the issue, leaving North Carolina's Medicaid system and taxpayers **vulnerable to fraudulent and potentially dangerous behavior**.

Untimely SNAP Payments Audit Recap



Key Finding

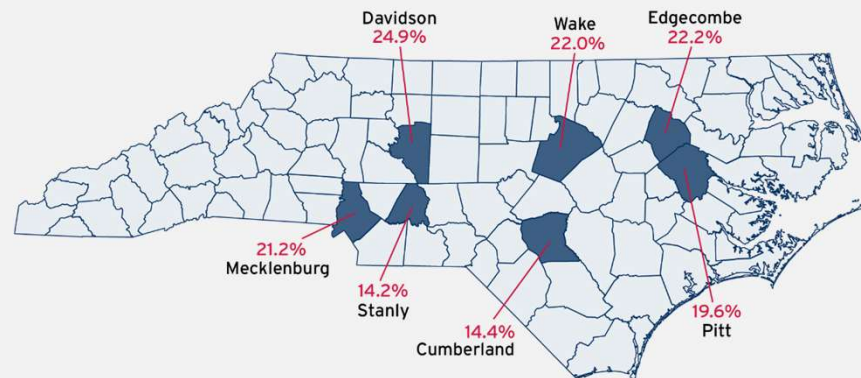
OSA found that between January 2021 and December 2024

SNAP benefit payments were *not always* made timely

~\$83 million financial assistance were *not received* when needed



Most Untimely Counties



Why it Matters?

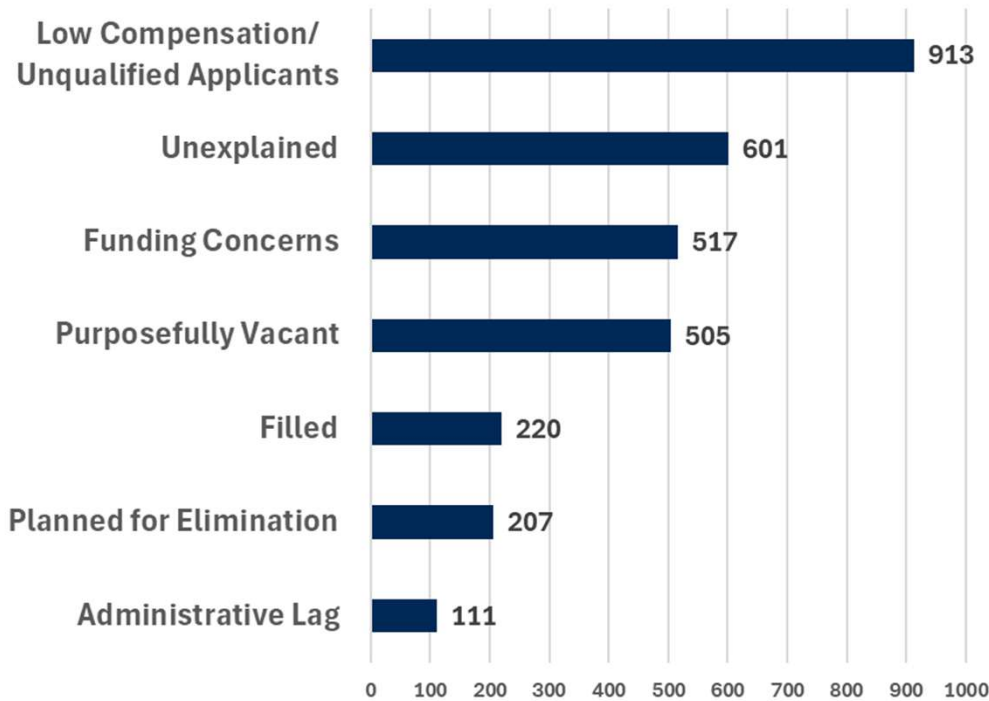
SNAP help families with **children, elderly people**, and those with **disabilities** with limited incomes supplement their budgets so they can purchase food.

- **66%** of SNAP participants were **families with children**,
- **34%** were families with **older or disabled adults**,
- **46%** were **working families**.

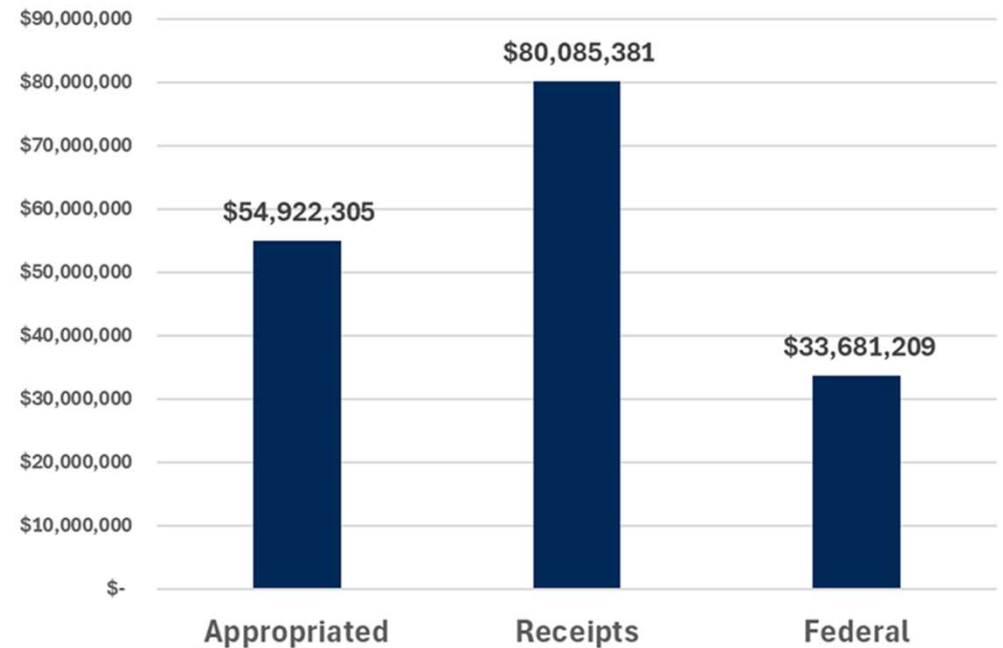
DHHS Long-Term Vacancies & Lapsed Salaries

3,074 Long-Term Vacancies

Reasons for Long-Term Vacancies



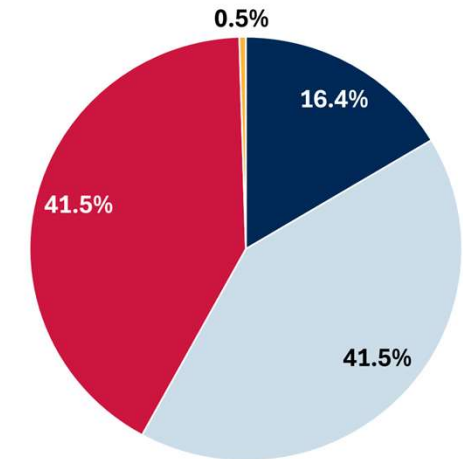
Annual Lapsed Salary from Long-Term Vacancies



Inaccurate/Slow Elimination Procedures

- 207 long-term vacancies planned for elimination on Oct. 1, 2025
- Accounts for 25% of all long-term vacancies planned for elimination across all State agencies
- 34 eliminated by Feb. 1, 2026, 86 eliminated after follow-up audit engagement letter
- 86 repurposed from RJ Blackley, a closed facility, and are now funded by the Rural Health Transformation Program (RHTP)

Long-Term Vacancies Marked for Elimination
Status as of March 1, 2026



■ Eliminated before Feb. 1, 2026 ■ Eliminated after Feb. 1, 2026
■ Repurposed from RJ Blackley ■ Filled



Late Lapsed Salary Reporting

- **SFY 24-25 Report on the Use of Lapsed Salary**
 - **124 days late as of March 4, 2026**
 - **An average of 296 days late since 2017**
- **OSBM reports \$386 million in DHHS lapsed salaries for SFY 24-25**
- **Late reports detract from the financial transparency needed for accurate decision-making and oversight**



