



BETH A. WOOD, CPA  
STATE AUDITOR

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7600  
Internet <http://www.ncauditor.net>

November 1, 2012

Joint Legislative Commission on Governmental Operations  
Honorable Thom Tillis, Speaker of the House; Honorable Phil Berger, President Pro Tem of the  
Senate, Co-Chairs  
Legislative Building  
16 West Jones Street  
Raleigh, NC 27601

RE: Preliminary Report on Performance Audit of Medicaid

Sirs:

SECTION 10.9A.(a) of the state budget requires the Office of the State Auditor to audit the Department of Health and Human Services, Division of Medical Assistance, and the State Medicaid Program operated within the Department.

To assist the Office of the State Auditor and to serve as subject matter experts for the audit, we contracted with PHBV Partners, a certified public accounting firm specializing in the health care industry.

To fulfill the request of the General Assembly, the audit will:

- Evaluate the accuracy and completeness of Medicaid program financial forecasting;
- Identify instances of noncompliance with the Certified State Budget;
- Document the Medicaid administrative functions, resources, and related contracts;
- Review the timeliness of the State Plan Amendment approval process; and
- Evaluate the adequacy of Medicaid program reporting.

The Office of the State Auditor has completed initial interviews and obtained requested documentation from the Department of Health and Human Services. Auditors have identified preliminary issues and will soon begin the process of verifying and validating the preliminary issues with the Department.



Once auditors have verified and validated the preliminary issues, auditors will prepare and submit a draft report to the Department for an official response.

The Office of the State Auditor will submit a report to the General Assembly no later than February 1, 2013.

Sincerely,

A handwritten signature in cursive script that reads "Beth A. Wood". The signature is written in dark ink and is positioned above the printed name and title.

Beth A. Wood, CPA  
State Auditor