SENATE BILL 257:
2026 Appropriations Act, Sec. 24.5:
Department of State Auditor Changes.

2025-2026 General Assembly

Analysis of:	S.L. 2026-41, Sec. 24.5	**Date:**	August 25, 2026
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Section 24.5 of S.L. 2026-41 (Senate Bill 257) does the following:

- Of the funds appropriated from the General Fund to the Department of State Auditor, requires the Department to use $500,000 in recurring funds beginning in the 2026-2027 fiscal year to pay for the cost of auditing the Annual Comprehensive Financial Report.
- Authorizes the Auditor to change existing appropriated positions and benefits responsible for performing financial statement audits to receipt-supported positions and benefits. These appropriated funds do not revert to the General Fund.
- Makes changes to the statute describing the responsibilities of the Auditor as follows:
    - On audits of economy and efficiency and program results, requires the auditee's written response to be included in the final report if received within 15 days from receipt of the draft report.
    - Allows the Auditor to elect exemption from the Department of Administration's oversight on matters of purchasing, contracts, acquisition and maintenance of real property, leasing of office space, and disposition of surplus property.
    - Permits the Auditor to enter into an agreement with the Council of District Attorneys to assign resource prosecutors to matters referred by the Auditor to district attorneys.
    - Allows the Auditor to enter into agreements to obtain subject-matter expertise and assistance in auditing Medicaid providers. Any contingent fees paid to these contractors are calculated as a percentage of any recovery of an identified final overpayment and do not exceed the State share of the amount of the final overpayment that is actually recovered multiplied by the applicable contingency fee rate.
    - Requires the Auditor to notify and coordinate with the Department of Health and Human Services (DHHS) before auditing Medicaid providers for suspected fraud, waste, or abuse to ensure no duplication of efforts are underway by DHHS, prepaid health plans, the NC Department of Justice Medicaid Investigation Division, or federal auditors.
    - Requires the Auditor to share the results of any audit of a Medicaid provider completed by the Auditor or its contractors with DHHS.
    - Directs the Auditor and any contractors providing expertise and assistance in auditing Medicaid providers to work with DHHS with respect to potential adverse determinations. The Auditor must refer (i) any matter of suspected Medicaid provider fraud to DHHS for review and submission to the NC Department of Justice Medicaid Investigation Division

and (ii) any matters of improper government activities to the appropriate law enforcement entities.

- Makes DHHS responsible for returning the federal share of any overpayment to the Centers for Medicare and Medicaid Services, if an audit results in the recovery of an overpayment.
- Prohibits the Auditor from charging or collecting from the Office of the State Controller any costs associated with auditing the Annual Comprehensive Financial Report.

- Amends the statute describing contracted audits by removing the exception to the State Auditor approval requirements for audits called by the Governor.

The non-statutory changes above became effective July 1, 2026, and the statutory changes above become effective October 1, 2026. The remainder of this section became effective July 7, 2026.