



NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**
Office of the Controller

JOSH STEIN • Governor

DEV DUTTA SANGVAI • Secretary

LAKETHA M. MILLER • Controller

MEMORANDUM

TO: Facilities Providing Services to Recipients of State/County Special Assistance for Adults

FROM: Laketha M. Miller DocuSigned by:
Laketha M. Miller
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DATE: May 28, 2025

SUBJECT: Department of Health and Human Services Implementation of Legislation Affecting the Cost and Revenue Reporting for Adult Care Facilities

Applicability. The 2016 Session of the North Carolina General Assembly modified legislation requiring adult care facilities with seven or more licensed bed capacity to submit audited Cost Reports every two years. **The Cost Report for the 2024-2025 year is required to be audited for facilities with seven or more licensed beds. After the 2024-25 cost reporting cycle, the next cycle will be 2026-2027.**

Audit Requirements. To meet the requirements of G.S. 131D-4.2 and to minimize the audit cost incurred by the facilities, the N. C. Department of Health and Human Services (Department) has developed procedures (attached) intended to be applied during an agreed-upon procedures engagement performed by a Certified Public Accountant (CPA). The procedures should be performed in accordance with Statement on Standards for Attestation Engagements (SSAE) No. 19 **Agreed-Upon Procedures Engagements**. If a facility, in consultation with their CPA, prefers to have the CPA perform an audit in accordance with Statement on Auditing Standards (SAS) No. 62: *Special Reports*, this will be accepted by the Department. The Independent Accountant's Report on Applying Agreed-Upon Procedures or the SAS No. 62 Special Report, should be emailed by September 30, 2025. Files can be emailed to Susan Kesler at Susan.Kesler@dhhs.nc.gov. As a last resort, AUPs can be mailed to: N. C. Department of Health and Human Services, DHHS Office of the Controller, Attn Susan Kesler, 2019 Mail Service Center, Raleigh, North Carolina 27699-2019. Cost Reports should be submitted using the web-based Cost Report Program. No paper copies of the cost report will be accepted for this cost reporting cycle.

To fulfill the requirements of G. S. 131D-4.2, adult care facilities that fall under Chapter 131D and Chapter 122C are required to submit a Cost Report every two years for the reporting period based on the latest completed fiscal year of the facility. Combined nursing facilities should submit a cost report and audited report based on their last completed Medicare cost report. Facilities should engage a CPA to either perform the attached procedures in accordance with SSAE No. 19 or a SAS No. 62 Special Report. If the facility does not retain a CPA to perform the Agreed-Upon Procedures engagement, the Department will accept agreed-upon procedures performed by an Independent Accountant.

Peer Review Requirements. In accordance with the recommendation of the State Auditor, the Department has established minimum requirements for the acceptance of Independent Accountant's Reports on Applying Agreed-Upon Procedures from Independent Accountants. These minimum requirements are like CPA requirements and are detailed in the attached certification that should be submitted with the Independent Accountant's Report on Applying Agreed-Upon Procedures. Beginning with the 2001 Cost Reports, any Independent Accountant who performs an Agreed-Upon Procedures engagement **must** (1) be enrolled in a peer review program; and (2) if the Independent Accountant has performed agreed-upon procedures engagements for more than two years, he/she **must** have obtained a peer review of his/her agreed-upon procedures engagement within the last three years for the report to be **accepted** by the Department.

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LOCATION: 1050 Umstead Drive, Spruill Annex, Raleigh, NC 27603

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Because of existing certification procedures and peer review requirements established by the State Board of CPA Examiners, we are not requiring CPAs to provide the attached certification. Also, this only relates to the acceptance of the Independent Accountant's Report on Applying Agreed-Upon Procedures. The Department will **not** accept a SAS No. 62 Special Report from an Independent Accountant.

Due Date. The Cost Report which reflects the CPA's/Independent Accountant's adjustments is required to be submitted along with the Independent Accountant's Report on Applying Agreed-Upon Procedures by **September 30, 2025**.

We express our appreciation to the management and staff of the adult care facilities and their CPAs/Independent Accountants for their cooperation in submitting the cost reports. The objective of these procedures is to ensure that information used by the General Assembly to develop rates in connection with the State/County Special Assistance Program is as accurate as possible.

If you have questions about this information, please submit them to the e-mail account at AUP.questions@dhhs.nc.gov. Cost report program issues need to be direct to Susan Kesler (susan.kesler@dhhs.nc.gov or 919-855-3680).

LMM/sk

cc: Joyce Massey-Smith – Division of Aging and Adult Services
Jill Simmerman – Division of Aging and Adult Services
Megan Lamphere – Division of Health Service Regulations
Susan Kesler – Office of the Controller
Scarlette Edwards – Office of the Controller

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