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State Auditor Beth Wood says contracting bill could save taxpayers hundreds of millions of dollars in coming years

RALEIGH, N.C. – A bill ratified in the General Assembly's closing hours could save North Carolina taxpayers hundreds of millions of dollars in coming years, State Auditor Beth Wood said Tuesday.

The bill – Amend State Purchases and Contract Laws – was a recommendation of the Joint Legislative Program Evaluation Oversight Committee based on a series of audits by the Office of the State Auditor. It requires agencies that currently are exempt from State purchase and contract requirements to submit proposed term agreements or contracts over \$1 million to the Attorney General or his designee for review; and to include in those contracts a standard clause that allows the State Auditor and internal auditors to review contractor records to verify data affecting fees and performance.

"Our audits of contracts with the State Health Plan, the E-Purchase Project, Office Depot and for outside medical treatment of prison inmates indicate that the State has paid out tens of millions of dollars in unplanned additional payments to vendors because of poorly worded and poorly negotiated contracts," Wood said after reviewing the final version of the bill approved by the Legislature last Thursday and sent to the Governor Friday. "The review process established in this bill almost certainly will save hundreds of millions of dollars by making sure that taxpayers' interests are protected in any contract signed by the State."

The bill generally prohibits costs-plus-percentage-of-costs contracts like the one signed between the State Health Plan and Blue Cross/Blue Shield to administer the plan. That contract allows Blue Cross to charge its costs plus a percentage of those costs to the health plan, but does not allow the State Auditor to review its records to check if those costs or calculations are appropriate. The new law requires those costs be made available to the State Auditor.

The Program Evaluation Oversight Committee made the issue a top priority for this session after conducting its own investigation of the State's contracting practices earlier this year. Companion bills requiring the additional attention to contracts were filed by Program Evaluation co-chairs Nelson Cole, D-Rockingham; and Jim Crawford, D-Granville, in the House; and Dan Clodfelter, D-Mecklenburg; and Fletcher Hartsell, R-Cabarrus, in the Senate. Sen. Clodfelter shepherded the bill through the Senate, while Rep. Cole handled its passage in the House during the Legislature's final days.

"I truly believe that the Auditor's Office can provide critical information that the State's leadership needs to improve North Carolina's business operations," Wood said. "This new law is an example of how taxpayers can benefit when the State does its business better. I look forward to helping the Attorney General's Office and the Department of Administration implement this new safeguard."