



STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

November 3, 2017

Ms. Lucy U. Drake, Chairman
Cardinal Innovations Board of Directors
550 South Caldwell Street
Charlotte, NC 28202

Dear Ms. Drake:


As you know, the DHHS Office of Internal Audit has expressed concerns about the severance arrangements of Cardinal Innovations (Cardinal). These arrangements may be void as to public policy because they use public funds to pay unjustifiable amounts of compensation to a single individual.

As you also know, the Secretary of DHHS has broad authority and is obligated to do the following pursuant to G.S. § 122C-112.1(a) (20):

Monitor the fiscal and administrative practices of area authorities and county programs to ensure that the programs are accountable to the State for the management and use of federal and State funds allocated for mental health, developmental disabilities, and substance abuse services. The Secretary shall ensure maximum accountability by area authorities and county programs for rate-setting methodologies, reimbursement procedures, billing procedures, provider contracting procedures, record keeping, documentation, and other matters pertaining to financial management and fiscal accountability.

This letter is to inform you that should Cardinal intend to make a severance payment to any employee, Cardinal should seek express written consent from DHHS. Should Cardinal make a payment without such express written consent, DHHS will demand repayment of the impermissible severance amounts. Should you wish to make severance payments, please contact me immediately to arrange for payment of severance that is permissible under the law.

Sincerely,


Mandy Cohen, MD, MPH
Secretary, DHHS

cc: Cardinal Innovations Board of Directors
Chuck Hollowell – General Counsel, Cardinal Innovations
Dave Richard – Deputy Secretary for Medical Assistance
Lisa Corbett – General Counsel, DHHS

WWW.NCDHHS.GOV
TEL 919-855-4800 • FAX 919-715-4645
LOCATION: 101 BLAIR DRIVE • ADAMS BUILDING • RALEIGH, NC 27603
MAILING ADDRESS: 2001 MAIL SERVICE CENTER • RALEIGH, NC 27699-2001
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