

CRISIS AND INPATIENT SERVICES

State Authorization: S.L.2008-107 (House Bill 2436), Part X, Section 10.15 (l) (m); S.L. 2009-451 (Senate Bill 202), Part X, Section 10.12(b); S.L. 2014 (Senate Bill 744), Section 12F.5. Session Law 2015-241, Section 12F.8

**N. C. Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services**

Agency Contact Person - Program

Matt Herr
(919) 715-2100
(919) 508-0951
matt.herr@dhhs.nc.gov

**Agency Contact Person –
Financial**

Christal Kelly
Phone: (919) 715-2124
Christal.Kelly@dhhs.nc.gov

Address Confirmation Letters To:

SFY 2020 audit confirmation reports for payments made to Counties, Local Management Entities (LMEs), Managed Care Organizations (MCOs), Boards of Education, Councils of Government, District Health Departments and DHHS Grant Subrecipients will be available by mid-October at the following web address: <https://www.ncdhhs.gov/about/administrative-offices/office-controller/audit-confirmation-reports> At this site, click on the link entitled “Audit Confirmation Reports (State Fiscal Year 2019-2020)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from DHHS are found at the same website except select “[Non-Governmental Audit Confirmation Reports \(State Fiscal Years 2018-2020\)](#)”.

The Auditor should **not** consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a engagement, but the Auditor should be prepared to justify departures from the suggested procedures. The Auditor **can** consider the Supplement a “safe harbor” for identification of compliance requirements to be tested if the Auditor performs reasonable procedures to ensure that the requirements in the Supplement are current. The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

I. PROGRAM OBJECTIVES

The NC Department of Health and Human Services began the “Crisis Solutions Initiative” in December 2013. The Initiative is managed in the Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS). The NC Crisis Solutions Initiative focuses on identifying and implementing the best-known strategies for crisis care throughout the continuum of prevention, intervention, response, and stabilization. Projects are intended to support the development of appropriate levels of intervention for individuals in behavioral health crises and to reduce avoidable visits to emergency departments and involvement with the criminal justice system.

The NC General Assembly appropriated funding for Crisis Solutions Initiative projects to

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increase the number of Behavioral Health Urgent Care Centers, Facility-Based Crisis Centers and to further the pilot work in Community Paramedicine Behavioral Health Crisis Response.

II. PROGRAM PROCEDURES

Development of Behavioral Health Urgent Care and Facility-Based Crisis Units

Awards/allocations are for \$998,458 each (including \$550,000 state appropriation, \$343,458 mental health block grant, \$105,000 substance abuse block grant). The LME-MCOs continue to receive \$550,000 state appropriation for the projects that they have either renovated or completed construction on. The LME-MCOs are Cardinal Innovations Eastpointe, and Smoky Mountain LME-MCO (Vaya).

Community Paramedicine Behavioral Health Crisis Response

Twelve Emergency Medical System (EMS) agencies were participants in a pilot in SFY2016. Funds were allocated to the LME-MCOs that contracted with county EMS agencies for invoice-based reimbursement of service events to allow the LME-MCO to reimburse the EMS agencies for a “treat/no transport” event or a “transport to alternative destination” event after a field assessment by a properly credentialed and trained paramedic, if that paramedic determines that an individual in a behavioral health crisis may be better served by a specialty mental health provider instead of being transported to a hospital emergency department. In SFY 2017-2018, two EMS agencies (Durham EMS and Wake EMS in the Alliance LME-MCO area were supported by local funds. The NC General Assembly appropriated \$60,000 in mental health and substance use block grant funding for this pilot project, and these funds were allocated to Vaya, Partners, Cardinal, and Trillium LME-MCOs to support the remaining five EMS pilot programs in SFY2017-2018.

Implementation of NC START

- Each of the providers were required to submit an implementation plan outlining how the elements of the NC START model would be implemented.
- START Information Reporting System (SIRS), a comprehensive database, is used by all START teams nationally. This database is used to generate quarterly reporting by the regional clinical teams and resource centers. Reports are submitted through the host LME-MCOs who in turn submit the data to DMH/DD/SAS. Broad reporting components include: information on individuals served, referral and crisis intervention services provided, planned services and training/education provided, and resource center utilization.

III. COMPLIANCE REQUIREMENTS

Crosscutting Requirements

The DHHS/Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS) mandates that all the testing included within the crosscutting section be performed by the local auditors. Please refer to that section, which is identified as “DMH-0” for those mandated requirements.

1. ACTIVITIES ALLOWED OR UNALLOWED

There is documented evidence submitted to the DMH/DD/SAS that the pilot EMS agencies are collecting the data required for reimbursement of service events.

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For NC START, there is written evidence that these funds shall be used to develop and implement NC START services according to the required components of the model. At a minimum there must be three crisis/clinical teams; one team per region of the state and twelve respite beds; four per region (2 planned/2 crisis).

Audit Objectives

- a. Determine whether funds were expended only for allowable activities.

Suggested Audit Procedures:

- a. Crisis services funds are disbursed on a unit cost reimbursement (UCR) and Non-UCR basis. Three-way contract funds are located in 1464 536996001. Sample local documentation on individual client record to verify that clients were enrolled in the Common Name Data System (CNDS), the Consumer Data Warehouse (CDW) and an approved NCTracks benefit plan and that services were provided.
- b. Verify that expenditures are in accordance with any restrictions noted on the allocation letter and that any reports requested on the allocation letter have been submitted to the Division. In reference to those funds ending in '010' these expenditures must be in accordance with the state approved plan submitted by the LME.
- c. Review contract requirements and determine activities which are allowable for reimbursement.
- d. Sample monthly billings to the DMH/DD/SAS to verify that the activities billed for relate directly to the allowable activities to be reimbursed under the terms of the contract.
- e. For NC START:
 - Determine whether the host LME/MCO monitored the contract with the provider of NC START services including review of billing for specific NC START activities.
 - Determine whether the host LME/MCO reviewed the NC START contract with providers to ensure adherence to the terms of the contract.

2. ALLOWABLE COSTS/COST PRINCIPLES

All grantees that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the cost principles described in the N. C. Administrative Code at 09 NCAC 03M .0201 and in 2 CFR, Part 200 Subpart E – Cost Principles.

Audit Objectives

- a. Determine whether funds expended were allowable and in accordance with the applicable cost principles.

Suggested Audit Procedures

- a. Review contract requirements and determine types of activities that are allowable for reimbursement under the terms of the contract.
- b. Sample monthly billings to the DMH/DD/SAS to verify that the costs billed to the DMH/DD/SAS were accurate and relate directly to the allowable activities to be reimbursed under the terms of the contract.

4. CONFLICT OF INTEREST

All non-State entities (except those entities subject to the audit and other reporting requirements of the Local Government Commission) that receive, use or expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are subject to the financial reporting requirements of G. S. 143C-6-23 effective July 1, 2007. These requirements include the submission of a Notarized Conflict of Interest Policy (see G. S. 143C-6-23(b)) and a written statement (if applicable) that the entity does not have any overdue tax debts as defined by G. S. 105-243.1 at the federal, State or local level (see G. S. 143-6-23(c)).

G. S. 143C-6-23(b) stipulates that every grantee shall file with the State agency disbursing funds to the grantee a copy of that grantee's policy addressing conflicts of interest that may arise involving the grantee's management employees and the members of its board of directors or other governing body. The policy shall address situations in which any of these individuals may directly or indirectly benefit, except as the grantee's employees or members of its board or other governing body, from the grantee's disbursing of State funds, and shall include actions to be taken by the grantee or the individual, or both, to avoid conflicts of interest and the appearance of impropriety. The policy shall be filed before the disbursing State agency may disburse the grant funds.

All non-State entities that provide State funding to a non-State entity (except any non-State entity subject to the audit and other reporting requirements of the Local Government Commission) must hold the sub-grantee accountable for the legal and appropriate expenditure of those State grant funds.

Audit Objectives

- a. Determine whether the entity has adequate policies and procedures regarding the disclosure of possible conflicts of interest.

Suggested Audit Procedures

- a. Ascertain that the grantee has a conflict of interest policy.
- b. Verify through Board minutes that the policy was adopted before the grantee received and disbursed State funds.

5. ELIGIBILITY

Adults and children (age 3 and older) who have completed a Screening/Triage/Referral Interview and have received an "Emergent" triage determination, or who are currently enrolled in an MH/DD/SA benefit plan and who are in need of crisis or emergency services beyond the capacity of the designated First Responder provider are eligible.

People with Intellectual/Developmental Disabilities (I/DD) who are at least 18 years of age and who experience crises due to mental health or complex behavioral health issues are eligible for NC START services.

Audit Objectives

- a. Determine whether required eligibility determinations were made, (including obtaining any required documentation/verifications), that individual program participants or groups of participants (including area of service delivery) were

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- determined to be eligible, and that only eligible individuals or groups of individuals (including area of service delivery) participated in the program.
- b. Determine whether subawards were made only to eligible subrecipients.
 - c. Determine whether amounts provided to or on behalf of eligibles were calculated in accordance with program requirements.

Suggested Audit Procedures

- a. Select a sample of client records for individuals served under the terms of the contract;
- b. Review client records for documentation that allowed services were provided to individuals with any age/disability.
- c. Review of NC START quarterly reporting requirements for documentation that allowed services were provided only to individuals with I/DD who experience crises due to mental health or complex behavioral health issues..

6. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Equipment Management

This requirement refers to tangible property that has a useful life of more than one year and costs \$5,000 or more. Such equipment may only be purchased per the conditions of the approved contract or grant agreement. Shall the contract be terminated, any equipment purchased under this program shall be returned to the Division.

Real Property Management

This requirement does not apply to DMH/DD/SAS programs.

Audit Objectives

- a. Determine whether the entity maintains proper records for equipment and adequately safeguards and maintains equipment.
- b. Determine whether disposition or encumbrance of any equipment or real property acquired under State awards is in accordance with State requirements and that the awarding agency was compensated for its share of any property sold.

Suggested Audit Procedures

- a. Obtain entity's policies and procedures for equipment management and ascertain if they comply with the State's policies and procedures.
- b. Select a sample of equipment transactions and test for compliance with the State's policies and procedures for management and disposition of equipment.

10. PROGRAM INCOME

This requirement does not apply at the local level.

12. REPORTING

For Community Crisis initiative funds, reference reporting requirements and report due dates in the allocation letters.

Per G. S. §122C-147.1(d2), LMEs should implement a system to track funds expended on a Non-UCR basis for each disability and for each age/disability category and shall identify the specific services purchased with these funds via the Non-UCR reimbursement report to the Division.

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Quarterly reports on NC START activities will be due by the 20th of the month following the end of the quarter.

Audit Objectives

- a. Determine whether required reports include all activities of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Suggested Audit Procedures

- a. Review applicable laws, regulations and the provisions of the contract for reporting requirements.
- b. Verify that Contractor has provided a final year-end report.
- c. Ascertain if the financial reports were prepared in accordance with the required accounting basis.
- d. For Performance and special reports, verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.
- e. Obtain written documentation from management that the reports provided to the auditor are true copies of the reports submitted to the Division.
- f. Review NC START quarterly reports to ensure that activities/components of the model are provided.

13. SUBRECIPIENT MONITORING

Monitoring is required if the agency disburses or transfers any State funds to other organizations, except for the purchase of goods or services. The grantee shall require such organizations to file with it similar reports and statements as required by G.S. §143C-6-22 and 6-23. If the agency disburses or transfers any pass-through federal funds received from the State to other organizations, the agency shall require such organizations to comply with the applicable requirements of 2 CFR Part 200.331. Accordingly, the agency is responsible for monitoring programmatic and fiscal compliance of subcontractors based on the guidance provided in this compliance supplement and the audit procedures outlined in the DMH-0 Cross-cutting Supplement.

Audit Objectives

- a. Determine whether the pass-through entity properly identified State award information and compliance requirements to the sub recipient, and approved only allowable activities in the award documents.
- b. Determine whether the pass-through entity monitored sub recipient activities to provide reasonable assurance that the sub recipient administers State awards in compliance with State requirements.
- c. Determine whether the pass-through entity ensured required audits are performed, issued a management decision on audit findings within 6 months after receipt of the sub recipient's audit report, and ensures that the sub recipient takes timely and appropriate corrective action on all audit findings.
- d. Determine whether in cases of continued inability or unwillingness of a sub recipient to have the required audits, the pass-through entity took appropriate action using sanctions.
- e. Determine whether the pass-through entity evaluates the impact of sub recipient activities on the pass-through entity.

Suggested Audit Procedures

- a. Gain an understanding of the pass-through entity's sub recipient procedures through a review of the pass-through entity's sub recipient monitoring policies and procedures (e.g., annual monitoring plan) and discussions with staff. This should include an understanding of the scope, frequency, and timeliness of monitoring activities and the number, size, and complexity of awards to sub recipients.
- b. Review the pass-through entity's documentation of during-the-award monitoring to ascertain if the pass-through entity's monitoring provided reasonable assurance that sub recipients used State awards for authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements, and achieved performance goals.
- c. Review the pass-through entity's follow-up to ensure corrective action on deficiencies noted in during-the-award monitoring.
- d. Verify that in cases of continued inability or unwillingness of a sub recipient to have the required audits, the pass-through entity took appropriate action using sanctions.
- e. Verify that the effects of sub recipient noncompliance are properly reflected in the pass-through entity's records.

14. SPECIAL TESTS AND PROVISIONS

All grantees are required to comply with the N. C. Department of Health and Human Services and the Division of Mental Health, Developmental Disabilities and Substance Abuse Services records retention schedules and policies. Financial records shall be maintained in accordance with established federal and state guidelines.

The records of the contractor shall be accessible for review by the staff of the North Carolina Department of Health and Human Services and the Office of the State Auditor for the purpose of monitoring services rendered, financial audits by third party payers, cost finding, and research and evaluation.

Records shall be retained for a period of three years following the submission of the final Financial Status Report or three years following the submission of a revised final Financial Status Report. Also, if any litigation, claim, negotiation, audit, disallowance action, or other action involving these funds has been started before expiration of the three-year retention period, the records must be retained until the completion of the action and resolution of all issues which arise from it, or until the end of the regular three year period, whichever is later. The grantee shall not destroy, purge or dispose of records related to these funds without the express written consent of N. C. DHHS-DMH/DD/SAS.

The agency must comply with any additional requirements specified in the contract or to any other performance-based measures or agreements made subsequent to the initiation of the contract, including but not limited to findings requiring a plan of correction or remediation in order to bring the program into compliance.

Audit Objectives

- a. To ensure compliance with the NC DHHS and DMH/DD/SAS records retention schedules and policies.
- b. To ensure compliance with all federal and state policies, laws and rules that pertain to this fund source and/or to the contract/grant agreement.

Suggested Audit Procedures

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- a. Verify that records related to this fund source are in compliance with N. C. DHHS-DMH/DD/SAS record retention schedules and policies.