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**NORTH CAROLINA CHILD TREATMENT PROGRAM (NC CTP)**

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**State Authorization:** Senate Bill 402-Ratified Session Law 2013-360, Section 12F.3. (a)

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

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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 \(State Fiscal Years 2018-2020\)](#)”.

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**The Auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular 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**

Per Senate Bill 402-Ratified Session Law 2013-360, Section 12F.3. (a). Recurring funds of \$1.8 million annually have been appropriated to the DHHS, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the North Carolina Child Treatment Program (NC CTP) and shall be used for the following purposes:

- 1) To provide clinical training and coaching to licensed Medicaid clinicians on an array of evidence-based treatments and to provide a statewide platform to assure accountability and outcomes.
- 2) To maintain and manage a public roster of program graduates, linking high-quality clinicians with children, families, and professionals.
- 3) To partner with State, LME/MCO, and private sector leadership to bring effective mental health treatment to children in juvenile justice and mental health facilities.

**II. PROGRAM PROCEDURES**

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Significant childhood trauma and loss includes those experiences and/or exposures that overwhelm a child's ability to cope. Examples of trauma include: sexual abuse, sexual assault, physical abuse, domestic and community violence exposure, devastating accidents, natural disasters, terrorist attacks, unexpected loss of a loved one, and difficult medical procedures. Following a serious trauma, many children and adolescents show signs of distress, including: irritability; anger; fear; sadness; and difficulties with eating, sleeping, and concentrating. Most children are resilient, quickly returning to their baseline. Following more severe or chronic trauma, however, some children become overwhelmed.

It is estimated that 68 percent of NC children and youth experience a traumatic event during childhood, and more than 20 percent progress to develop school problems, emotional difficulties and physical problems, resulting in potentially significant negative outcomes for the individual child, the family, the community, and society. If left untreated, children are at increased risk for dysfunction across physical, emotional, behavioral, social, cognitive, and developmental domains.

Despite the efficacy of key trauma-based treatment models, relatively few practitioners in NC are able to implement such models with fidelity. Existing training capacity is constrained and is far exceeded by demand. The NC CTP, housed within the Duke Center for Child and Family Health (CCFH), is a public child mental health platform supporting implementation and dissemination of selected evidence-based treatment models (EBTs) to address trauma and adverse childhood experiences. CCFH maintains a staff of expert clinical faculty trainers who support dissemination efforts related to evidence-based clinical services both within NC and throughout the Southeast. One such effort within CCFH is the NC CTP. Specifically, this platform will directly serve licensed mental health clinicians in NC to develop the capacity to provide effective trauma-informed clinical services and track client outcomes relative to the quality of care received, which would:

- Expand clinical training to a statewide network of 309 Medicaid-certified behavioral health providers annually, to include: Trauma-Focused Cognitive Behavior Therapy (TF-CBT); Parent Child Interaction Therapy (PCIT); Child Parent Psychotherapy (CPP); Attachment and Bio-Behavioral Catch-up (ABC); and Structured Psychotherapy for Adolescents Responding to Chronic Stress (SPARCS).
- Provide clinical consultation to program trainees offering treatment to >800 children per year; collectively, program graduates will offer treatment to >1,000 children per year.
- Support program graduated clinicians (>300) and community-based agencies (>50) to sustain the delivery of selected evidence-based treatment models through development of organizational policies, practices, and procedures that track treatment fidelity, quality, and client outcomes.
- Recommend statewide strategies to develop and support an evidence-based child mental health service array and long-term strategies for fidelity and outcomes monitoring.
- Identify gaps in the currently available service array and make recommendations regarding potential behavioral health model(s) for dissemination.
- Maintain a public roster of program graduates, linking children, families, and professionals to high-quality clinical services in their local area.
- Update and maintain a public web site to support the overall mission of the NC CTP and to provide linkage to other State and National services, activities, and resources related to child and family trauma treatment services.

Since 2006, the NC CTP has been dedicated to improving the health and functioning of infants, children, adolescents, and families coping with attachment difficulties, trauma symptoms, and significant behavioral-emotional challenges. The program utilizes a public-

health platform of training and dissemination in evidence-based treatments to community-based clinicians. This training methodology (the Learning Collaborative) is grounded in implementation science principles and utilizes improvement methods to maximize learning and to sustain practice fidelity, continually driving improved child and family outcomes.

In 2013, the North Carolina General Assembly granted a \$1.8 million annually-recurring appropriation to the DHHS, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the NC CTP.

### **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**

##### Compliance Requirement

- a Training community-based clinical participants using the NC CTP Learning Collaborative training series.
- b Support program graduates in continued delivery of evidence-based treatment models. As clinical providers exit their training year with NC CTP, options for continued contact and support, include:
  - Clinical information list-serve, monitored by Evidence-Based Practices (EBP)-specific experts and master trainers;
  - Telephone-based, EBP-specific clinical consultation (upon request);
  - EBP-specific advanced clinical training opportunities;
  - Clinical auditing services, focusing on EBP-specific clinical competency, fidelity, and service utilization; and
  - Access to a public roster of EBP-trained peers.
- c. Monitor Service Delivery Patterns of Program Enrollees.
- d. Maintain a roster of high-fidelity Learning Collaborative graduates on public website.
- e. Expansion and continued maintenance of the NC CTP website.
- f. Engage select experts in clinical practice as well as those with extensive expertise in the fields of Implementation Science and community-based mental health services.

##### Audit Objectives

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

##### Suggested Audit Procedures:

- a. Review contract requirements and determine activities which are allowable for reimbursement.
- b. 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.

#### **2. ALLOWABLE COSTS/COST PRINCIPLES**

##### Compliance Requirement

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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 Part 200 Subpart E – Cost Principles.

### **Audit Objectives**

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 which 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.

### **3. CASH MANAGEMENT**

This requirement does not apply at the local level.

### **4. CONFLICT OF INTEREST**

#### **Compliance Requirement**

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 subgrantee 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.
- c. Verify that the Conflict of Interest declaration is signed AND that there are no overdue tax debts at the federal, state or local level as required below.

**5. ELIGIBILITY**

Compliance Requirement

The fund is used for improving the health and functioning of infants, children, adolescents, and families coping with attachment difficulties, trauma symptoms, and significant behavioral-emotional challenges.

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 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 eligible subrecipients 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.

**6. EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Compliance Requirement

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.

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- b. Select a sample of equipment transactions and test for compliance with the State's policies and procedures for management and disposition of equipment.

### **7. MATCHING, LEVEL OF EFFORT, EARMARKING**

This requirement does not apply at the local level.

### **8. PERIOD OF PERFORMANCE**

This requirement does not apply at the local level.

### **9. PROCUREMENT AND SUSPENSION AND DEBARMENT**

This requirement does not apply to this program.

### **10. PROGRAM INCOME**

This requirement does not apply at the local level.

### **12. REPORTING**

#### Compliance Requirement

The Contractor provides Quarterly Reports of progress toward work plan activities/goals as well as Monthly Reports including, but not limited to, learning collaborative activities. Monthly Financial Status Reports (FSR's) of expenditures are also provided.

#### 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 quarterly progress reports, monthly reports related to performance and outcomes and Financial Status Reports (FSRs) showing a statement of expenditures on a monthly basis.
- c. Verify that Contractor has provided a final year-end report.
- d. Ascertain if the financial reports were prepared in accordance with the required accounting basis.
- e. 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.
- f. Obtain written documentation from management that the reports provided to the auditor are true copies of the reports submitted to the Division.

### **13. SUBRECIPIENT MONITORING**

#### Compliance Requirement

Subrecipient monitoring is required if the agency disburses or transfers any State funds to other organizations except for the purchase of goods and services. The grantee shall require such organizations to file with its similar reports and statements as required by G. S. §143C-6-22 and 6-23 and the applicable prescribed requirements of the Office of the State Auditor's Audit Advisory #2 (as revised January 2004)

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including its attachments. 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 Crosscutting Supplement as well as monitoring compliance with specific stipulations, conditions and performance measures in the contract.

### **Audit Objectives**

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

### **Suggested Audit Procedures**

- a. Gain an understanding of the pass-through entity's subrecipient procedures through a review of the pass-through entity's subrecipient 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 subrecipients.
- 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 subrecipients 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 subrecipient to have the required audits, the pass-through entity took appropriate action using sanctions.
- e. Verify that the effects of subrecipient noncompliance are properly reflected in the pass-through entity's records.

## **14. SPECIAL TESTS AND PROVISIONS**

### **Compliance Requirement**

All grantees are required to comply with the Department of Health and Human Services Records Retention and Disposition Schedule for Grants and with the Division of Mental Health, Developmental Disabilities and Substance Abuse Services records retention schedules and policies (i.e., Records Retention and Disposition Schedule for

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DMH/DD/SAS Provider Agencies – APSM 10-5 and Records Retention and Disposition Schedule for Local Management Entities – APSM 10-6). Financial records shall be maintained in accordance with established federal and State guidelines.

The records of the grantee 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 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 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**

- a. Verify that records related to this fund source are in compliance with DHHS-DMH/DD/SAS record retention schedules and policies.
- b. Review contract/grant agreement, identify any special requirements; and
- c. Verify if the requirements were met.
- d. Verify that the Conflict of Interest declaration is signed AND that there are no overdue tax debts at the federal, state or local level as required below.