

93.092

**AFFORDABLE CARE ACT (ACA) PERSONAL  
RESPONSIBILITY EDUCATION PROGRAM**

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**State Project/Program: PERSONAL RESPONSIBILITY EDUCATION PROGRAM (PREP)**

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**U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
ADMINISTRATION FOR CHILDREN AND FAMILIES**

**Federal Authorization:** Section 2953 of the Patient Protection and Affordable Care Act of 2010, Pub. L. No. 111-148, which adds a new Section 513 to Title V of the Social Security Act, to be codified at 42 U.S.C. § 713, authorizing the Personal Responsibility Education Act.

**State Authorization:** N/A

**N. C. Department of Health and Human Services  
Division of Public Health**

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**Address Confirmation Letters To:**

SFY 2021 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 DHSR 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 2020-2021)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from DHHS are found at the same website except “[Non-Governmental Audit Confirmation Reports \(State Fiscal Years 2019-2021\)](#)”.

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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.

Auditors may request documentation of monitoring visits by the State Agencies.

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This compliance supplement must be used in conjunction with the OMB 2021 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

### **I. PROGRAM OBJECTIVES**

The purpose of PREPare for Success is to educate adolescents on both abstinence and contraception to prevent pregnancy and sexually transmitted infections (STIs), including HIV/AIDS, and at least three adulthood preparation subjects.

### **II. PROGRAM PROCEDURES**

A five-year state formula grant has been awarded by the Family and Youth Services Bureau in the Administration for Children and Families of the U. S. Department of Health and Human Services to the State of North Carolina, Department of Health and Human Services to address pregnancy and STI prevention in teens. A request for applications (RFA) process is used to identify qualified agencies to provide these services in communities with high rates of teen births. Following an objective review of proposals, the North Carolina Department of Health and Human Services makes a final decision. Three-year awards are made to the chosen agencies from the North Carolina Department of Health and Human Services on a State fiscal year basis as a continuing grant to support the provision of teen pregnancy prevention activities. Recipient agencies may be government or private, not-for-profit providers of services. Following project selection, each agency is expected to meet goals established in the project plan and service contract. Periodic site visits are made by program staff to assure that the appropriate focus on project goals is maintained. Data is collected from active projects and used in program evaluation.

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**III. COMPLIANCE REQUIREMENTS**

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the federal agency, noted as “Y,” on the “Matrix of Compliance Requirements” located in Part 2 of the OMB 2021 Compliance Supplement; however, the State Agency may have added the Type and this is noted by “Y.” If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is noted in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, it is noted by “N.”

If the Matrix indicates “Y,” the auditor must determine if a particular type of compliance requirement has a direct and material effect on the federal program for the auditee. For each such compliance requirement subject to the audit, the auditor must use the OMB 2021 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) to perform the audit.

If there is no program listed on the “Matrix” in Part 2 or Part 4, the State has determined the Type that is applicable. If a Type is determined direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	Y	Y	Y	Y	N	Y	N	Y

**A. Activities Allowed or Unallowed**

**Funds may be used to provide:**

- Costs of personnel, consultants, equipment, supplies, grant-related travel, and other grant-related costs;
- Usual and recognized overhead, including indirect rates for all consortium organizations that have a Federally approved indirect cost rate; and
- Management and oversight of specific project components funded under this program.

**Funds may not be used:**

- To support inherently religious activities, including, but not limited to, religious instruction, worship, prayer, or proselytizing (45 CFR Part 87);

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- For building alterations or renovations, construction, fundraising activities, political education or lobbying;
- To supplant or replace current public or private funding;
- To supplant ongoing or usual activities of any organization involved in the project;
- To purchase or improve land, or to purchase, construct, or make permanent improvements to any building;
- To reimburse pre-award costs; and
- To support planning efforts and other activities associated with the development and submission of Post-Award State Plans.

### **B. 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.

### **F. Equipment and Real Property Management**

Equipment must be accounted for in accordance with the North Carolina Department of State Treasurer Policies Manual, Chapter 20, Fixed Assets Policy.

Title to equipment costing in excess of \$2,500.00 acquired by the Contractor with funds from this contract shall vest in the contractor, subject to the following conditions.

1. The Contractor shall use the equipment in the project or program for which it was acquired as long as needed. When equipment is no longer needed for the original project or program or if operations are discontinued, the Contractor shall contact the Department of Health and Human Services, Division of Public Health, for written instructions regarding disposition of equipment.
2. When acquiring replacement equipment, the Contractor may use the equipment to be replaced as trade-in against replacement equipment or may sell said equipment and use the proceeds to offset the costs of replacement equipment subject to written approval of the Division of Public Health.
3. For equipment costing in excess of \$2,500.00, equipment controls and procedures shall include at a minimum the following:
  - a) Detailed equipment records shall be maintained which accurately include the:
    - i. Description and location of the equipment, serial number, acquisition date/cost, useful life and depreciation rate;
    - ii. Source/percentage of funding for purchase and restrictions as to use or disposition; and
    - iii. Disposition data, which includes date of disposal and sales price or method used to determine fair market value.
  - b) Equipment shall be assigned a control number in the accounting records and shall be tagged individually with a permanent identification number.
  - c) Biennially, a physical inventory of equipment shall be taken and results compared to accounting and fixed asset records. Any discrepancy shall immediately be brought to the attention of management and the governing board.

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- d) A control system shall be in place to ensure adequate safeguards to prevent loss, damage, or theft of equipment and shall provide for full documentation and investigation of any loss or theft.
  - e) Adequate maintenance procedures shall be implemented to ensure that equipment is maintained in good condition.
  - f) Procedures shall be implemented which ensure that adequate insurance coverage is maintained on all equipment. A review of coverage amounts shall be conducted on a periodic basis, preferably at least annually.
4. The Contractor shall ensure all subcontractors are notified of their responsibility to comply with the equipment conditions specified in this section.

Prior written approval from Department must be obtained before purchasing equipment valued over \$2,500.00. Institutions of higher education, hospitals, and other non-profit organizations shall use procurement procedures that conform to applicable federal law and regulations and standards identified in Title 2 Code of Federal Regulations, Part 200. All non-federal entities shall follow federal laws and implementing regulations applicable to procurements, as noted in federal agency implementation of Title 2 Code of Federal Regulations, Part 200.

### H. Period of Performance

#### **Compliance Requirement**

##### LOCAL HEALTH DEPARTMENTS

Contract funds may be used to support costs incurred during the funding period. In the case of local health departments, this period is the same as the State fiscal year and the period covered by the Consolidated Agreement, July 1 through June 30. Unobligated, unexpended funds may not be carried forward. Settle-up and final expenditure submission should occur within forty-five days of the end of the contract period, i.e., June 30. (Consolidated Agreement)

#### **Compliance Requirement**

##### PROJECTS NOT BASED IN LOCAL HEALTH DEPARTMENTS

Service agreements executed with non-local health department agencies establish a funding period. Refer to copy of fully executed contract and any amendments affecting contract period. Funds may be used to support costs incurred during the funding period. Settle-up should occur within sixty days following the end of the contract period. (DHHS Agreement)

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### I. Procurement and Suspension and Debarment

All grantees that expend federal funds (received either directly from a federal agency or passed through the N. C. Department of Health and Human Services) are required to conform with federal agency codifications of the grants management common rule accessible on the Internet at [https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl).

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 procurement standards described in the North Carolina General Statutes and the North Carolina Administrative Code, which are identified in the State of North Carolina Procurement Manual accessible on the Internet at [http://www.pandc.nc.gov/documents/Procurement\\_Manual\\_5\\_8\\_2013\\_interactive.pdf](http://www.pandc.nc.gov/documents/Procurement_Manual_5_8_2013_interactive.pdf).

Nongovernmental subrecipients shall maintain written Procurement policies that are followed in procuring the goods and services required to administer the program.

### L. Reporting

#### **1. Compliance Requirement**

##### LOCAL HEALTH DEPARTMENT PROJECTS

Local agencies are required to submit a Local Expenditure Report. (Consolidated Agreement)

#### **2. Compliance Requirement**

##### PROJECTS NOT BASED IN LOCAL HEALTH DEPARTMENTS

Projects not based in local health departments are required to submit a monthly Expenditure Report. (DPH Contract provision)

### N. Special Tests and Provisions

#### **Consolidated Agreement System**

The DHHS Division of Public Health is made up of six major sections, Chronic Disease & Injury, Environmental Health, Epidemiology, Women's and Children's Health, Oral Health, and Administrative, Local, and Community Support. The Division utilizes a single written agreement to manage all funds, that is, State, Federal, or private grant funds, that the Division allocates to local health departments across the State. This document, as amended, is called The Consolidated Agreement.

The Agreements set forth the more general requirements of the funding relationships between the state and local public health agencies. The respective requirements are detailed under the headings: Responsibilities of the Department (Local Public Health Unit); Funding Stipulations; Fiscal Control; Responsibilities of the State; and Compliance. More specific information related to program activity is set out in a document called the Agreement Addenda which detail outcome objectives (which may or may not be negotiable at the beginning of each fiscal year) that each health department must achieve in exchange for the funding. A third part of the system is the Budgetary Estimate which is sent annually from each of the Sections or Branches of the Division to all health departments being allocated funds from specific sources, i.e., State appropriations or other federal grant funds for specific activities. This Estimate indicates the amount of the allocated funds and their respective sources. Each health department should be able to

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provide an auditor with a copy of the Consolidated Agreement for the particular year being audited, as well as copies of the Budgetary Authorization and any revisions, Agreement Addenda, expenditure reports and any activity reports for each source of money received. If the health department cannot provide these documents, they may contact the State Division of Public Health Budget Office for assistance.

**Suggested Audit Procedures** – The auditor should review Section B. FUNDING STIPULATIONS of the Consolidated Agreement before beginning an audit. The fourteen items of this Section describe much of the detailed information the auditor may be seeking during a review of these programs.

### **Conflict of Interest and Certification Regarding No Overdue Tax Debts**

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 for fiscal years beginning on or after 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) completed by the grantee's board of directors or other governing body 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. 143C-6-23(c)). 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 Objective** – Determine whether the grantee has adopted and has on file, a conflict of interest policy, before receiving and disbursing State funds.

### **Suggested Audit Procedures**

1. Ascertain that the grantee has a written conflict of interest policy.
2. Check the policy and verify through board minutes that the policy was adopted before the grantee received and disbursed State funds.