LGC
Reviewed
in accordance to
G.S. 159-34(a)

APRIL 2021

93.243 **SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE**

State Project/Program: **PROMOTING INTEGRATION OF PRIMARY AND BEHAVIORAL HEALTH CARE (PIPBHC)**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION

Federal Authorization: Sec 9003 21 Century Cures Act PL 114-255 & Sec 520K PHS Act

State Authorization: NC General Statutes 122C; Developmental Disabilities, and Substance Abuse Act 1985

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

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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 select

"Non-Governmental Audit Confirmation Reports (State Fiscal Years 2019-2021)."

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.

I. PROGRAM OBJECTIVES

The North Carolina State Medicaid Agency, known as the Division of Health Benefits, (DHB), and the State Mental Health Agency (SMHA) and the Single State Agency for Substance Use (SSA) of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMHDDSAS) propose to implement a project that will promote the integration of primary and behavioral care services in high need communities. Community health programs will partner with community health centers so that primary care services can be integrated in behavioral health settings to improve the overall wellness and physical and behavioral health of adults with serious mental illness (SMI), children with serious emotional disturbance (SED), and adults and children with substance use disorders (SUD) and/or co-occurring disorders (COD). The proposed project will initially be implemented in three counties in the southeast coastal region and three in the western region and expand to the piedmont and sandhills areas.

This is a five-year grant, starting January 1, 2019 and ending December 31, 2024, with the total award for five years totaling $10,000,000.

The three programs to which this compliance supplement applies are:

- Coastal Horizons, Wilmington, Tier 3 Advanced Medical Home
- UNC Wakebrook, Raleigh, Tier 3 Advanced Medical Home
- Daymark, Wilkes County, Watauga County, Cabarrus County, Care Management Agency teams

The second year of the five year grant ended December 31, 2020. The PIPBHC program has a total grant award of $10,000,000. The grant award for calendar year 2020 is $2,000,000,plus the requested and awarded carryover funds from Y1 $1,787,180 for a budget total of $3,787,180 distributed via the following mechanisms:

Fund Recipient	Year 1 Amount	Mechanism	Description
DMHDDSAS	$172,022	n/a	Principal Investigator, Project Manager, and Administrative Assistant salary and fringe, travel, and equipment
Cardinal Innovations	$1,042,304	Allocation	Operational expenses for the Daymark Cabarrus Care Management Agency site
Vaya Health		Allocation	Operational expenses for Daymark Wilkes and Watauga Care Management Agency sites
Trillium	$764,059	Allocation	Operational expenses for Coastal Horizons Wilmington Tier 3 Advanced Medical Home
UNC Wakebrook	$1,538,733	Contract	Operational expenses for the UNC-Wakebrook Raleigh Tier 3 Advanced Medical Home
Peer Voice NC	$34,200	Contract	Operational expenses to provide training and technical assistance to the three sites on incorporating adult certified peers into the integrated healthcare setting.

UNC- Greensboro	$96,557	Contract	Evaluation of the three sites to include: cost-benefit analysis of the intervention
NC Families United	$56,258	Allocation	Operational expenses to provide training and technical assistance to the three sites on incorporating certified youth/family partners (peers) into the integrated healthcare setting.
Case Western University	$34,200	Allocation	Training and consultation with Case Western University SMEs on the use of the DDCAT and DDCYT modalities to address the treatment of Integrated Dual Disorders in both adults and children.

The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMHDDSAS) and the Division of Medical Assistance (DMA) propose to implement a project that will promote full integration of clinical services and collaboration between primary and behavioral health care to improve the overall wellness and physical health of children with serious emotional disturbance (SED), adults with serious mental illness (SMI), and adults and children with substance use disorders and/or co-occurring disorders.

The goals and objectives are as follows:
Goal 1. To support prevention and wellness activities. People with mental illness do not die from mental illness. Rather, they die from the medical conditions associated with their mental illness. Many of these conditions are modified through behavioral changes which are addressed in the objectives that follow.

- **Objective 1**. To prevent and/or reduce the use of tobacco. Grant-funded staff will provide evidence-based protocols and practices that prevent and or reduce tobacco use.
- **Objective 2**. To prevent and/or reduce alcohol and illicit drug use. Grant-funded staff will provide evidence-based practices such as screening, brief intervention, and referral to treatment (SBIRT) to prevent and/or reduce alcohol consumption and the use of illicit drugs.
- **Objective 3.** To promote wellness activities targeted at chronic primary health conditions associated with mental illness and substance use. Grant-funded staff will provide, and/or link individuals with resources that prevent and/or mitigate the consequences of primary health 12 conditions associated with mental illness and substance use.

Goal 2. To provide integrated primary and behavioral healthcare and retain participants in in treatment. Objectives under this goal include recruitment, screening, treatment, and retention of participants in treatment.

- **Objective 1**. To screen and assess participants for the presence of co-occurring chronic primary health conditions and mental and substance use disorders and integrate findings from screening and assessment into person-centered treatment plans. Screening assessment for primary and behavioral health will be conducted in one location.
- **Objective 2**. To identify those members of the populations of focus who are most in need of integrated services. The proposed project will screen participants for HIV and hepatitis and trauma histories, providing them with prevention and counseling services and referring them through a warm hand-off to providers from whom they can get

appropriate medical care on a long-term basis. Staff will be trained on HIV and hepatitis testing.

- **Objective 3**. To establish a team of providers for each participant that will provide care using a collaborative approach. In the proposed project, primary health care services will be integrated with behavioral health care services where both types of providers will provide services to participants in one setting using a common person-centered plan that they have jointly developed together with participants and their family. Grant project staff will establish relationships with the primary care providers of individuals that they treat for behavioral health and include them in the integrated treatment team. Each member of the team will have specific roles and responsibilities. A designated team member will provide case management, coordinate services, and follow up on service delivery.
- **Objective 4.** To provide EBPs that address primary health and the treatment of mental health and substance use disorders. Grant-funded staff will provide evidence-based practices that lead to positive outcomes in primary and behavioral health. For instance, lifestyle changes and medications recommended by the American Heart Association (AHA), the American College of Cardiology (ACC) and the Centers for Disease Control (CDC) will be used to guide treatment for individuals who have been diagnosed with hypertension. Grant-funded clinicians might also use Medication Assisted Therapy for substance use disorder and Cognitive Behavioral Therapy for patients diagnosed with psychiatric disorders.
- **Objective 5.** To conduct intensive outreach to, engage, and retain diverse populations to participate in and access integrated prevention, treatment, and recovery services. Grant-funded clinicians will use culturally-competent strategies to reach out to and recruit potential participants by disseminating information about the project to community partners (e.g. schools, public safety, social services, faith-based organizations) and other venues (e.g., places where individuals experiencing homelessness congregate). Participants will be engaged through Peer Support Specialists who are representative of the diversity of the populations of focus and clinicians skilled in Motivational Interviewing Techniques. Texting will be used to remind participants of their appointments and encourage them to adhere to their treatment. Case Managers will maintain regular contact with participants.
- **Objective 6.** To assist individuals in getting insurance coverage that will enable them to obtain services for the physical health preventative and treatment services they need. Staff of provider organizations are trained to facilitate the enrollment of individuals in insurance health benefits for which they are available. They will perform the same function for participants in the program.

Goal 3. To provide recovery support and services. The proposed project plans to offer recovery support and services to every participant using an approach guided by the SAMHSA definition of recovery as "(A) process of change through which individuals improve their health and wellness, live a self-directed life, and strive to reach their full potential."

- **Objective 1.** To link individuals with services that support mental health and substance use recovery. Grant-funded individuals will assist individuals accessing disability income benefit programs (SSI/SSDI) by linking with SAMHSA's SSI/SSDI Outreach, Access, and Recovery Technical Assistance Center (SOAR-TA). SOAR is intended to assist individuals with mental illness and substance use disorders who are experiencing or are at risk of homelessness access disability benefits to help them in their recovery.
- **Objective 2.** To assist in building up recovery assets. The proposed project will assist participants obtain their GED, facilitate their enrollment in colleges, universities, or training programs. It will also link them with Vocational Rehabilitation and link them with recovery support services that provide employment coaching.

- **Objective 3.** To link individuals with community resources to support their recovery. Grant-funded staff, particularly Peer Support Specialists will link individuals with resources such as AA and other recovery support organizations.

Goal 4. To establish a continuous quality improvement system for the project that will assess performance using measures that will be collected by the project. The proposed project will collect data using instruments required by the FOA at baseline and at regular intervals. Data will be analyzed and findings presented to project staff and the Advisory Committee to assess how the project has performed in meeting its goals and objectives. Implementation will be modified based on results. Data will drive the plan for continuous quality improvement of the project.

- **Objective 1**. To collect baseline data. Project staff will collect baseline data using required and other instruments.
- **Objective 2**. To collect data at regular intervals. Project staff will collect follow-up data using required and other instruments.
- **Objective 3.** To analyze data and present results at least monthly to project staff and at least monthly to the Advisory Committee. Evaluators will analyze data and present results to project staff and the Advisory committee at regular meetings. The proposed project plans to involve participants and family members in the interpretation of findings and presentation of reports at regular meetings of the Advisory Committee and at local and national conferences.
- **Objective 4.** To participate in the national evaluation. Project staff at the state and local level will conduct interviews and collect data as required by the national evaluation. The proposed project will develop an agreement with provider organizations and a plan to report to the Secretary of Health and Human Services data on performance measures to evaluate outcomes and facilitate evaluations across participating projects as required the FOA.

Goal 5. To sustain the project beyond the grant funding project. North Carolina has committed through its legislative process and submission of an 1115 waiver demonstration application to CMS to move its entire system to managed care by July 2019. Behavioral health care services are currently managed; however, this change for the overall system ensures that managers of care are responsible for both physical and primary health services. Transition to managed care is expected to have significant positive impacts on integration of primary and behavioral healthcare as it will require alignment of clinical and financial policies and drive improvements in care through quality metrics and monitoring. System transformation for Medicaid, especially the use of an enhanced medical home model, value based payment arrangements, and the creation of behavioral health codes which can be billed in primary care settings, will provide an opportunity for sustainability that does not exist in a fee-for-service environment. Further, North Carolina has engaged in integrated care for individuals with serious mental illness and substance use disorders with other agencies funded by the state, the federal government through discretionary programs, and private foundations (e.g., Duke Endowment, Kate B. Reynolds). Some of these activities have focused on training primary care physicians or co-locating behavioral health and primary health providers. While these strategies have produced some positive results, they have also served only a small segment of the populations with serious mental illness and substance use disorders. The major constraints include time, clinical skills for treatment and retention, and lack of insurance by most of the populations of focus. A previous project funded by SAMHSA to screen, provide brief interventions, and referrals (SBIRT) to patients at primary care physicians found that only less than five percent of patients screened for alcohol and substance use met the thresholds for risky and hazardous drinking and drug use. The model that we propose will expand primary health care services in behavioral health community practices and enable us to serve more individuals with mental illness and/or substance use disorders. Successful outcomes will lead to bringing the model to scale so that it is sustained and implemented across the state.

- **Objective 1**. To develop a sustainability plan. Members of the Advisory Committee will develop the sustainability plan for the proposed project.
- **Objective 2**. To identify funding for integrated care services. Members of the Advisory Committee will determine what and how integrated care services can be funded.

All grantees are required to comply with the NC Department of Health and Human Services and DMHDDSAS records retention schedules and policies. These include Functional Schedule for State Agencies, Records Retention and Disposition Schedule – DMH/DD/SAS Local Government Entity (APSM 10-6), Records Retention and Disposition Schedule - DMH/DD/SAS Provider Agency (APSM- 10-5) and the DHHS Records Retention and Disposition Schedule for Grants. 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 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.

II. PROGRAM PROCEDURES

The proposed project will require screening that will identify individuals most in need of integrated services. In addition to the screening previously described for physical and behavioral health, it will screen potential participants for HIV, hepatitis and trauma. Individuals who have or are at risk for chronic medical conditions will be considered priority populations and will be linked with services offered by community partners to ensure that the services (e.g., treatment for chronic medical conditions) will be continued after the end of the grant funding period. The key activities will be implemented by grant-funded primary and behavioral healthcare providers or other providers collaborating with the behavioral health care providers that have been selected. Screening for primary health and behavioral health, including screening for HIV, hepatitis, and trauma will be provided by grant-funded staff on site (at behavioral health clinics). A treatment team consisting of primary and behavioral health care providers, the participant and other family members, and other individuals identified by the participant will be formed for each participant. A grant-funded staff member will be assigned for case management and service coordination functions. Treatment will be provided directly by grant-funded staff of provider organizations for mental health and substance use disorders. Grant-funded staff will also monitor health indicators (e.g., blood pressure, HgbA1C, BMI) and follow-up participants to remind them of and assist them in adhering to their treatment plan. Grant-funded staff will refer those in need of more specialized care (e.g., HIV, eating disorders). For instance, participants receiving behavioral health care services but who have not previously received primary health care services from participating providers, and who have no medical homes will be provided with primary health care services by medical providers (e.g., nurse practitioners) employed by the participating provider organizations using grant funds. The proposed project will involve primary health care providers of providers who have a medical home in the treatment plan and coordination of care of participants.

Integrated services that will be provided to the identified special populations. The proposed project will screen participants for primary care, mental health, and substance use. General health screening for adults will include cholesterol and blood screening, blood pressure for hypertension, BMI, tobacco use, fasting glucose or HgbA1c, diabetes, heart disease, cholesterol, cancer, communicable diseases such HIV/AIDS, STDs, and hepatitis. Adult participants will be screened for depression (including suicidal ideation, anxiety, trauma, alcohol, and illicit substance use. The screening that will be provided to children and adolescents will include BMI, sleep, asthma, oral health, immunizations, wellness visits, tobacco use, exposure to second hand smoking, communicable diseases such as HIV/AIDS STDs, and hepatitis. They will also be screened for mental health disorders and substance use that include screening for depression (including suicidal ideation), anxiety, trauma, developmental stage, and substance use. Comprehensive clinical assessments conducted after positive indications on selected screening instruments will lead to the development of an integrated treatment plan (through a collaborative team approach) that will address both primary health and behavioral health (mental and substance use).

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 to be direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

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

A. Activities Allowed or Unallowed

Allowable activities under this grant are those activities that are aligned with the Program Objectives and Program Procedures as outlined above.

1.) Staff salary and fringe for positions directly providing services or oversight for the implementation of this grant.

2.) Medical equipment and supplies needed to complete testing requirements identified in the narrative above.

3.) Rental of space to provide integrated care services

4.) Program evaluation

5.) Training and technical assistance on evidence based practices

6.) Travel (within State travel guidelines) as required to complete the work for this grant

7.) Activities supporting the development and implementation of items included in sustainability plans, such as identifying, vetting and potentially joining a Clinically Integrated Network (CIN).

B. Allowable Costs/Cost Principles

All grantees that expend State funds (including federal funds passed through the NC Department of Health and Human Services) are required to comply with the cost principles described in the NC Administrative Code at 09 NCAC 03M.0201. (Note: Pending the change in reference from OMB Circular A-87 to 2 CFR, Part 200 Subpart E – Cost Principles.)

Certain expenditures are considered non-allowable and are not included in the cost allocation. Fixed assets and moveable assets costing $5,000 or more must be reported on the cost finding as assets. (Moveable assets costing less than $5,000 may be directly expensed.)

Funds must be expended or earned in accordance with the Performance Agreement between the DMHDDSAS and the Local Management Entity/Managed Care Organization (LME/MCO), including amendments via individual allocation letters.

Funds designated for substance abuse may be used for planning, establishing, maintaining, coordinating and evaluating projects for the development of more effective prevention and treatment programs and activities to deal with substance abuse (42 U.S.C. 300x-3(a)(1) 1989 Revision).

SPECIAL CONDITIONS:

1. The award of these funds shall not be used by a county or LME-MCO as a basis to supplant any portion of a county's commitment of local funds to the area authority or LME-MCO;
2. If these funds shall be used to support a new service for which a license and/or accreditation is required, such licensure/accreditation shall be completed prior to the delivery of services;
3. If these funds shall be used for a new service which does not have an established reimbursement rate, a new Service Objective Form must be submitted and approved by the Division before any payments will be made;
4. The funds provided shall not be used to supplant Federal or non-Federal funds for services or activities which promote the purposes of the grant or funding;
5. The funds provided shall not be utilized to supplement any reimbursement for services or staff activities provided through the NC Medicaid Program;
6. The funds provided shall not be utilized to supplement any reimbursement for services or staff activities supported through the Division's payment of other Unit Cost Reimbursement (UCR) or non-UCR funds, without the prior written approval of the DMH/DD/SAS Director of Budget and Finance and the Chief of Addictions and Management Operations;
7. The funds provided shall be fully utilized, monitored, and settled in compliance with the conditions of the current Contract Agreement between the LME-MCO and DMH/DD/SAS, with the full adherence of the LME-MCO and its sub-recipient contractors to all applicable State and federal laws, rules, regulations, policies, guidelines, standards, agreements, protocols, plans, and communications.

8. The funds provided shall be fully utilized, monitored, and settled in compliance with the conditions of the current Contract Agreement between the contracted providers and DMH/DD/SAS, with the full adherence of the contractors and any sub-recipient contractors to all applicable State and federal laws, rules, regulations, policies, guidelines, standards, agreements, protocols, plans, and communications.
9. Funds shall be used in accordance with SAMHSA's standard funding restrictions:
   - Funds shall not be used for substance use or other treatment services covered by Medicaid reimbursement.
   - No purchases are allowed for any one item above $5,000 without prior written permission from DMH/DD/SAS.
   - Funds shall not be used for facility purchase, construction or renovation.
10. Funds shall be used in accordance with cost principles describing allowable and unallowable expenditures for nonprofit organizations in accordance with OMB Circular A-122

C. Cash Management

This requirement does not apply at the local level.

E. Eligibility

The proposed project will require screening that will identify individuals most in need of integrated services. In addition to the screening previously described for physical and behavioral health, it will screen potential participants for HIV and hepatitis as well as trauma. Individuals who have or are at risk for chronic medical conditions will be considered priority populations and will be linked with services offered by community partners to ensure that the services (e.g., treatment for chronic medical conditions) will be continued after the end of the grant funding period.

The proposed project will screen participants for primary care, mental health, and substance. Its general health screening for adults will include cholesterol and blood screening, blood pressure for hypertension, BMI, tobacco use, fasting glucose or HgbA1c, diabetes, heart disease, cholesterol, cancer, communicable diseases such HIV/AIDS, STDs, and hepatitis. Adult participants will be screened for depression (including suicidal ideation, anxiety, trauma, alcohol, and illicit substance use. The screening that will be provided to children and adolescents will include BMI, sleep, asthma, oral health, immunizations, wellness visits, tobacco use, exposure to second hand smoking, communicable diseases such as HIV/AIDS STDs, and hepatitis. They will be screened for mental health disorders and substance use that include screening for depression (including suicidal ideation), anxiety, trauma, developmental stage, and substance use. Comprehensive clinical assessments conducted after positive indications on selected screening instruments will lead to the development of an integrated treatment plan (through a collaborative team approach) that will address both primary health and behavioral health (mental and substance use)

F. 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 of $5,000 or more. Such equipment may only be purchased per the conditions

of the approved contract or grant agreement. Should 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 contracts.

G. Matching, Level of Effort, Earmarking

Matching: This requirement does not apply at the local level.

Level of Effort: Funds allocated shall be used to supplement and increase the level of State, local and other non-federal funds and shall, in no event, supplant such State, local and other non-federal funds. If grant funds are reduced, services and provider agencies participation may be reduced in a proportionate manner.

Earmarking: This requirement does not apply at the local level.

H. Period of Performance

This requirement does not apply at the local level.

I. Procurement and Suspension and Debarment

Procurement

All grantees that expend federal funds (received either directly from a federal agency or passed through the NC Department of Health and Human Services) are required to comply with the procurement guidelines found in 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards which can be accessed at:

https://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf

All grantees that expend State funds (including federal funds passed through the NC 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 Agency Purchasing Manual accessible on the Internet at https://ncadmin.nc.gov/document/procurement-manual-5-8-2013-interactive.

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

Suspension and Debarment

All grantees awarded contracts utilizing federal dollars must be in compliance with the provisions of Executive Order 12549, 45 CFR Part 76 and Executive Order 12689.

J. Program Income

This requirement does not apply at the local level.

L. Reporting

For federal funds allocated outside of UCR, approved expenditures shall be reported through the routine submission of monthly Financial Status Reports (FSRs). Any exceptions to the required timely reporting of federal funds expended shall be approved in writing by the DMH/DD/SAS Assistant Director of Budget and Finance and the Section Chief of Addictions and Management Operations.

Grantees must provide monthly and final Financial Status Reports (FSRs).

The DHHS Controller's Office is responsible for submitting a Financial Status Report 269 to the Federal Grants Management Officer for documentation of federal funds expended according to the DHHS Cash Management Policy.

M. 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 Crosscutting Supplement.

N. Special Tests and Provisions

Audit Objectives

a. To ensure compliance with the DHHS and DMH/DD/SAS records retention schedules and policies; and
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 verify if the requirements were met.
c. Verify that financial assistance under the Substance Abuse Prevention and Treatment Block Grant was only provided to public or non-profit entities.
d. When applicable, verify that the grantee has obtained a DUNS number and is registered in the Central Contractor Registration (CCR) system.
e. Verify that the Conflict of Interest declaration is signed AND that there is no overdue tax debts at the federal, State or local level as required below.

Conflicts of Interest and Certification Regarding 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 NC 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. 143C-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.