

93.301

SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM

State Project/Program: RURAL HOSPITAL ASSISTANCE PROGRAM / SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM

US DEPARTMENT OF HEALTH AND HUMAN SERVICES

Federal Authorization: Section 1820(g)(3) of Social Security Act (42 U.S.C. 1395i-4 (g) (3)), as amended by Section 3129 of the Patient Protection and Affordable Care Act (PPACA), P.L. 111-148
Section 1820(g)(3) of the Social Security Act, 42 U.S.C. 1395i-4
42 U.S.C. §1395i-4(g)(3)

**Department of Health and Human Services
Central Administration/ Office of Rural 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 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 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.

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 this program is to help small rural hospitals of fewer than 50 beds implement quality and operational improvement efforts.

II. PROGRAM PROCEDURES

The Small Rural Hospital Improvement Grant Program is administered by the NC Department of Health and Human Services, Office of Rural Health (ORH), 2009 Mail Service Center, Raleigh, NC 27699-2009, (919) 527-6440. Funds are received from the U. S. Department of Health and Human Services.

The purpose of the Small Rural Hospital Improvement Grant Program (SHIP) is to help small rural hospitals of 49 beds or less, and do any or all of the following:

- activities that support data collection to facilitate quality reporting and improvement for Value-Based Purchasing Investments
- activities that support development or tenants of Accountable Care Organizations (ACOs) or Shared Savings Programs
- activities that improve hospital financial processes through Payment Bundling or Prospective Payment programs

The ORH generates contracts based upon requests submitted by hospitals and other entities involved in the provision of care to rural areas. Field staff from the ORH work closely with eligible hospitals and others to determine needs. Needs are presented to the Director of the ORH, who makes the final funding decisions.

Once an applicant is selected, a formal contract is prepared by the ORH. The contract details contractor obligations, the funding schedule, reporting requirements and audit requirements. The formal contract serves as the notice of grant award.

During the contract year, ORH staff provide on-going technical assistance to the contractors. Technical assistance includes on-site visitation and other contacts with the contractors during which program goals are reviewed and evaluated. The primary purpose of the Small Rural Hospital Improvement Grant Program is to provide eligible entities with funds to improve access to care in these communities.

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

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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.

| 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 | Y | Y | N | N | Y | Y | N | Y | Y | Y |

A. Activities Allowed or Unallowed

Small Rural Hospital Improvement Grant Program funds may be used to:

- activities that support data collection to facilitate quality reporting and improvement for **Value-Based Purchasing Investments**,
- activities that support development or tenants of **Accountable Care Organizations (ACOs) or Shared Savings Programs**, and
- activities that improve hospital financial processes through **Payment Bundling or Prospective Payment programs**.
- Unallowable investments include, but are not limited to, travel costs, hospital services, hospital staff salaries, or general supplies. Hospitals should contact their State Office of Rural Health (SORH) with questions regarding the appropriateness or fit of a certain activity or hardware/software purchase.

Coronavirus State Hospital Program

Funds may be allowed to support hospitals with responding to the increased need for testing, clinical services, and equipment to meet the needs of the community as well as to address financial and workforce challenges related to the impact of the COVID-19 public health emergency.

B. Allowable Costs/Cost Principles

Services provided by and costs allowable are limited to those activities budgeted by the contractor and approved by the ORH.

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Compliance Requirement – Funds may be expended only for those items specified in the budget that are generally attached to the contract or may be included in a letter of request attached to the budget. No line-item may be increased by more than fifteen (15) percent without the written approval of the ORH. This requirement relates to the contractor’s expenditures as of the date of the balance sheet compared to the budget approved by the ORH.

Suggested Audit Procedure – Review the contractor’s budget as approved by the ORH, including any subsequent amendments. Determine that any revisions exceeding fifteen (15) percent of the budget line-item have been approved in writing.

Coronavirus State Hospital Program

Services provided and costs allowable under funding may support one-time funding to hospitals to prevent, prepare for, and respond to the COVID-19 public health emergency.

Compliance Requirement- Funding is made using the following formula based on guidance from HRSA: Number of eligible hospitals in the state (31 hospitals in North Carolina) times \$84,317.

C. Cash Management

Funds are paid on a contractual basis. Generally, funds are reimbursed monthly for approved expenses incurred during the previous month. Funds may only be paid in advance upon completion and signature of a Certification of Cash Needs.

Coronavirus State Hospital Program

Same as above

E. Eligibility

The Small Rural Hospitals in North Carolina with 49 beds or fewer which participate in improvements in value and quality to health care.

Coronavirus State Hospital Program

Same as above

H. Period of Performance

All funds must be expended within the contract period specified in the formal notice of grant award.

Coronavirus State Hospital Program

Same as above

I. Procurement and Suspension and Debarment

Contractor cannot be suspended or debarred, nor can it make subawards under covered transactions to parties that are suspended or debarred. This rule applies any time the non-Federal entity procures goods or services with funds that have been approved in the budget. Suspension and debarment apply to both procurements and subawards.

Coronavirus State Hospital Program

Same as above

L. Reporting

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Reports of expenditures or audit reports (depending upon the size of the contract) are required in accordance with Uniform Guidance Appendix XI to Part 200 and are submitted to program. Additional reports may be required by the individual contracts to confirm that the funds were spent in accordance with the budgeted expenditures.

Coronavirus State Hospital Program

Same as above

M. Subrecipient Monitoring

Grantees that pass funding through to other entities must perform monitoring activities on each subrecipient to include: reviewing reports submitted by the subrecipient, performing site visits to the subrecipient to review financial and programmatic records and observe operations, reviewing eligibility determinations for enrollees, and reviewing each subrecipient's single audit or program-specific audit results to ensure the subrecipient is in compliance.

Suggested Audit Procedure - Obtain a list of all subrecipients with which the grantee has agreements. Select a sample and verify that all monitoring activities are documented.

Coronavirus State Hospital Program

Same as above

N. Special Tests and Provisions

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 Uniform Guidance Appendix XI to Part 200. These requirements include the submission of a Notarized Conflict of Interest Policy and a written statement (if applicable) that the entity does not have any overdue tax debts as defined at the federal, State or local level. 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 Objective – Before receiving and disbursing State funds, determine whether the grantee (1) has adopted a conflict of interest policy and has it on file and (2) whether the grantee has any overdue tax debts at the federal, State or local level.

Suggested Audit Procedures -

1. Ascertain that the grantee has a conflict of interest policy as described above
2. Check the policy and verify through board minutes that the policy was adopted before the grantee received and disbursed State funds
3. Verify as to whether or not the grantee has any overdue tax debts at the federal, State or local level by reviewing tax reports filed with the appropriate government agencies and confirming via an inspection of the accounting records that all taxes were paid timely.

Coronavirus State Hospital Program

Same as above