

MENTAL RETARDATION / MENTAL ILLNESS (MR/MI)

State Authorization: G. S. 143.2; 1997 S.L. 1997-443; SB 352, Section 11.36 & .11.37; Area Program Budget and Procedures Manual (APSM 75-1, .1148)

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

Agency Contact Person – Program

Vivian Leon, Best Practice Team
Community Policy Management
NC Division of MH/DD/SAS
3007 Mail Service Center
Raleigh, NC 27699
(919) 733-4670

Agency Contact Person – Financial

Katrina Blount
Budget and Finance
NC Division of MH/DD/SAS
3012 Mail Service Center
Raleigh, NC 27699-3012
(919) 881-2446

N.C. DHHS Confirmation Reports:

SFY 2006 audit confirmation reports for payments made to Counties, Local Management Entities/Area Authorities, Councils of Government, and District Health Departments will be available by around late August to early September at the following web address: <http://www.dhhs.state.nc.us/control/> At this site, page down to “Letters/reports/forms for ALL Agencies” and click on “Audit Confirmation Reports (State Fiscal Year 2005-2006)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from the DHHS are found at the same website except select “Non-Governmental Audit Confirmation Reports (State Fiscal Years 2003-2005)”.

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

On November 21, 1988, the United States District Court for the Western District of North Carolina issued a ruling that the Secretary of the North Carolina Department of Human Resources had violated the constitutional rights of a class of individuals who were, or had been, confined to the State's psychiatric hospitals. These individuals, in order to become members of the Thomas S. class, must have resided in one of the State's psychiatric hospitals on or after March 22, 1984, as an adult and must have a diagnosis of mental retardation or have been treated as such. The treatment of class members, based on the District Court's Order, was to be provided in a manner which promotes their independence, enhances their dignity, and was as consistent as possible with societal norms, in view of each class member's individual and special needs.

On December 21, 1995, the State filed a petition with the United States District Court for the Western District of North Carolina, Charlotte Division. The petition sought termination of the lawsuit. On January 24, 1998, the judge granted the State's petition on the grounds that the State

had corrected the deficiencies cited in the 1988 court order through the establishment of the Thomas S. Services delivery system, thus federal court oversight and monitoring by the Plaintiffs' attorneys was no longer necessary. The Judge ruled that, since a system of identification, tracking, service delivery, monitoring and funding for the Thomas S. population had been established, oversight from the federal court or the plaintiffs' attorneys was no longer necessary. The court cited the service delivery system and funding support as evidence of the State's intention to serve the population identified in the Court Order.

The primary objective is to provide community funding for programs serving Thomas S. Class members or for services for those clients who are:

- A. Adults with mental retardation, or who have been treated as if they had mental retardation, who were admitted to a State psychiatric hospital on or after March 22, 1984, and who are included on the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services Adult Mental Retardation/Mental Illness (ADMRI) population designation on the Common Name Data System (CNDS);
- B. Adults with mental retardation who have a documented history of State psychiatric hospital admissions regardless of admission date and who, without funding support, have a good probability of being readmitted to a State psychiatric hospital, that have been added to the ADMRI population group.;
- C. Adults with mental retardation who have never been admitted to a State psychiatric hospital, but who have a documented history of behavior determined to be of danger to self or others that results in referrals for inpatient psychiatric treatment and who, without funding support, have a good probability of being admitted to a State psychiatric hospital, and that have been added to the ADMRI population group; or
- D. Adults who are included on the Division of Mental Health, Developmental Disabilities, and Substance Abuse ADMRI population group, who currently reside in the community, and who have a good probability of being admitted to a facility licensed as a "home for the aged and disabled".

Per Division of MH/DD/SAS memorandum dated January 5, 2005, in order to improve access to these MR/MI funds for services provided on or after July 1, 2004, but billed after January 14, 2005, the Division made MR/MI funds available to all individuals enrolled in the Adult Developmental Disability (ADSN) target population who have a co-occurring mental health and/or substance abuse diagnosis. MR/MI funds were fully integrated into the IPRS payment hierarchy for the ADSN target population who have a co-occurring mental health and/or substance abuse diagnosis, and these funds will be automatically accessed through IPRS following utilization of all other UCR developmental disabilities funding that has been designated for this population.

To verify if an individual is listed on CNDS, please contact the Budget Office at (919) 733-7013.

II. PROGRAM PROCEDURES

State funds approved by the General Assembly for MR/MI services are allocated to Area Mental Health Centers based on prior year earnings and non-UCR requests. Such budgets are based on

the prior year's Unit Cost Reimbursement (UCR) billings, the number of clients in service, projected additional clients to be served and actual budget requests submitted by the Local Management Entity/Area Authority. Fund allocations are recorded as either UCR or non-UCR. UCR funds are allocated to Local Management Entity/Area Authority account cost centers under fund report code (FRC) 34 for UCR funds and settled based on billings/earnings submitted via the Integrated Payment and Reporting System (IPRS). Non-UCR funds are allocated to Local Management Entity/Area Authority account cost centers under fund report code (FRC) 47 and are settled based on expenditures. UCR and Non-UCR earnings are settled on earnings and expenditures respectively not to exceed the allocation for each fund report code. Services and supports billable to UCR are outlined in the *DMH/DD/SAS Service Definition Manual*. Services and supports billed to IPRS should be reflected in an approved person centered plan. Non-UCR budget items, or those outside IPRS generally consist of capital funds, start-up cost, special projects, training grants and other one-time non-billable service or support items and area paid via an approved Financial Status Report (FSR). Financial Status Reports must be approved by the Regional Accountant prior to submission to the Controller's office for processing.

III. COMPLIANCE REQUIREMENTS

Crosscutting Requirements

The DHHS/Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMHDDSAS) 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

Per APSM 75-1 (Area Program Budgeting and Procedures Manual), .1148, programs may expend MR/MI Non-UCR funds for facility rental, utilities, start-up staffing, supplies, travel, rental and purchase of equipment, administrative costs, transportation of clients and capital. Funds may not be used to purchase client personal possessions or clothing unless (a) a unique circumstance has been documented, and (b) this expenditure cannot be covered from any other source. Requests for Non-UCR funds must be submitted by the Area Program Finance Officer in advance, and approved by the Community Policy Management Section of the Division of Mental Health/Developmental Disabilities/Substance Abuse Services. Start-up expenditures must be approved in accordance with APSM 75-1, .1148 (d).

MR/MI funds may be expended to support services for individuals identified in the ADMRI population group in adult care homes when the service needs of individual consumers in these homes cannot be met via the established maximum adult care home rate.

MR/MI funds may be expended to support services for individuals identified in the ADSN target population following the utilization of all other Developmental Disabilities funding that has been designated.

MR/MI UCR funds are earned by the billing services in an approved ELP or Plan of Care for each individual. UCR funds may also be drawn for Local Management Entity/Area Authority staff activities in the area of Quality Assurance/ Improvement.

Suggested Audit Procedures

Determine the following:

- (a) that funds were expended for confirmed MR/MI individuals on services and supports as outlined in section (b) through (h) of APSM 75-1, .1148 by reviewing all disbursements, invoices, purchase orders and all items charged to MR/MI as well as units of service billed to MMIS+/IPRS.
- (b) If the individual accessing MR/MI funding is in the ADSN target population, confirm that all adult DD UCR funds (account 536949) have been expended.

2. ALLOWABLE COSTS

All grantees that expend State funds (including federal funds passed through the North Carolina 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.

Requirements related to the determination and allocation of allowable costs is set forth in Pioneer Funding System, Volume VIII., Thomas S. Funding System Manual. Specifically, Volume of Service Reporting, section 6, pages 29 through 35 and The Thomas S. Circle of Service Chart, Appendix E, pages 74 through 75.

Suggested Audit Procedures

Determine the following:

- (a) That non-UCR expenditure invoices/documentation and expenditures were in accordance with APSM 75-1, .1148 and approved via an official allocation letter (11/09/01).
- (b) That volume of service units billed to IPRS are supported by provider invoices/documentation with matching numbers of units and service event dates.

4. CONFLICT OF INTEREST

This requirement applies to any private, non-profit entity eligible to receive state funds, either by General Assembly appropriation, or by grant, loan or other allocation from a State agency (S.L. 1993-321, Section 16 of the Appropriation Act). An agency official is required to sign a notarized copy of the policy before a contract is executed. 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. §143-6.2 for fiscal years beginning on or after July 1, 2005. These requirements include the submission of a Notarized Conflict of Interest Policy (see G. S. §143-6.2(b1)) 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. §143-6.2(b2)). 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.

5. ELIGIBILITY

Individuals receiving services under the MR/MI Program must meet one of the following eligibility criteria:

- A. Adults with mental retardation, or who have been treated as if they had mental retardation, who were admitted to a State psychiatric hospital on or after March 22, 1984, and who are included on the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services Adult Mental Retardation/Mental Illness (ADMRI) population designation on the Common Name Data System (CNDS); or
- B. Adults who are enrolled in the Adult Developmental Disability Adult with Developmental Disability (ADSN) target population who have a co-occurring mental health and/or substance abuse diagnosis. Individuals in the ADSN population group are eligible for funds only once all other Adult DD (federal and State) Funding sources are exhausted. For details on this please refer to memo dated 1/5/05 on MR/MI flexible funding available at: <http://www.dhhs.state.nc.us/mhddsas/announce/index.htm>

6. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Equipment Management

Equipment management shall be in accordance with APSM 75-1, .1016 (Disposition of Equipment - Non UCR); APSM 75-1, .1017 (Start Up Funding); and APSM 75-1, .1148 (Thomas S. Community Services). Please use the standard for equipment purchases to be those purchases costing \$5000 or more.

Real Property

Real property management shall be in accordance with APSM 75-1, .1123 (Division Funds for Capital Projects) and APSM 75-1, .1148 (Thomas S. Community Services).

Suggested Audit Procedures

Determine the following:

- (a) that equipment purchased with MR/MI is recorded, inventoried and tracked as supporting services to persons receiving TS funding, and that if an individual moves or no longer needs the equipment, then it must be used by another individual receiving TS funds.
- (b) and that documentation supporting adherence to APSM 75-1, .1123 and APSM 75-1, .1148 exists.

8. PERIOD OF AVAILABILITY OF STATE FUNDS

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

9. PROCUREMENT AND SUSPENSION AND DEBARMENT

Procurement

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 <http://www.whitehouse.gov/omb/grants/chart.html>.

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 Agency Purchasing Manual accessible online at http://www.doa.state.nc.us/PandC/agpurman.htm#P6_65.

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

11. REAL PROPERTY ACQUISITION AND RELOCATION ASSISTANCE

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

12. REPORTING

Local Management Entities/Area Authorities key in locally, volume of service data per individual client as set forth in the Integrated Payment and Reporting System (IPRS).

Local Management Entities/Area Authorities specific reporting requirements are set forth in the individual Local Management Entity/Area Authority allocation letters. Copies of such letters may be obtained from the Local Management Entity/Area Authority finance officer or the Community Policy Management Team in Raleigh.

Suggested Audit Procedures

Determine the following:

- (a) review IPRS volume of service data reported for adherence to sections 6 and 7 of the Integrated Payment and Reporting System (IPRS).

14. SPECIAL TESTS AND PROVISIONS

1. MR/MI funds shall only be expended for ADMR clients or qualifying ADSN clients once all other Adult DD UCR funds are expended. Therefore, any MR/MI funds earned by Local Management Entities/Area Authorities above the amount of their actual approved MR/MI expenditures must be paid back to the Division.
2. Clients eligible for Medicaid should be certified as Medicaid eligible and have assigned Medicaid numbers. Services and supports for Medicaid eligible clients should be billed to Medicaid. Review IPRS reports.

Suggested Audit Procedures

Determine the following:

- (a) Review Local Management Entity/Area Authority files to determine that all Medicaid eligible clients have Medicaid identification numbers assigned and that Medicaid was billed for all eligible services. Local Management Entity/Area Authority IPRS reports

should be compared to Division of Medical Assistance Medicaid Remittance Advises (RA)/ paid claims data.

- (b) Review CNDS (Common Name Data System) and confirm that clients are enrolled in either the ADMRI or ADSN Populations.
- (c) The Community Policy Management team permits Local Management Entities/Area Authorities to enter into service contracts with providers for client services, monitoring, accreditation, training, special projects or any other services or supports. Documentation should be reviewed to verify that services and/or supports were received and/or provided.
- (d) Services provided should be consistent with the contract as determined by review of subrecipient documentation. Documentation may include training attendance rosters, accreditation review notes and/or provider invoices. Contract should be for services/supports as per an approved Division Contract or an individual's approved ELP or Plan of Care.
- (e) Ascertain that the grantee has a conflict of interest policy.
Verify through Board minutes that the policy was adopted before the grantee