

COMMUNITY BASED PROGRAMS/DEVELOPMENTAL DISABILITY - ARC OF NC LIFE GUARDIANSHIP SERVICES

State Authorization: HB 2055, Sec. 117 (1986); G.S. 122C-101, 143-6.1

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

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N. C. DHHS Confirmation Reports:

SFY 2009 audit confirmation reports for payments made to 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 2008-2009)”. 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 2007-2009)”.

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

This contract supports the LIFEguardianship Program.

The LIFEguardianship contract with the Division shall provide reimbursement for guardianship services as appointed by the courts for persons with mental retardation and/or mental illness, providing assistance to individuals seeking to have their rights restored, training new volunteer personal representatives and/or personal partners, giving presentations and developing workshops regarding guardianship options, publishing articles or data about the LIFE guardianship Program, maintaining a website with current information about guardianship issues, and ensure guardianship specialists maintain appropriate certification.

II. PROGRAM PROCEDURES

Funding to support the LIFEguardianship program are appropriated by the NC General Assembly and disbursed in accordance with the Contract between the Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMHDDSAS) and the Arc of N.C., Inc.

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

Allowable activities include Guardianship services to persons with mental retardation and/or mental illness as appointed by the courts, training for new volunteer personal representatives and/or personal partners, provide an appreciation event, give presentations /workshops/exhibits, and publish articles or data on the LIFEguardianship Program and/or guardianship options, training for guardianship specialists to maintain appropriate certification, provide technical assistance to guardianship subcontract projects such as The Arc of Wake County and The Arc of Cabarrus County, and maintain a website with current information regarding guardianship issues. Allowable activities are included in Attachment B to the Contract between the Arc of N.C., Inc. and DMHDDSAS.

Suggested Audit Procedures

- a. Review contract requirements and determine activities which are allowable for reimbursement.
- b. Sample monthly billings to the DMHDDSAS 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

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

The Division shall reimburse Arc of N.C., Inc. (ARC) within 30 days after receipt of each properly completed bill.

Any funds which may be paid to Contractor in excess of actual expenditures shall be refunded to the Division as soon as possible but under no circumstances longer than 45 days after this contract is terminated.

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 DMHDDSAS to verify that the costs billed to the DMHDDSAS were accurate and relate directly to the allowable activities to be reimbursed under the terms of the Contract.

4. CONFLICT OF INTEREST

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 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.

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.

5. ELIGIBILITY

Children and adults with mental retardation and/or mental illness as specified in Attachment B of the Contract between the DMHDDSAS and the Arc of N.C., Inc.

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 mental retardation or other developmental disability.

8. PERIOD OF AVAILABILITY OF STATE FUNDS

This requirement does not apply at the local level.

9. PROCUREMENT AND SUSPENSION AND DEBARMENT

This requirement does not apply to this contract

12. REPORTING

The Contractor provides Quarterly Reports of progress toward work plan activities/goals. Monthly Financial Status Reports (FSR's) of expenditures are also provided.

Suggested Audit Procedures

- a. Review applicable laws, regulations and the provisions of the contract for reporting requirements.
- b. Check to make sure that Contractor has provided progress reports every six months.

- c. Check to make sure 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. Obtain written representation from management that the reports provided to the auditor, are true copies of the reports submitted to the Division.

13. 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 and the applicable prescribed requirements of the Office of the State Auditor's Audit Advisory #2 (as revised January 2004) 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 OMB Circular A-133. 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 Cross-cutting Supplement.

14. SPECIAL TESTS AND PROVISIONS

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.

Suggested Audit Procedures

- Review contract/grant agreement, identify any special requirements; and
- Verify if the requirements were met.