

COMMUNITY BASED PROGRAMS / DEVELOPMENTAL DISABILITIES – EASTER SEALS UCP SERVICES

State Authorization: G. S. 122C-141, 122C-144.1, 122C-143.1, 122C-143.2, 122C-147, 122C-147.1, 122C-147.2

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

Agency Contact Person – Program

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N. C. DHHS Confirmation Reports:

SFY 2009 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 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)”.

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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.

I. PROGRAM OBJECTIVES

This program will provide day/night, twenty-four hour and periodic services to children and adults with cerebral palsy and other developmental disabilities. Such services shall include Adult Developmental Vocational Program, Supported Employment, Developmental Day, Child Care Inclusion Support, and related initiatives. These requirements apply to the special legislative appropriation through the Division of Mental Health, Developmental Disabilities and Substance Abuse Services (the “Division”). It does not apply to Local Management Entity/Area Authority contracts with Easter Seals UCP North Carolina, Inc (the “ESUCP”).

II. PROGRAM PROCEDURES

ESUCP is a not-for-profit, statewide agency, serving children and adults with developmental disabilities. Funds are appropriated by the NC General Assembly and disbursed in accordance with a Contract between the Division and ESUCP for the services specified in the Contract. The appropriation language from the General Assembly specifies ESUCP as the fund recipient; so it is a sole source contract. The Division will reimburse monthly for allowable expenditures when the report of expenditures is received. Additionally, it is required that Easter Seals UCP submit a monthly report detailing these expenditures to the program manager.

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 services include the following:

- a. Developmental Day
- b. Speech Therapy
- c. Occupational Therapy
- d. Physical Therapy
- e. Supported Employment
- f. Supported Living
- g. Group Living

Attendance records for children and adults in residential or day settings must be maintained for all services, and activity logs or service notes must be kept for all services provided.

Suggested Audit Procedures

1. Verify attendance records of those individuals receiving services in residential or day settings.
2. Check activity log or service notes to ensure all activities provided were in accordance with contract between the Division and ESUCP.

2. 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.

Allowable costs are those costs necessary for the provision of services in accordance with the approved budget in the contract with the Division. Services cannot duplicate the same service and timeframe for a service billed through contracts with Local Management

Entities/Area Authorities (LMEs/AAs). For Medicaid eligible clients, Medicaid services cannot be billed under this contract.

Suggested Audit Procedures

Test a sample of transactions for conformance with the following criteria:

1. For conformance with the allowance of costs provisions of or limitations as stated in the contract between the Division and ESUCP.
2. Represents charges for actual costs, not budgeted or projected amounts.
3. Supported by appropriate documentation, such as approved purchase orders, receiving reports, vendor invoices, canceled checks, time sheets indicating time staff spent providing services, and attendance records for individuals receiving day/night services, and correctly charged as to account, amount and period. Documentation requirements for salaries and wages, and time and effort distribution such as time sheets.

4. 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 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

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

5. ELIGIBILITY

Children and adults with developmental disabilities. Eligibility is determined by the Contractor who follows the Division eligibility procedures.

Suggested Audit Procedures

1. The consumer's record reflects that a diagnosis of developmental disability has been made.
2. Verify that eligibility has been determined before reimbursement.

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 on the status and progress of activities and services. Monthly Financial Status Reports (FSR) of expenditures are also provided.

Suggested Audit Procedures

1. Review applicable laws, regulations and the provisions of the contract for reporting requirements.
2. Ascertain if the financial reports were prepared in accordance with the required accounting basis.
3. 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.

Suggested Audit Procedure

To determine that services and supports paid for were in fact provided, test a sample of invoices from contractors to ensure that contracted services were provided and that accreditation is in place.

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.