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
The overall objective of the Substance Abuse Prevention and Treatment Block Grant is to provide funds to States, territories and eligible Indian tribes for use in providing certain types of substance abuse prevention and treatment services as specified in the statutes. The North Carolina Perinatal and Maternal Substance Abuse Initiative is supported both by State-Treatment Alternatives for Women funds appropriated by the N.C. General Assembly and Substance Abuse Prevention and Treatment Block Grant Funds. The Perinatal and Maternal Substance Abuse Initiative program objective is to provide specialized substance abuse treatment to pregnant women and women with dependent children.

II. PROGRAM PROCEDURES

There are twenty-two programs in the Perinatal and Maternal Substance Abuse Initiative statewide. The programs supported by these funds are as follows:

- Edgecombe-Nash MH/DD/SAS Program/Brighter Day Program (adolescent services)
- Sandhills Center for MH/DD/SAS Clean Start Program and Robeson Healthcare Corporation- Crystal Lake Transitional Housing Program (Moore County) and The Cambridge Place Perinatal Program (Johnston County)
- Mecklenburg Health, Mental Health, and Community Services/Community Choices, Inc.-CASCADE Program (outpatient and residential services)
- The Durham Center/Community Choices-Residential Program (SFY 06 start-up) and Duke University-Family Care Program
- OPC Area Program/Family Wellness and Recovery Services-Hope Meadow Program
- OPC Area Program/UNC-Chapel Hill-Horizons Program
- Southeastern Center MH/DD/SAS/New Visions and EastCoast Solutions-Kelly House
- Eastpointe Adolescent Case Management Program
- Southeastern Regional Area MH/DD/SAS/Robeson Health Care Corporation-Our House, Grace Courts and Professional Counseling Services (Perinatal Services Only)
- Western Highlands/Mary Benson House and Perinatal Health Partners (adult and adolescent out-patient services)
- Pitt County MH/DD/SAS/Robeson Health Care Corporation-The Village Perinatal Services
- Roanoke-Chowan Area MH/DD/SAS- The PORT Program- Adolescent Case Management Program
- Wake Human Services/Step By Step Program
- CenterPoint Human Services/Step One, Inc.-Women’s and Infant’s Services for Health
These programs received their original awards through participation in a competitive “Request for Proposals” (RFP) process and were awarded grants based on their approved grant proposals by the Division. The RFP process was opened to any Local Management Entity/Area Authority (LME/AA) and public or private non-profit agency interested in applying. Proposals were submitted to the Division and grants awarded based on the RFP criteria. Each program has different levels of care (i.e. case management, intensive out-patient, residential, etc.) relative to the services that were approved as a part of the grant award.

With divestiture of services by the LME/AA, several LME/AA’s have contracted with new providers through an RFP process of their own. All of the requirements from the original RFP must be passed on to the new provider agency.

Funds may be paid to LME/AA based on a Financial Status Report (FSR). Unit cost will be determined using a consistently applied methodology approved by the Division. Also, funds paid may be settled based on earnings computed through unit cost reimbursement (UCR). This methodology includes the identification of service cost centers, the allocation of allowable costs, the determination of expected units of service and the calculation of a unit cost reimbursement rate.

In some cases, funds are on an expenditure basis due to the limitations of the unit cost reimbursement system relative to the unique services offered by a particular program. The amount of these funds would be found in the Division of MH/DD/SAS Final Allocation Letter under Treatment Alternatives for Women fund number 536966-1490 or 1491. All other funds allocated inside the UCR system can be found under Treatment Alternatives for Women fund number 536976-1490 or 1491.

For the Substance Abuse Prevention and Treatment Block Grant, funds are allocated by the Division Director.

III. COMPLIANCE REQUIREMENTS

Crosscutting Requirements

The DHHS/Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS) 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.

A. Activities Allowed and Unallowed

In accordance with Section 1924 of P.L. 102-321, any program receiving SAPTBG set-aside funds for operating a program of treatment for substance abusing pregnant women, women with dependent children or women seeking to regain custody of their child(ren) shall:

1. Treat the family as a unit, admitting both women and their children into treatment services, as appropriate; and

2. Provide or arrange for the provision of the following services to pregnant women and women with dependent children, including women who are attempting to regain custody of their children:
PERINATAL AND MATERNAL SUBSTANCE ABUSE INITIATIVE

a. Primary medical care for women, including referral for prenatal care and, while the women are receiving such services, child care;
b. Primary pediatric care, including immunization, for their children;
c. Gender specific substance abuse treatment and other therapeutic interventions for women which may address issues of relationships, sexual and physical abuse and parenting, and child care while the women are receiving these services;
d. Therapeutic interventions for children in custody of women in treatment which may, among other things, address their developmental needs, their issues of sexual and physical abuse, and neglect; and
e. Sufficient case management and transportation to ensure women and their children have access to services provided to them as listed in items a.-d. above.

Allowable activities would also include:

a. Residential services for women and their children
b. Services listed in Section I. of Allowable Activities for pregnant and parenting adolescents and women or women seeking to regain custody of their children when the approved grant proposal is for this population
c. Incentive programming i.e. a voucher for a meal for attending group.
d. Purchase of supplies for children i.e. diapers, bottles, formula, etc.
e. Funds may be used to pay rent or lease payments for facility
f. Transportation vouchers for consumers to attend treatment (i.e. tokens, cab fare, etc.)
g. Childcare expenses for consumers to participate in treatment
h. Program evaluation
i. Training and education
j. All services approved on the IPRS Covered Services Chart for this purpose.

Unallowed Activities

• Provide inpatient hospital services except under the following conditions.

In order to comply with the Federal restriction that SAPTBG funds are not used for inpatient services except for medical necessity, the Division will not reimburse LME/AA for earnings through the provision of substance abuse inpatient services except as follows. If an LME/AA wishes to earn SAPTBG funds through the provision of substance abuse inpatient services, the LME/AA must contact the Division to confirm this arrangement prior to implementation and comply with the following Federal requirements:

1. the primary diagnosis of the individual is substance abuse and the physician certifies this fact;
2. the individual cannot be safely treated in a community-based non-hospital, residential treatment program;
3. the service can reasonably be expected to improve an individual’s condition or level of functioning;
4. the hospital-based substance abuse program follows national standards of substance abuse professional practice;
5. the daily rate of payment provided to the hospital for providing the services to the individual will not exceed the comparable daily rate provided for community-based, non-hospital, residential programs of treatment for substance abuse; and
6. funds may be expended for such services only to the extent that it is medically necessary, i.e., only for those days that the patient cannot be safely treated in a residential, community-based program.

- Make cash payments to intended recipients of health services.
- Purchase or improve land, purchase, construct or permanently improve any building or other facility, or purchase major medical equipment--unless the State has obtained a waiver from the Secretary of Health and Human Services.
- Satisfy any requirement for the expenditure of non-Federal funds as a condition for the receipt of Federal funds.
- Provide financial assistance to any entity other than a public or nonprofit entity, or to support any individual salary in excess of $125,000.00.
- All programs funded in whole or in part with SAPTBG funds shall certify they have not and will not use Federal funds to pay for lobbying activities.
- All programs funded in whole or in part with SAPTBG funds shall use such funds as a “payment of last resort” for services but, per North Carolina General Statute 122C-146, no individual may be refused services because of an inability to pay.

If expenditures are made for these purposes, funds in excess of federal block grant funds must be available.

B. Allowable Cost/Cost Principles

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.

C. Cash Management

These funds are reimbursed based on the allocation of funds:

1. Funds are earned through the Integrated Payment and Reporting System (IPRS) based on allowable activities provided by the entity receiving the funds; and/or

2. Funds are settled on a reimbursement basis per cost of the allowable activities rendered.

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.
E. Eligibility

Each program has admission requirements that can be verified by review of the approved grant proposal. In general, the following apply to most programs:

1. These services are available to the following population in priority preference order
   a. Pregnant IV Drug User
   b. Pregnant Drug User
   c. All other women with dependent children

2. All of the programs in the Perinatal and Maternal Substance Abuse Initiative are Cross Area Service Programs that admit clients statewide.

F. Equipment & Real Property Management

   Equipment Management

   This requirement refers to tangible property that has a useful life of more than one year and costs $5,000 or more. Such equipment may only be purchased per the conditions of the approved contract or grant agreement. Shall 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

   There is no required match.

   Level of Effort

   Block grant 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.

   Earmarking

   These services are available to the following population in priority preference order:

   1. Pregnant IV Drug User
   2. Pregnant Drug User
   3. All other women with dependent children
This can be found in the Department of Health and Human Services, 45 CFR Part 96, Interim Final Rule, 45 CFR 95.131

H. Period of Availability of Federal Funds

This requirement does not apply at the local level.

I. Procurement & Suspension & Debarment

Procurement

All grantee 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](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 on the Internet at [http://www.doa.state.nc.us/PandC/agpurman.htm#P6_65](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.

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.

L. Reporting

LME/AA’s are required to submit units of service and meet funding requirements which include targeting of dollars to clients or services at a level of specificity per the IPRS covered services chart. LME/AA’s which receive these funds are required to submit additional reports to meet the special requirements as stated in the Special Reporting Requirements section of an allocation letter.

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. §143-6.2 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 fiscal compliance of subcontractors as described above.
N. Special Test & 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.

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 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.