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**PROJECTS FOR ASSISTANCE IN TRANSITION FROM
HOMELESSNESS (PATH)**

**State Project/Program: PROJECTS FOR ASSISTANCE IN TRANSITION FROM
HOMELESSNESS (PATH)**

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Federal Authorization: Public Health Service Act, Title V, Part C, Sections 521, as amended;
42 U.S.C. 290cc-21 et seq; Stewart B. McKinney Homeless Assistance
Amendments Act of 1990; Public Law 101-645

**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 2019 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 DHSR 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 2018-2019).” 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 2017-2019).”

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 PATH Program provides outreach and support services to individuals meeting the following criteria:

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1. Individual has a serious mental illness or individual has a co-occurring serious mental illness and substance use disorder.
2. Individual is experiencing homelessness, primarily living in outdoor locations. Priority is given to Veterans.
3. Individual is not receiving mental health or co-occurring substance abuse services.

PATH services include: outreach; screening; case management; referrals for primary health services, benefits, and any other needed community services; and a prescribed set of housing services. The goals of the PATH Program are as follows:

- Individuals are connected to community mental health services or services for co-occurring substance use disorders.
- Individuals are connected to permanent housing.
- Individuals receive referral assistance to attain a primary care provider, income, job training, employment and other needed services and supports.

II. PROGRAM PROCEDURES

PATH funds are allocated through a contract between DHHS and the organization selected through a Request for Applications (RFA). Contracts were awarded to the following organizations:

- Wake Med Health & Hospitals (Raleigh)
- Interactive Resource Center (Greensboro)
- Homeward Bound of Western North Carolina (Asheville)
- Supportive Housing Communities (Charlotte)

The organization must provide a \$1.00 match expenditure for every \$3.00 of the PATH funds expended using non-federal or state dollars. Continued funding is based on a demonstrated effective administration of the PATH program and an annual approved PATH application. Funds must be expended or earned in accordance with contract. Funds are paid through submission of the Financial Status Report, Consumer Assistance Log, Outreach Log and receipts/supportive documentation monthly per the approved PATH budget and budget narrative, and match budget narrative. Reporting of the services delivered to eligible recipients is submitted quarterly.

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 OR UNALLOWED

PATH funds are only used for those individuals meeting the PATH criteria to provide the following services: assertive outreach; screening; case management; residential support services; referrals for a primary health provider, income, benefits, and any other needed community services; and housing services in compliance with Public Health Service Act, Title

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V, Part C, Section 521, and Section 522 (h)(1) as amended, 42 U.S.C 290cc-21 et seq; Stewart B. McKinney Homeless Assistance Amendments Act of 1990; and Public Law 101-645.

B. ALLOWABLE COSTS/COSTS 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 and in 2 CFR, Part 200 Subpart E – Cost Principles.)

C. CASH MANAGEMENT

These funds are reimbursed based on the contracted funds:

1. Funds are paid through submission of the Financial Status Report, Consumer Assistance Log, Outreach Log and receipts/supportive documentation monthly per the approved PATH budget and budget narrative, and match budget narrative. Reporting of the services delivered to eligible recipients is submitted quarterly.
2. Funds are settled on a reimbursement basis per expenditures.
3. PATH funds that are paid to the PATH Providers cannot have more than 20% of those expenditures on housing. Verify this from submission of PATH program expenditures that are submitted monthly.

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

Services are provided based on the following criteria:

1. Individual has a serious mental illness or co-occurring serious mental illness and substance use disorder.
2. Individual is experiencing homelessness primarily living in outdoor locations. Priority is given to Veterans.
3. Individual is not receiving mental health or co-occurring substance abuse services.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Equipment Management

This requirement refers to tangible property that has a useful life of more than one year and costs of \$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

The PATH Service Providers must match, in cash or in kind, \$1.00 of expenditure for each \$3 of Federal PATH funding expenditures.

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Earmarking

Not applicable at the local level. No testing is required.

Suggested Audit Procedures

1. Verify that the LME/MCO retains records on provider match and confirm that this match meets the required \$1 for every \$3 of PATH funds paid.

H. PERIOD OF PERFORMANCE

This requirement does not apply at the local level. No testing is required.

I. 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 comply with the procurement guidelines found in 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards which can be accessed at:

<https://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>

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.nc.gov/pandc/documents/Procurement_Manual_5_8_2013_interactive.pdf.

Nongovernmental sub-recipients 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 follow the provisions of Executive Order 12549, 2 CFR 200, 45 CFR Part 75 and Executive Order 12689.

J. PROGRAM INCOME

This requirement does not apply.

L. REPORTING

1. Contracted PATH Provider submits the Financial Status Report, PATH Consumer Assistance Log, PATH Outreach Log and supportive documentation/receipts for review.
2. Contracted PATH Provider submits supportive documentation/receipts for costs meeting the match requirement.

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. §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

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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 2 CFR Part 200.331. 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.

N. SPECIAL TESTS AND PROVISIONS

Compliance Requirement

All grantees are required to comply with the NC Department of Health and Human Services and DMHDDSAS records retention schedules and policies. These include Functional Schedule for State Agencies, Records Retention and Disposition Schedule – DMH/DD/SAS Local Government Entity (APSM 10-6), Records Retention and Disposition Schedule - DMH/DD/SAS Provider Agency (APSM- 10-5) and the DHHS Records Retention and Disposition Schedule for Grants.

The records of the contractor shall be accessible for review by the staff of the N. C. Department of Health and Human Services and the Office of the State Auditor for the purpose of monitoring services rendered, financial audits by third party payers, cost finding, and research and evaluation.

Records shall be retained for a period of three years following the submission of the final Financial Status Report or three years following the submission of a revised final Financial Status Report. Also, if any litigation, claim, negotiation, audit, disallowance action, or other action involving these funds has been started before expiration of the three year retention period, the records must be retained until the completion of the action and resolution of all issues which arise from it, or until the end of the regular three year period, whichever is later. The grantee shall not destroy, purge or dispose of records related to these funds without the express written consent of the DHHS/DMH/DD/SAS.

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.

Audit Objectives

- a. To ensure compliance with the DHHS and DMH/DD/SAS records retention schedules and policies.
- b. To ensure compliance with all federal and State policies, laws and rules that pertain to this fund source and/or to the contract/grant agreement.

Suggested Audit Procedures

- a. Verify that records related to this fund source are in compliance with the DHHS-DMH/DD/SAS record retention schedules and policies.
- b. Review contract/grant agreement, identify any special requirements; and
- c. Verify if the requirements were met.
- d. Verify that the Conflict of Interest declaration is signed and that there is no overdue tax debts at the federal, State or local level as required below.

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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 funds passed through the N. C. Department of Health and Human Services) are subject to the financial reporting requirements of G. S. 143C-6-23 effective July 1, 2007. These requirements include the submission of a Notarized Conflict of Interest Policy (see G. S. 143C-6-23(b)) 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. 143C-6-23(c)).

G. S. 143C-6-23(b) stipulates that every grantee shall file with the State agency disbursing funds to the grantee a copy of that grantee's policy addressing conflicts of interest that may arise involving the grantee's management employees and the members of its board of directors or other governing body. The policy shall address situations in which any of these individuals may directly or indirectly benefit, except as the grantee's employees or members of its board or other governing body, from the grantee's disbursing of State funds, and shall include actions to be taken by the grantee or the individual, or both, to avoid conflicts of interest and the appearance of impropriety. The policy shall be filed before the disbursing State agency may disburse the grant funds.

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.