

APRIL 2019

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**REINVESTMENT OF CIVIL MONEY PENALTIES TO  
BENEFIT NURSING HOME RESIDENTS**

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**State Project/Program: NORTH CAROLINA CULTURE CHANGE COALITION  
ENHANCEMENT GRANTS**

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**U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Federal Authorization:** Social Security Act, Sections 1819(h)(2)(B)(ii)(IV)(ff),  
1919(h)(3)(C)(ii)(IV)(ff) and 1919. [42 U.S.C. 1396r]

**N.C. Department of Health and Human Services  
Division of Health Service Regulation**

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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 (MCO;s), 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)”.

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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.

## **GENERAL INTRODUCTION**

Federal law provides for the collection and use of Civil Money Penalty (CMP) funds imposed by the Centers for Medicare and Medicaid Services (CMS) when nursing homes do not meet the Medicare Requirements for Participation. The Patient Protection and Affordable Care Act established that 90 percent of the federal portion of CMP funds could be used to support activities that benefit nursing home residents, including projects that assure quality care within nursing homes.

The grants are made possible by the utilization of penalty monies collected by the North Carolina DHHS, DHR, from federal enforcement actions under the 1987 Omnibus Budget Reconciliation ACT (OBRA). The grant program is implemented through a partnership of the NC Culture Change Coalition, DHR and the Centers for Medicare and Medicaid Services (CMS).

## **I. PROGRAM OBJECTIVES**

The purpose of this funding opportunity is to solicit applications to participate in a Federal grant program using Civil Money Penalty (CMP) funds. The expectation is to improve the quality of life for residents in the state's certified long-term care nursing home facilities. Improvements are accomplished through promoting positive environmental and cultural changes within these homes. Facilities base these changes on the culture change modes that best fit their vision for transforming the medical model of nursing homes to more homelike settings. By showcasing a variety of cultural change enhancement philosophies, the facilities are allowed the flexibility to make alterations in the building. This in turn enhances the overall culture according to the needs and wants of their residents and staff.

## **II. PROGRAM PROCEDURES**

The grant review committee, comprised of members of the NC Culture Change Coalition, will review each application submitted. Applications will be reviewed every month.

The submitting facility will be invited to participate in the review process, either by phone or in person. Each proposal will be assigned a mentor who is a member of the grant review committee. That mentor will be available to assist the facility in making any changes, corrections, or edits to the proposal as needed to meet the CMS requirements. This process can take as long as needed – there is no deadline for submission of proposals. Once the proposal has completed a final review by the full committee, the applicant will be instructed to merge their grant proposal into the CMS CMP application. Then the Nursing Home Licensure & Certification Section will forward the application to CMS for review. Once an application is approved by CMS, the Nursing Home Licensure & Certification Section will begin the contract process.

Each contract is entered in the Enterprise Business System (EBS) and Open Window System prior to seeking approval to contract. All appropriate approvals are obtained prior to the effective date of a contract.

A contract between the subrecipients and the Division of Health Service Regulation (DHSR), Department of Health and Human Services (DHHS), will be in effect for the duration of the entire grant period.

### **III. COMPLIANCE REQUIREMENTS**

In developing the audit procedures for testing the compliance requirements with this grant, Auditors should refer to the matrix to identify which of the 14 compliance requirements (Part 3, Uniform Guidance 2 CFR Part 200) are applicable. In addition to these general requirements, the following compliance requirements also apply.

#### **A. ACTIVITIES ALLOWED OR UNALLOWED**

Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents allows the following activities:

- Non-pharmacological approaches to improve the quality of life and care of individuals with dementia
- Reduction in the use of antipsychotic medications for individuals with dementia
- Dining and bathing enhancements
- Outdoor projects
- Acquiring and maintaining resident animals
- Plants and horticultural activities
- Music therapy, activities, and resident centered computer systems

Funds may not be used to:

- Fund staff salaries
- Complete major capital improvements
- Partial support for large-scale construction projects
- Expenditures needed for regulatory compliance

#### **B. ALLOWABLE COSTS/COST PRINCIPLES**

All subrecipients 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.

#### **C. CASH MANAGEMENT**

Subrecipients receive funding under the North Carolina Culture Change Coalition Enhance Grant on a cost reimbursement basis. Therefore, there is no testing required at the local level for Cash Management.

**E. ELIGIBILITY**

NC Culture Change Coalition enhancement grants fund North Carolina certified nursing homes (Medicare and Medicaid), Medicare only certified, or Medicaid only certified. All activities must promote positive environmental and cultural changes within these homes.

**H. PERIOD OF PERFORMANCE**

The funding period for the enhancement grants will be one, two, or three years, depending on the length of time requested to complete a proposed project, beginning with the date of the individual contracts and ending with the expenditure of grant funds.

**I. PROCUREMENT AND SUSPENSION AND DEBARMENT**

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 Procurement Manual accessible on the Internet at [https://files.nc.gov/ncdoa/pandc/Documents/Contract-Administration-and-Monitoring-Guide/Procurement\\_Manual\\_5\\_8\\_2013\\_interactive.pdf](https://files.nc.gov/ncdoa/pandc/Documents/Contract-Administration-and-Monitoring-Guide/Procurement_Manual_5_8_2013_interactive.pdf)

**L. REPORTING**

Grantees shall complete and submit to DHSR a written quarterly narrative report detailing their progress for the duration of the grant contract period and include any CMS conditions or requests that were listed in the CMS approval letter.

Grantees must also complete and submit to DHSR a quarterly expense report until all funds have been expended. The expense report must be completed on a DHSR-approved form and must reflect costs incurred during the prior fiscal quarter reflected in that quarter's reimbursement bills.

Within 6 months after the end of their fiscal year, grantees are required to access <https://www.ebs.nc.gov/irj/portal> and comply with statute G.S. 143C-6.23. Failure to submit this information on time could result in a grantee's name being placed on the state auditor's public list of non-compliant grantees.

**M. SUBRECIPIENT MONITORING**

To maintain the integrity of the grant program, DHSR personnel serving on behalf of the Coalition, will make a planned, on-site visit annually during the grant period to each grant receiving nursing home to monitor grant compliance. Additional visits may be conducted as needed to assess compliance.

**N. SPECIAL TESTS AND PROVISIONS****1. Budget Amendments**

**Compliance Requirement** – Subrecipients may not amend their budgets during the contract period. The Line Item Budget within the contract sets out the items for

which the Contractor may be reimbursed and the amounts for which it may be reimbursed.

**Audit Objective** – To determine that the budget approved by CMS and the budget used by the subrecipient are identical. To determine that the line item expenditures reported on the Request for Reimbursement to the State have not exceeded approved line item budgeted amounts.

**Suggested Audit Procedures** – Compare, by line item, the subrecipient program expenses with the final budget as approved by CMS. The auditor should review the Consolidated Contract, Contract Addendum, Budgetary Guidance, expenditure reports and activity reports for verification that the reported expenditures are allowable and supported by sufficient documentation.

## **2. Indirect Costs**

**Compliance Requirement** – If budgeted, the subrecipient may include indirect cost in their budgets. Indirect cost may not be duplicated elsewhere in the budget.

**Suggested Audit Procedures** – The indirect cost plan supporting the indirect cost reported should be reviewed to determine that cost included in the plan is allowable and equitably allocated. Any discrepancies should be disclosed in the audit as “questioned costs.”