

93.667-9CL

**SOCIAL SERVICES BLOCK GRANT  
STATE APPROPRIATIONS**

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<b>State Project/Program</b>	<b>MENTAL HEALTH, INTELLECTUAL AND DEVELOPMENTAL DISABILITIES, AND SUBSTANCE USE SERVICES</b>
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**U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Federal Authorization:** Social Security Act, Title XX, as amended; Omnibus Budget Reconciliation Act of 1981, as amended, Public Law 97-35; Jobs Training Bill, Public Law 98-8; Public Law 98-473; Medicaid and Medicare Patient and Program Act of 1987; Omnibus Budget Reconciliation Act of 1987, Public Law 100-203; Family Support Act of 1998, Public Law 100-485; Omnibus Budget Reconciliation Act of 1993, Public Law 103-66; 42 U.S.C. 1397 et seq;.

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

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**Agency Contact Person – Program**

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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 DHHS 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 a “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.

This compliance supplement should be used in conjunction with the OMB 2019 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

### **I. PROGRAM OBJECTIVES**

#### **I/DD Services \$4,149,595**

These funds are designed to serve children and adults with Intellectual and/or Developmental Disabilities (I/DD) who are eligible for community-based services. It provides funding for a wide variety of community-based services for children and adults meeting the NC DMH/DD/SAS I/DD Benefit Plan detailed in the NC Division of Mental Health, Developmental Disabilities and Substance Abuse Services DMH/DD/SAS FY18 Benefit Plan Eligibility Criteria, which can be found at <https://ncdhhs.s3.amazonaws.com/s3fs-public/documents/files/Benefit%20Plan%20Eligibility.pdf>

Additionally, individuals must meet the medical necessity criteria for the requested State-funded service.

#### **Easter Seals United Cerebral Palsy (UCP) of NC and VA Services \$1,612,059**

This program provides supports and services to children and adults with intellectual and developmental disabilities and/or mental health and/or substance use disorder. Program work shall include; targeted advocacy, support, education, or residential services for persons diagnosed with autism, intellectual and developmental disabilities or severe and persistent mental illness, substance abusers, or the elderly. Programs promoting wellness, physical activity, and health education programming for North Carolinians. These requirements apply to the special legislative appropriation through the Division.

#### **Autism Society of North Carolina, Inc. \$2,641,392**

This program provides advocacy and services to individuals challenged by Autism Spectrum Disorder (ASD) and their families. ASD is a severe developmental disorder of varying severity that is characterized by difficulties in social interaction and communication and behavior challenges. Services include recreation, advocacy, development, vocational supports, education and training, information and referral, and parent support in local communities throughout the State.

This program also provides increased opportunities for early intervention with young children diagnosed with autism, including intensive instructional programming, off-site consultation with families, parent meetings, education/training opportunities and scholarships to the respective early intervention program.

#### **The ARC of North Carolina \$542,148**

The program provides outreach, consultation, technical assistance, information, education, and/or referral services to individuals, families, schools, agencies, and organizations related to guardianship, alternatives to guardianship, including supported decision-making, advance directives, and/or restoration of rights. Training conferences and workshops, panel participation, and presentations/speaking engagements on options or alternatives to guardianship including Supported Decision Making shall be continued and provided to several groups and agencies. The

focus shall continue to be on high school students and their families, teachers, the coordinators of exceptional children programs, Local Department of Social Services, Local Management Entities, and Clerks of Court and/or their staff as well as training of internal staff.

## II. PROGRAM PROCEDURES

### I/DD Services

Child and adult, I/DD Service funds are allocated to Local Management Entity-Managed Care Organizations (LME-MCO). Each LME-MCO receives some funding; the amount per LME-MCO is based on per capita and historical earnings. The LME-MCO, based on the needs of children and adults, plans and implements a variety of services. The services are delivered through a reimbursement process, whereby the individual/family receives from a community provider, the services of the type and intensity specified in the individual's person-centered plan, and the community provider is then reimbursed by the LME-MCO.

The Social Services Block Grant (SSBG) funds are allocated to LME-MCOs through single stream funding.

### Easter Seals UCP of NC and VA Services

Easter Seals UCP of NC and VA is a not-for-profit, statewide agency, serving children and adults with intellectual and/or developmental disabilities, mental health and substance use disorders. Funds are appropriated by the N. C. General Assembly and disbursed in accordance with North Carolina's Competitive Grant Program for State-wide Health and Human Services Initiatives via a contract between the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and ESUCP for the services specified in the contract. The Division will reimburse monthly for allowable expenditures when the report of expenditures is received. Additionally, it is required that Easter Seals UCP submits a monthly report detailing these expenditures to the contract administrator.

Evaluation and monitoring includes; review of monthly Financial Status Reports (FSRs), quarterly reports, and on-site review to make sure activities and cost are allowed, reporting is adequate, eligibility is appropriate and special test and provisions are met as needed.

### Autism Society of North Carolina, Inc.

Funds are appropriated by the N. C. General Assembly and disbursed in accordance with North Carolina's Competitive Grant Program for State-wide Health and Human Services Initiatives via a contract between the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and the Autism Society of North Carolina, Inc. The Division will reimburse monthly for allowable expenditures when the report of expenditures is received. Additionally, it is required that ASNC submit a monthly report detailing these expenditures to the contract administrator.

Evaluation and monitoring includes; review of monthly FSRs, quarterly reports, and on-site review to make sure activities and cost are allowed, reporting is adequate, eligibility is appropriate and special test and provisions are met as needed.

### The ARC of North Carolina

The Arc of North Carolina is committed to securing for all people with intellectual and developmental disabilities. Funds are appropriated by the N. C. General Assembly and disbursed in accordance with North Carolina's Competitive Grant Program for State-wide Health and Human Services Initiatives via a contract between the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and The ARC of North Carolina

for the services specified in the contract. The Division will reimburse monthly for allowable expenditures when the report of expenditures is received. Additionally, it is required that The ARC of North Carolina submits a monthly report detailing these expenditures to the contract administrator.

Evaluation and monitoring includes; review of monthly FSRs, quarterly reports, and on-site review to make sure activities and cost are allowed, reporting is adequate, eligibility is appropriate and special test and provisions are met as needed.

### 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

Funds may be used for activities included in North Carolina’s SSBG State Plan and in accordance with the State Plan.

NOTE: For a copy of the SSBG plan, please contact the NCDHHS-Division of Social Services (DSS) at (919) 733-9467.

#### I/DD Services

Individuals accessing SSBG funds for services must meet the medical necessity criteria for the specific service they are being referred to. The medical necessity criteria for State-funded services can be found at <http://www.ncdhhs.gov/divisions/mhddsas/servicedefinitions>.

#### **Easter Seals - United Cerebral Palsy (UCP) Services**

Allowable services include the following:

- a. Developmental Supports
- b. Supported Employment
- c. Residential Living Services
- d. Autism Services
- e. Psychiatric Outreach and Supports
- f. Wellness and Safety through Integrated Health

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.

#### **Autism Society of North Carolina, Inc.**

SSBG funds may not be used for:

- a. Except as provided in III.A.4 and 5, above, purchase or improvement of land, or the purchase, construction, or permanent improvement (other than minor remodeling) of any facility (unless the restriction is waived by ACF) (42 USC 1397d(a)(1)).
- b. Cash payments for costs of subsistence or for the provision of room and board (other than costs of subsistence during rehabilitation, room and board provided for a short term as an integral but subordinate part of a social service, or temporary shelter provided as a protective service) (42 USC 1397d(a)(2)).

- c. Wages of any individual as a social service (other than payment of wages of Temporary Assistance for Needy Families (TANF) (CFDA 93.558) recipients employed in the provision of child day care services) (42 USC 1397d(a)(3)).
- d. Medical care (other than family planning services, rehabilitation services, or initial detoxification of an alcoholic or drug-dependent individual) unless it is an integral but subordinate part of an allowable social service under SSBG (unless the restriction is waived by ACF) (42 USC 1397d(a)(4)).
- e. Social services (except services to an alcoholic or drug-dependent individual or rehabilitation services) provided in and by employees of any hospital, skilled nursing facility, intermediate care facility, or prison, to any individual living in such institution (42 USC 1397d(a)(5)).
- f. The provision of any educational service that the State makes generally available to its residents without cost and without regard to their income (42 USC 1397d(a)(6)).
- g. Any child day care services unless such services meet applicable standards of State and local law (42 USC 1397d(a)(7)).
- h. The provision of cash payments as a service (this limitation does not apply to payments to individuals with respect to training or attendance at conferences or workshops) (42 USC 1397d(a)(8)).
- i. Any item or service (other than an emergency item of service) furnished by an entity, physician, or other individual during the period of exclusion from reimbursement by various provisions of Federal regulations (42 USC 1397d(a)(9)).

### **B. 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.

Since the Social Services Block Grant is subject to the Omnibus Budget and Reconciliation Act (OBRA) of 1981, it is exempt to specific portions of the Uniform Guidance requirements found in 2 CFR Part 200, including Subpart E, Cost Principles. Further guidance can be found in 45 CFR 96.

### **C. CASH MANAGEMENT**

These funds are disbursed on a reimbursement basis; therefore, Cash Management should not be tested at the local level.

### **E. ELIGIBILITY**

#### **I/DD Services**

Persons must have or be at risk for an Intellectual and/or Developmental Disability or delay as defined in “Mental Health, Developmental Disabilities and Substance Abuse Services”. Please refer to the Benefit Plan Diagnosis Code Array 2017 document found at [http://www.ncdhhs.gov/divisions/mhddsas/FY2017Documents/bp\\_dx\\_code\\_array\\_2017\\_version\\_12-20-2016.xlsx](http://www.ncdhhs.gov/divisions/mhddsas/FY2017Documents/bp_dx_code_array_2017_version_12-20-2016.xlsx)

Individuals must also meet medical necessity criteria for the intended service.

#### **Easter Seals UCP of NC and VA Services**

Children and adults with intellectual and/or developmental disabilities, and/or have a mental health or substance use disorder. Eligibility is determined by the Contractor who follows the Division eligibility procedures.

### **Autism Society of North Carolina, Inc.**

The program serves children and adults with Autism Spectrum Disorder, a severe communication and behavior disorder, and their families.

### **The ARC of North Carolina**

People in all 100 counties that have an intellectual and/or developmental disability and their family members. Individuals under guardianship supported by The Arc of NC.

## **F. EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Not applicable at the local level.

## **G. MATCHING, LEVEL OF EFFORT, EARMARKING**

### **Matching**

Services provided through contract with DMH/DD/SAS must provide a 15 percent match to contract funding.

### **Level of Effort**

Not applicable at the local level.

### **Earmarking**

Not applicable at the local level.

## **H. PERIOD OF PERFORMANCE**

This requirement does not apply at the local level.

## **I. PROCUREMENT AND SUSPENSION AND DEBARMENT**

### **Procurement**

Since the Social Services Block Grant is subject to the Omnibus Budget and Reconciliation Act (OBRA) of 1981, it is exempt to specific portions of the Uniform Guidance requirements found in 2 CFR Part 200, including the procurement requirements. However, it is subject to NC procurement law.

<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.pandc.nc.gov/documents/Procurement\\_Manual\\_5\\_8\\_2013\\_interactive.pdf](http://www.pandc.nc.gov/documents/Procurement_Manual_5_8_2013_interactive.pdf).

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.

### **J. PROGRAM INCOME**

Not applicable at the local level.

### **L. REPORTING**

LME-MCOs 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 NC Tracks covered services chart. LME-MCOs that 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.

#### **Contract Reporting**

The Contractor provides Quarterly Reports on the status and progress of activities and services. Monthly FSR of expenditures is also provided.

### **M. SUBRECIPIENT MONITORING**

#### **Clinical Monitoring**

NC DMH/DD/SAS completes annual clinical monitoring on each LME-MCO to determine if priority individuals are able to access the appropriate level of care.

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 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**

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 North Carolina 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.

The records of the contractor shall be accessible for review by the staff of the North Carolina 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 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 DHHS-DMH/DD/SAS record retention schedules and policies.
- b. Review contract/grant agreement identify any special requirements; and verify if the requirements were met.
- c. Verify that financial assistance under the Substance Abuse Prevention and Treatment Block Grant was only provided to public or non-profit entities.
- d. When applicable, verify that the grantee has obtained a DUNS number and is registered in the Central Contractor Registration (CCR) system.
- e. 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.

### 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. 143-6-23(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 subgrantee accountable for the legal and appropriate expenditure of those State grant funds.