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**BOYS AND GIRLS CLUBS OF NORTH CAROLINA**


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**State Authorization:** Session Law 2015-241, 12A.8.(a)

**N. C. Department of Health and Human Services  
Division of Social 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 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 “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 objective of the grant provided to the Boys and Girls Clubs in North Carolina is to provide services to youth that improve their motivation, performance and self-esteem. Through forty North Carolina Boys and Girls Clubs, the organization provides services to youth through four major programs: “Power Hour”, “SMART Moves”, “Street SMART” and “Triple Play”. These programs have outcome measures that focus on academic improvement, school dropout prevention, pregnancy prevention and healthy habits.

### II. PROGRAM PROCEDURES

In North Carolina, the General Assembly designates state appropriations be granted to a number of non-public entities, such as the Boys and Girls Clubs of North Carolina, as referenced in “State Authorization” above. These funds are administered through the N. C. Department of Health and Human Services, Division of Social Services’ (DSS) Child Welfare Section. The Boys and Girls Clubs of Wake County, Inc. is the lead entity for receipt and disbursement of funds to additional participating Boys and Girls Clubs in North Carolina. All accounting records are on file at the office of The Boys and Girls Clubs of Wake County, Inc.

The programs funded through the grant are administered and operated at the local level. Each participating Boys and Girls Club receives monthly installments delineated in the state-level contract. These disbursements are for expenses related to operation of the programs referenced above in Program Objectives. As found within the State-level contract, each participating Boys and Girls Club, as a grant subrecipient, must comply with a “Letter of Agreement” that specifies certain organizational, program, and evaluation requirements. The agreement also specifies guidelines for disbursement and use of grant funds. This includes an expectation that actual payments will be made on a scheduled reimbursement basis, upon timely submission, review and approval of reports and appropriate documentation regarding expenditure of grant funds (maintained at the office of The Boys and Girls Clubs of Wake County, Inc.). Grant funds must be used for direct personnel costs (Unit and Program Directors, part-time personnel) associated with their work time for implementation of the Power Hour, SMART Moves, Street SMART and Triple Play programs. The Boys and Girls Clubs of Wake County, Inc. develops agreements with Boys and Girls Clubs across North Carolina (subrecipients) to provide allowable services. Local agencies are responsible for the following aforementioned guidelines within the agreements. NC DSS conducts monthly desktop monitoring of the DSS-1571 Part III Cost Reports.

### III. COMPLIANCE REQUIREMENTS

**The compliance requirements in the Division of Social Services “Crosscutting Requirements” in Section D (DSS-0) are applicable to this grant.**

#### 1. ACTIVITIES ALLOWED OR UNALLOWED

Funds must be used to implement programs through Boys and Girls Clubs across North Carolina to improve the motivation, performance, and self-esteem of youths that would be expected to improve academic performance, reduce school dropout, reduce teen pregnancy rates and increase healthy habits.

- **Audit Objective** – To determine that state funds are used only for allowable activities as specified in the individual contract.

**Suggested Audit Procedures** – Examine the agency’s contract, cost reports and documentation to support the expenditures to determine if the expenditures were allowable.

#### 2. ALLOWABLE COSTS/COST PRINCIPLES

Grant funds must be used for direct personnel costs (Unit and Program Directors, part-time personnel) associated with their work time for implementation of the Power Hour, SMART Moves, Street SMART and Triple Play programs.

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.

**Compliance Requirement** – The following requirements relate to the grantee’s budget as of the balance sheet date as compared to the budget approved by DSS:

- The total expenditures may not exceed the contracted amount without prior written authorization of DSS.

**Audit Objective** – To determine whether agency has adhered to authorized budgeting practices.

**Suggested Audit Procedures**

- Review the operating budget approved by DSS and subsequent revisions. Determine that line items are within the amounts budgeted.
- 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.

**3. CASH MANAGEMENT**

**Compliance Requirement** – Grantees are reimbursed after expenditure through submission of the DSS-1571 part III Administrative Costs Report to the N. C. DHHS Controller’s Office, unless a cash advance has been approved.

**Audit Objective** – To determine funding was reimbursed to grantees after expenditure.

**Suggested Audit Procedures** – Examine the contract to determine language of reimbursement after expenditure was included and verify that the cost reports were submitted the subsequent month after contracted services were provided.

**4. CONFLICT OF INTEREST**

**Compliance Requirement** – Boys and Girls Clubs of North Carolina shall file with the Division, a copy of the 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 Division may disburse the grant funds. Refer to N.C.G.S. 143C-6-23(b) (2007).

**Audit Objective** – To determine whether agency has adhered to N.C.G.S 143C-6-23(b).

**Suggested Audit Procedures** – Examine grantee agency conflict of interest policy and procedure against personnel and related files to ensure compliance with N.C.G.S 143C-6-23(b).

**5. ELIGIBILITY**

Boys & Girls Clubs are focused on serving youth from disadvantaged circumstances and do this through strategic location of Clubs and very low membership fees.

**Compliance Requirements** – Youth in need of services outlined in Section I are eligible for services by the Boys and Girls Clubs of North Carolina.

**Audit Objective** – Determine whether agency is completing authorized eligibility documentation.

**Suggested Audit Procedures** – Examine sample of need assessment documentation in case records. Ascertain whether agency has completed forms for recipients of program benefits and determined recipients to be eligible for program benefits.

**6. EQUIPMENT AND REAL PROPERTY MANAGEMENT**

**Compliance Requirement** – Equipment purchased through the grant as a direct cost is allowable as long as that equipment is designated for the exclusive use of the Boys and Girls Club of North Carolina programs. Otherwise, equipment must be cost allocated.

**Audit Objective** – Determine whether the Boys and Girls Clubs of North Carolina direct charged equipment purchases, or used cost-allocation method. Determine whether purchases met the standards for pre-approval as indicated in contract between DHHS and the Boys and Girls Clubs of North Carolina.

**Suggested Audit Procedure** – Verify that no equipment was charged to Boys and Girls Clubs of North Carolina without consent of the State Department of Health and Human Services.

### 7. MATCHING, LEVEL OF EFFORT, EARMARKING

**Compliance Requirement** – There is no matching requirement for this contract.

### 9. PROCUREMENT AND SUSPENSION AND DEBARMENT

#### Procurement

All grantees that expend federal funds (received either directly from a federal agency or passed through the NC 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/>. All grantees that expend State funds (including federal funds passed through the NC 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

**Compliance Requirement** – Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

**Audit Objective** – To determine that no contract was awarded to any party that has been suspended or debarred or whose principals have been suspended or debarred.

#### Suggested Audit Procedures

1. Test a sample of contracts and ascertain if the required suspension and debarment certifications were received for subawards and covered contracts.
2. Test a sample of contracts to the list of parties excluded from federal procurement or non-procurement programs issued by the general services administration and ascertain if contracts were awarded to suspended or debarred parties.

### 12. REPORTING

**Compliance Requirement** – A monthly report of budget expenditures is to be submitted to DSS at the end of each month. All costs are submitted on a DSS-1571 Administrative Cost Report. This is covered under the Crosscutting requirements. In conjunction with the monthly report the Boys and Girls Clubs of North Carolina is required to submit performance monitoring reports on a quarterly basis, at a minimum.

**Audit Objective** – To determine that grantees are accurately reporting their expenditures on the DSS-1571 Part III.

**Suggested Audit Procedures** – Review the operating budget approved by DSS and subsequent revisions. Determine that expenditure line items are reported accurately on the form DSS-1571 Part III.

### **13. SUBRECIPIENT MONITORING**

**Compliance Requirement** – Monitoring is performed as specified in the Division of Social Services Monitoring plan that can be found at <http://www2.ncdhhs.gov/dss/Monitoring/index.htm>.

**Audit Objective** – To determine if grantees are monitored according to the DSS Monitoring Plan.

**Suggested Audit Procedures** - Review documentation of performance monitoring reports to verify grantee performance is being monitored according to the monitoring plan.