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**COMPREHENSIVE COMMUNITY MENTAL HEALTH  
SERVICES FOR CHILDREN WITH SERIOUS EMOTIONAL  
DISTURBANCES**

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**State Project/Program: SYSTEM OF CARE EXPANSION IMPLEMENTATION**

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

**Federal Authorization:** Public Health Services Act, Title V, Part E SECTION 561-565;  
Public Law 102-321, Title II as amended; Individuals with  
Disabilities Education Act [20 U.S.C. 1400 et seq.]

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

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**Address Confirmation Letters To:**

SFY 2020 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 2019-2020)”. 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 \(State Fiscal Years 2018-2020\)](#)”.

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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.

This compliance supplement should be used in conjunction with the OMB 2020 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

North Carolina was awarded \$3,321,778 by the Substance Abuse and Mental Health Services Administration (SAMHSA) for the System of Care Expansion Implementation Grant for the period of 9/30/2014 through 9/29/2019. Under a cooperative agreement with SAMHSA, North Carolina Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS) is responsible for providing mental health services and related supports to children/youth with emotional disturbance (and their families) ; drawing upon lessons learned to make systemic changes that will expand and sustain the system of care approach across the state; and linking these changes with current Medicaid and integrated care reforms that are underway.

This is the fourth and final year of the grant. The specific NC System of Care Expansion Implementation (SOC XPI) grant objectives are as follows:

Goal 1. To expand, enhance, and strengthen the infrastructure of System of Care for **Children** and Youth with SED and their families at the state and regional levels.

Goal 2. To ensure a comprehensive continuum of services that is characteristic of a good and modern system for mental health and substance abuse services (SAMHSA, 2012) that extends from prevention to acute intensive care, that includes healthcare, employment, housing, education, trauma screening and treatment and trauma-informed care, is evidence-based, and addresses disparities in access, service use, and outcomes.

Goal 3. To assess the readiness of non-grantee communities to implement system change for SOC expansion that includes the full participation of family and youth at all stages of the process.

Goal 4. To continue to develop and implement a sustainable plan for expanding and enhancing the ability of the workforce to implement SOC infrastructure and services with fidelity in every county.

Goal 5. To continue to develop and implement a culturally and linguistically competent social marketing and strategic communications plan that will complement the project's strategic plan and will be designed to positively affect social inclusion of children and youth with SED and their families.

Goal 6. To evaluate the project using the performance measures specified in the RFA.

### II. PROGRAM PROCEDURES

To carry out the service delivery component of the cooperative agreement, DMH/DD/SAS allocates funding to three (3) Local Management Entities-Managed Care Organizations (LME-

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MCOs) to contract with three not-for-profit provider agencies to develop and maintain High Fidelity Wraparound (HFW) teams in four pilot sites. DMH/DD/SAS also allocates funding to a LME-MCO to provide the evaluation support and technical assistance for system reform through another not-for-profit agency, North Carolina Families United (NCFU). The following are the LME-MCO allocations for the fourth year:

- Cardinal Innovations Healthcare Solutions LME-MCO received \$459,954 to contract with the following agencies:
  - Thompson Child and Family Focus (serves Mecklenburg County) \$150,554
  - Youth Villages (serves Alamance and Orange Counties) \$150,554
  - North Carolina Families United \$158,846  
(Responsible for evaluation and technical assistance support to the pilot sites and state system reform activities. Does not maintain a HFW team)
- Eastpointe LME-MCO received \$148,054 to contract with the following agency:
  - Easter Seals UCP (serves Sampson and Wayne Counties)
- Vaya Health LME-MCO received \$91,000 to contract with the following agency:
  - Youth Villages (serves Buncombe and Henderson Counties)

The LME-MCOs identify staff to coordinate activities of the Provider, State Implementation team, North Carolina Families United's evaluation and technical assistance activities, the community collaboratives in their catchment areas, and DMH/DD/SAS. The LME-MCO also ensures that their site has a sustainability plan (done in consultation with their systems partners) for their HFW team through monthly sustainability meetings.

DMH/DD/SAS participates in the monthly sustainability meetings to bring critical project and/or Division policy information to the project sites. DMH/DD/SAS also tracks each site's progress in adapting the HFW program model, meeting caseload and credentialing benchmarks, and connecting the project to the broader community represented by other service systems and the local community collaboratives.

Each of the not-for-profits (with the exception of the North Carolina Families United) contracted by the LME-MCOs listed above are provider agencies and are required under the grant program to develop and maintain one High Fidelity Wraparound team per pilot site. Each HFW team includes a Wraparound Coach/Supervisor, a Wraparound Facilitator, a Family Partner, and a Youth Partner.

Each provider agency develops and submits a budget within the allocated funds for the required expenses necessary for the operation of the HFW Team. The budget is submitted to the SOC XPI Project Manager at DMH/DD/SAS. The provider also submits to the Project Manager the HFW Budget Ledger.

High Fidelity Wraparound includes intensive care coordination (ratios of 1 facilitator to 10 families) and family or youth peer support. HFW offers a structured family-driven service planning process that puts the family in the center of planning and monitoring of their child's

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services and supports. The facilitator and the family and youth peer support staff receive coaching support, and fidelity monitoring by their supervisor/coach.

The HFW teams start to work with families and youth 6-8 weeks prior to the youth's discharge from a residential placement, youth detention center or other restrictive setting. The team engages the family in the planning and helps to connect natural supports to the plan. A team is involved with a family for 9-12 months on average.

### **III. COMPLIANCE REQUIREMENTS**

The Type of Compliance Requirements can be found in Section B in the link: [2020 Agency Matrix for Federal Programs](#). This matrix incorporates the OMB Compliance Supplement "Part 2 - Matrix of Compliance Requirement." A State Agency may have added a compliance requirement that the OMB matrix in Part 2 has a "N" (Not Applicable).

#### **Crosscutting Requirements**

**The DHHS/Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMHDDSAS) 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**

##### Requirement

##### ALLOWABLE ACTIVITIES:

1. Monthly Sustainability meeting by the HFW teams in the four pilot sites.
2. Family Partner Coordinator support of the HFW team by actively participating in wraparound consultation meetings, providing outreach/education to HFW families and other families who live in the same community, and by educating local collaboratives and local stakeholder groups about HFW pilot sites.
3. Activities that support consumer and/or family involvement in treatment planning.
4. Facilitating the signing of release of information that is time-limited (no more than 12 months) with clear reference to the specific information to be released and that prohibits re-disclosure.
5. Completion of a Strength, Needs and Culture Discovery assessment completed with the child/family.
6. Documentation of the delivery of a behavioral health service and support to the child/family from the HFW team.
7. Documentation that HFW child/youth and families who reached the transition planning phase have assumed more responsibility for or took the lead in identifying and obtaining resources needed to implement the wraparound plan.
8. Documentation of the Person-Centered Planning process to show that the worker in collaboration with the child/youth/family identified informal/natural support person(s) to invite to participate in the PCP planning process.
9. Referral for a trauma assessment or treatment for those children/youth and families where there is an indication of trauma history or exposure.

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

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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.)

### **Assurances on LME, Provider, and Contractor Use of SOC Expansion Implementation Grant Funds**

1. Subcontracts can only be made with Not-for-Profit Providers.
2. The Provider will develop and submit a budget within the allocated funds for the required expenses necessary for the operation of a High-Fidelity Wrap-Around Team. The budget shall be submitted to the SOC Expansion Implementation Grant Project Manager at DMH/DD/SAS. In addition, the Provider will submit to the Project Manager, the HFW Wraparound Budget Ledger by the 10<sup>th</sup> of the month.

Implementation Specialists provided by NCFU and DMH/DD/SAS perform periodic HFW audits

for purposes of fidelity monitoring. Quarterly site reviews/audits for teams/sites operating for less than 2 years and /or have a corrective action plan in place. Bi-annual site reviews/audits for teams/sites operating for over 2 years. A review includes the following:

- Review of a minimum of 4 current charts
- Review of all team Group Coaching documentation
- Review of all team member individual supervision documentation
- Review of all training and certification plans
- Review of all referrals received for that quarter/6 month period and the outcome (i.e. approved, denied, referred out, etc.)

The Implementation Specialists provide written and oral feedback to sites after any site review/audit within 3 days.

Corrective Action Plans are implemented due to the following:

- Ongoing challenges completing training and/or certification for team members
- Failing to submit required documentation in a timely manner (see timelines above)
- Ongoing staff turnover
- Lack of fidelity to the model
- Unfavorable audit/site review findings
- Pattern of unsuccessful discharges/higher level of placements

Plans are created with the specific site (coach, program manager, clinical director), Implementation Specialist, and any other persons agreed upon by site and Implementation Specialist. Plans are reviewed every 30 days for updates, progress, and barriers. Typical timeline for a corrective action plan is 90 days.

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The Provider agency complies with the NC SOC Expansion Implementation Client Level Service Data Collection Instrument requirements. The Provider collects and reports on 1) NOMs Client Level Measures and 2) National Evaluation Child and Family Level Data Collection Tools. Provider agency will ensure that NC Expansion Grant Standard Operating Procedures for secure submission and data maintenance protocols are followed.

NCFU partners with DMH/DD/SAS to ensure that all program objectives are implemented based on family-driven practice and principles. Specifically, NCFU must provide the following support for the grant project:

- Participate consistently in the NC SOC Expansion Implementation team.
- Provide oversight and share in supervision of the Family/Youth Project Director who provides implementation support to the pilot sites' HFW teams.
- Provide oversight to the five Family Partner Coordinators who provide technical assistance and supports to the four pilot sites and participate in State Collaborative activities that are related to system reform efforts.
- Provide oversight for the flex funds for each of the 5 sites to support family and youth attendance at local collaboratives.
- Contract with Kellin, Inc. for data and evaluation oversight and support.
- Contract with a Social Marketing Consultant to develop a social marketing plan proposal for the review and approval by the NC SOC Expansion implementation team.
- Support in-state travel related to SOC Expansion meetings.

### **LME-MCO**

NCFU sub-contract evaluation staff (through Kellin) monitor the pilot sites adherence to the evaluation expectations of both DMH/DD/SAS and SAMHSA. They provide technical assistance as HFW encounter problems with data collection and input into the evaluation collections systems and are responsible for notifying DMH/DD/SAS if sites are not maintaining their data collection responsibilities.

Funds must be expended in accordance with the SAMHSA terms and conditions for FY 2014 Expansion Implementation Cooperative Agreements.

As part of the LME-MCO's standard subrecipient monitoring responsibilities, the LME-MCO monitors the provider agencies to ensure adherence to financial reporting requirements such as submission of a notarized Conflict of Interest Policy; written statement that the entity does not have overdue tax debts, and written documentation committing to all state and federal retention requirements.

### **C. CASH MANAGEMENT**

Funds are allocated outside of UCR. Funds and approved expenditures shall be reported by the LME-MCO through routine submission of monthly Financial Status Reports (FSR's) to the DMHDDSAS Project management and DMHDDSASS Budget

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and Finance Office. Funds will be paid on a reimbursement basis as these funds will not be paid via the Single Stream Funding payment schedule. Any exceptions to the required timely reporting of funds expended shall be approved in writing by the Director of Budget and Finance, DMHDDSAS.

### LME-MCO

The N.C. DHHS Controller's Office is responsible for submitting the final, cumulative Federal Financial Report (FFR) [SF-425] which reflects the federal, program income and match expenditures, if applicable, to the Grants Management Specialist in the Division of Grants Management no later than December 30, 2018.

### E. ELIGIBILITY

LME-MCO's Team, or individual(s) approved by LME-MCO Team, will identify, refer and ensure eligible youth, families and/or guardians who agree to receive the grant program services. Current eligibility for the grant program pilot would be youth who are:

- a) 3-20 years old with serious emotional disturbance (SED) and/or a co-occurring substance use disorder and/or co-occurring intellectual/developmental disability  
AND
- b) Medicaid recipients covered by a participating LME-MCO  
AND
- c) Currently reside in a:
  - I. NC Psychiatric Residential Treatment Facility (PRTF) during the time of referral.  
OR
  - II. Psychiatric Residential Treatment Facility (PRTF) within forty (40) mile radius of the North Carolina border during the time of referral or NC State Run Center (i.e. The Whitaker School).  
OR
  - III. Residential Treatment Level III: Licensed under 122-C or NC State Run Center (i.e. Wright School)  
OR
  - IV. Level II Therapeutic Foster Care (at a minimum of 180 days) or Residential Treatment Level II: Program Type  
OR
  - V. DSS custody and are identified as at risk of disrupting current placement or have had multiple disruptions in placements AND are staffed and agreed upon together by the Wraparound Coach, DSS staff, and LME-MCO  
OR
  - VI. A youth that has had three (3) inpatient hospitalizations within six (6) months or two (2) inpatient hospitalizations within thirty (30) days.
    - a. Referrals for these youths should be made within thirty (30) days of the last/qualifying hospitalization.  
OR
  - VII. A Youth Development Center (YDC) or Prison/Jail (minimum of thirty-30 day stay)

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AND

- d) All potential youth should be currently residing (for those in a Level II placement) or transitioning back into a designated LME-MCO wraparound catchment area or within a 30 mile radius of the local wraparound office (still within the LME-MCO geographic jurisdiction).

### **Exception Criteria:**

Any youth who does not meet the above criteria but the referral source and the Wraparound Coach feels that the youth would be a good fit for High Fidelity Wraparound could make a referral under the “exception criteria”.

- a. The local Wraparound Coach, MCO representative, if possible the referral source, and one of the Implementation Specialists should review the request and determine if the youth would be an appropriate referral due to clinical need, risk of placement, and consideration of alternative services.
- b. Documentation of such a review is to be provided with any authorization requests and maintained in the youth’s records.

## **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. Should 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.

## **H. PERIOD OF PERFORMANCE**

SOC Expansion Implementation Grant is a four-year implementation grant. The budget and project period is the same: 09/30/2014 – 09/29/2019. **As this is the final year, there are no provisions beyond this year.** SAMHSA will not authorize carryover of grant funds beyond September 30, 2019.

## **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 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).



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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 be in compliance with the provisions of Executive Order 12549, 45 CFR Part 76 and Executive Order 12689.

## **J. PROGRAM INCOME**

This requirement does not apply at the local level.

## **L. REPORTING**

LME-MCOs: For funds allocated as non-UCR funds, any applicable reporting requirements will be set forth in specific allocation letters to Local Management Entities/Managed Care Organizations (LME-MCOs).

1. The Provider will develop and submit a budget within the allocated funds for the required expenses necessary for the operation of a High Fidelity Wrap-Around Team. The budget shall be submitted to the Project Manager at DMH/DD/SAS. *In addition, the Provider will submit to the Project Manager the HFW Wraparound Budget ledger by the 10<sup>th</sup> of the month following the month when expenses were incurred..*

The budget shall include the following line items for each Wraparound Team

- 1 FTE Youth Partner - salary and fringe
- 1FTE Family Partner – salary and fringe
- 2 FTE Wraparound Facilitators – salary and fringe
- 1 FTE Wraparound Coach/Supervisor – salary and fringe
- Wraparound Team travel
- Cell phone
- Provider Supplies and equipment
- Family and Youth Supports - funds shall be used to support the individualized needs of children, youth, and families that are not typically covered services and otherwise not reimbursable. Use of family and youth support funds shall be tied to the child/family plan of care, approved by the Child and Family Team and the LME-MCO and will follow LME-MCO protocol for reimbursement. Funds should be considered as a temporary solution to address a specific need.

In addition to the budget ledger, LME-MCOs submit FSRs to the Division each month for the non-UCR expenditures incurred the previous month. FSRs are due by the 10<sup>th</sup> of the month following when the expenses were incurred.

2. The Provider shall submit Quarterly Reports to the Contractor by the last day of the month following the quarterly reporting period: July 31<sup>st</sup>; October 31<sup>st</sup>; January 31<sup>st</sup>; April 30<sup>th</sup>. This report will be submitted through a secure electronic mailer to the LME-MCO project manager and the DMH/DD/SAS SOC Expansion Project Manager.

## **M. SUBRECIPIENT MONITORING**

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Subrecipient monitoring is required if the agency disburses or transfers any State funds to other organizations, except for the purchase of goods or service. 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. 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 Crosscutting Supplement, as well as monitoring compliance with specific stipulations, conditions, and performance measures in the contracts.

All grantees are required to comply with the N. C. Department of Health and Human Services Records Retention and Disposition Schedule for Grants and the Division of Mental Health, Developmental Disabilities and Substance Abuse Services records retention schedules and policies including APSM 10-5 (Provider regulations) and APSM 10-6 (LME-MCO regulations). Financial records shall be maintained in accordance with established federal and state guidelines.

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 N. C. 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 N. C. 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 after 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.

The LME-MCO and providers have in effect systems to protect from inappropriate disclosure patient records maintained by the LME-MCO and the provider in connection with an activity funded under the program involved or by any entity, which is receiving amounts from the grant and for SA under 42 CFR Part 2.

### 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.

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- b. Review contract/grant agreement, identify any special requirements, and verify if the requirements were met.
- c. When applicable, verify that the grantee has obtained a DUNS number and is registered in the Central Contractor Registration (CCR) system.