

APRIL 2021

93.217

**FAMILY PLANNING SERVICES – TITLE X (PUBLIC HEALTH  
SERVICE ACT) FAMILY PLANNING**

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**State Project/Program:** FAMILY PLANNING

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**U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF POPULATION AFFAIRS**

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**Federal Authorization:** Public Health Service Act, as amended, Title X, Section 1001, 42 U.S.C. 300; Family Planning Services and Population Research Act of 1970, Section 6(c), Public Law 91-572, 84 Stat. 1506, as amended; Family Planning and Population Research Act of 1975, Title II, Sections 204(a) and (b), Public Law 94-63, 89 Stat. 307-308; Public Health Service Extension Act, Section 1(a)(1), Public Law 95-613, 92 Stat. 3093; Appropriation Act of 1991, Public Law 101-517.

**State Authorization:** N/A

**N. C. Department of Health and Human Services  
Division of Public Health**

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**Agency Contact Person – Program**

Belinda Pettiford  
(919) 707-5699  
[Belinda.Pettiford@dhhs.nc.gov](mailto:Belinda.Pettiford@dhhs.nc.gov)

**Agency Contact Person – Financial**

Patricia Ward  
(919) 707-5075  
[Pat.Ward@dhhs.nc.gov](mailto:Pat.Ward@dhhs.nc.gov)

**Address Confirmation Letters To:**

SFY 2021 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 2020-2021)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from DHHS are found at the same website except “[Non-Governmental Audit Confirmation Reports \(State Fiscal Years 2019-2021\)](#)”.

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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.

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### **Auditors may request documentation of monitoring visits by the State Agencies.**

This compliance supplement must be used in conjunction with the OMB 2021 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**

The objectives of grants for family planning services are to assist in the establishment and operation of voluntary family planning projects that provide the educational, comprehensive medical and social services necessary to aid individuals in freely determining the number and spacing of their children.

### **II. PROGRAM PROCEDURES**

Public Health Service officials in Region IV of the U. S. Department of Health and Human Services annually award the State of North Carolina, Department of Health and Human Services, a Title X grant to support the provision of subsidized contraceptive services. Local health providers, primarily county health departments, receive allocations of Title X (PHS) funds from the North Carolina Department of Health and Human Services on a State fiscal year basis as a continuing grant to support the provision of comprehensive family planning services. Recipient agencies may include private, not-for-profit providers of services. Local projects are expected to maintain a low-income focus for service provision and adhere to State and federal guidelines.

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### III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the federal agency, noted as “Y,” on the “Matrix of Compliance Requirements” located in Part 2 of the OMB 2021 Compliance Supplement; however, the State Agency may have added the Type and this is noted by “Y.” If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is noted in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, it is noted by “N.”

If the Matrix indicates “Y,” the auditor must determine if a particular type of compliance requirement has a direct and material effect on the federal program for the auditee. For each such compliance requirement subject to the audit, the auditor must use the OMB 2021 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) to perform the audit.

If there is no program listed on the “Matrix” in Part 2 or Part 4, the State has determined the Type that is applicable. If a Type is determined direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	N	Y	N	N	N	Y	N	Y

#### A. Activities Allowed or Unallowed

##### **Funds are to be used to provide:**

1. Medical services related to family planning including physician’s consultation, examination, prescription, continuing supervision, laboratory examination, and contraceptive supplies, and necessary referral to other medical facilities;
2. Social services related to family planning including counseling, referral to and from other social and medical services agencies, and any ancillary services which may be necessary to facilitate clinic attendance;
3. Information and educational programs designed to (a) achieve community understanding of the project, (b) inform the community of the availability of services, and (c) promote continued participation in the project by persons to whom family planning services may be beneficial; and

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4. Coordination and use of referral arrangements with other providers of health care services including but not limited to local health and welfare departments, hospitals, voluntary agencies and health services projects supported by other Federal programs. (42 CFR Sections 59.5(b)(1), (2), (3), (8))

### **Funds may not be used:**

1. To provide pregnancy care (including obstetric or prenatal care);
2. To pay for the sterilization of a person under age twenty-one or judged to be mentally incompetent; and

For expenditures that are contrary to the allowable costs prescribed in “Subpart Q of 45 CFR Section 74.27.” (42 CFR Sections 59.2, 59.8, 59.10 and 43 CFR Sections 50.202, 50.203, 50.204, 50.205, 50.206, 50.207, 50.208, 50.209)

### **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.

### **L. Reporting**

#### Financial Reporting

#### **Compliance Requirement**

#### **LOCAL HEALTH DEPARTMENT PROJECTS**

Local agencies are required to submit a Local Expenditure Report. [15A NCAC 21A .0819]

#### **Compliance Requirement**

#### **PROJECTS NOT BASED IN LOCAL HEALTH DEPARTMENTS**

Projects not based in local health departments are required to submit an Expenditure Report. [15A NCAC 21A .0819]

### **N. Special Tests and Provisions**

**1. Compliance Requirement** – Charges for services to persons from families whose annual income is above the level set forth in the poverty guidelines, but not greater than 250 percent of this level, should be made in accordance with a schedule of discounts based on ability to pay. (42 CFR Section 59.5(a)(7))

Charges for services to persons from families whose annual income exceeds 250 percent of the level set forth in the federal poverty guidelines should be made in accordance with a schedule of fees designed to recover costs of providing services. (42 CFR Section 59.5(a)(7))

**Audit Objective** – To determine whether (1) the grantee properly collected fees in accordance with a schedule of discounts and fees and (2) the schedule of fees was properly designed to recover costs of providing services.

**Suggested Audit Procedures** – Review and evaluate policies and procedures for:

1. Identifying the person’s ability to pay,
2. Using the schedule of discounts to adjust rates based on ability to pay when appropriate, and properly recording and adjusting fees.

Test to determine whether fees were properly recorded based on ability to pay and adjusted based on the sliding fee schedule when appropriate.

Review the methods used to calculate the schedule of fees and determine whether it was designed to recover costs of providing services.

Determine that the schedule of fees is based upon the most recent federal poverty guidelines.

- 2. Compliance Requirement** – If a third party is authorized or legally obligated to pay for services, the grantee should make all reasonable efforts to obtain third party payment without application of any discounts. (42 CFR Section 59.5(a)(8))

**Audit Objective** – To determine whether all reasonable efforts were made to obtain payment from third parties.

**Suggested Audit Procedures** – Review and evaluate policies and procedures for maximizing revenues from third parties such as insurance, Medicare and Medicaid.

Test selected patient records to determine whether third party collections were maximized.

- 3. Compliance Requirement** – There are three options regarding the use of the program income set out in “45 CFR Section 74.24.” The grant award document will specify which option the grantee has chosen to utilize.

**Audit Objective** – To determine whether program income was accounted for in accordance with the grant award.

**Suggested Audit Procedures** – Review and evaluate the internal controls in place to account for program income in accordance with grant award.

Test records to determine whether program income was accounted for in accordance with the grant award.

**4. Compliance Requirement**

Consolidated Agreement System

The DHHS Division of Public Health is made up of six major sections: Chronic Disease and Injury, Environmental Health, Epidemiology, Women’s and Children’s Health Services, Oral Health, and Administrative, Local and Community Support. The Division utilizes a single written agreement to manage all funds, that is, State, federal or private grant funds, that the Division allocates to local health departments across the State. This document, as amended, is called the Consolidated Agreement.

The Agreements set forth the more general requirements of the funding relationship between the State and local public health agencies. The respective requirements are detailed under the headings: Responsibilities of the Department (Local Public Health Unit); Funding Stipulations; Fiscal Control; Responsibilities of the State; and Compliance. More specific information related to program activity is set out in a document called the Agreement Addenda which detail outcome objectives (which may or may not be negotiable at the beginning of each fiscal year) that each health department must achieve in exchange for the funding. A third part of the system is the which is sent annually from each of the Sections or Branches of the Division to all health departments being allocated funds from specific sources, i.e., State appropriations or other federal grant funds for specific activities. This Estimate indicates the amount of the allocated funds and their respective sources. Each health department should be able to provide an auditor with a copy of the Consolidated Agreement for the particular year being audited, as well as copies of the Budgetary

Authorization and any revisions, Agreement Addenda, expenditure reports and any activity reports for each source of money received. If the health department cannot provide these documents, they may contact the State Division of Public Health Budget Office for assistance.

**Suggested Audit Procedures** – Section B. FUNDING STIPULATIONS of the Consolidated Agreement should be reviewed by the auditor before beginning an audit. The fourteen items of this Section describe much of the detailed information the Auditor may be seeking during a review of these programs.

**5. Conflicts 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 for fiscal years beginning on or after 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) completed by the grantee's board of directors or other governing body 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)). 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.

**6. Audit Objective** – Determine whether the grantee has adopted and has on file, a conflict of interest policy, before receiving and disbursing State funds.

**Suggested Audit Procedures**

1. Ascertain that the grantee has a written conflict of interest policy.
2. Check the policy and verify through board minutes that the policy was adopted before the grantee received and disbursed State funds.