

93.667-9CL

**SOCIAL SERVICES BLOCK GRANT
STATE APPROPRIATIONS**

**State Project/Program MENTAL HEALTH, INTELLECTUAL AND DEVELOPMENTAL
DISABILITIES, AND SUBSTANCE USE SERVICES**

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.;

State Authorization: NC General Statutes 122C; Developmental Disabilities, and Substance Abuse Act 1985

**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 2021 audit confirmation reports for payments made to Counties, Local Management Entity-Managed Care Organizations (LME-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 2020-2021)”. 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 2019-2021).”

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.

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

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://files.nc.gov/ncdhhs/documents/files/FY19%20DMH%20Benefit%20Plan%20Eligibility%20Criteria%20v05-18-2017.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. \$2,291,392

This program provides advocacy and services to individuals diagnosed with Autism Spectrum Disorder (ASD) and their families. ASD is a developmental disorder of varying severity that is characterized by difficulties in social interaction, 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 \$271,074

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, restoration of rights or alternatives to guardianship including Supported Decision Making shall be continued and provided to several groups and agencies.

All grantees are required to comply with the NC Department of Health and Human Services and DMH/DD/SAS 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.

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.

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 in their catchment area, 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 individuals 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.

Evaluation and monitoring include: review of monthly Financial Status Reports (FSRs), quarterly progress reports, and an on-site or desk review to make sure activities and

cost are in accordance to the executed contract, reporting is adequate, eligibility is appropriate and special test and provisions are met as needed.

Autism Society of North Carolina, Inc.

Autism Society is a non-profit organization. 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 required report detailing expenditures is received by the contract administrator.

Evaluation and monitoring include: review of monthly FSRs, quarterly progress reports, and an on-site or desk review to make sure activities and cost are within the scope of the executed contract, reporting is adequate, eligibility is appropriate and special test and provisions are met as needed.

The Arc of North Carolina

The Arc of NC is a non-profit organization. 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 detailing expenditures is received by the contract administrator.

Evaluation and monitoring include: review of monthly FSRs, quarterly progress reports, and an on-site or desk review to make sure activities and cost are within the scope of the executed contract, reporting is adequate, eligibility is appropriate and special test and provisions are met as needed.

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.

INTELLECTUAL AND DEVELOPMENTAL DISABILITIES SERVICES

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 to be direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

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

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 NC DHHS-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 Support
- b. Supported Employment
- c. Residential Living Services
- d. Autism Services
- e. Care Coordination in Outpatient Services and ACT
- f. Health & Wellness through Integrated Health
- g. Durable Medical Equipment/Assistive Technology/Smart Technology

Attendance records for 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.

- a. Advocacy/Family to Family Peer Support
- b. Outreach, Training and Public Education
- c. Direct Service

The Arc of North Carolina

- a. Provide Guardianship Services

- b. Advocacy and Monitoring
- c. Training on Guardianship, Restoration of Rights and Alternatives to Guardianship
- d. Training and Education on Supported Decision Making

Unallowable Costs: 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. (Note: Pending the change in reference from OMB Circular A-87 to 2 CFR, Part 200 Subpart E – Cost Principles.)

C. CASH MANAGEMENT

These funds are reimbursed based on the contracted funds:

1. Funds are paid through submission of the Financial Status Report, Consumer Assistance Log, Outreach Log and receipts/supportive documentation. Reporting of the services delivered to eligible recipients is submitted quarterly.
2. Funds are settled on a reimbursement basis per expenditures.
3. Verify this from submission of program expenditures that are submitted monthly.

E. ELIGIBILITY

I/DD Services

Persons must have 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 as defined within the contract.

Autism Society of North Carolina, Inc.

The program serves children and adults with Autism Spectrum Disorder across all 100 counties and their families. Eligibility is determined by the Contractor as defined within the contract.

The Arc of North Carolina

Individuals 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 not otherwise funded through DAAS. Eligibility is determined by the Contractor as defined within the contract.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

This requirement does not apply at the local level

G. MATCHING, LEVEL OF EFFORT, EARMARKING

Matching

Services provided through contract with DMH/DD/SAS must provide a fifteen percent (15%) match to contract funding. However, in accordance to Session Law 2020-80, this requirement was waived for FY 2020-2021.

Level of Effort

This requirement does not apply at the local level

Earmarking

This requirement does not apply at the local level

H. PERIOD OF PERFORMANCE

This requirement does not apply at the local level.

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 on the Internet at

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

This requirement does not apply at the local level

L. REPORTING

LME-MCOs are required to submit units of service during the quarterly reporting of quality measurements 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 Progress Reports on the status and progress of activities and services. Monthly FSRs of expenditures are also provided.

M. SUBRECIPIENT MONITORING

Clinical Monitoring

NC DMH/DD/SAS completes annual clinical monitoring on each LME-MCO to ensure that federal and state-funded dollars were utilized for services to support individuals with I/DD in accordance to funding eligibility and service requirements.

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 its similar reports and statements as required by G. S. §143C-6-22 and 6. 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

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, if applicable.
- 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 are 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.