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SPECIAL EDUCATION GRANTS FOR INFANTS AND FAMILIES

State Project/Program: NORTH CAROLINA INFANT TODDLER PROGRAM

U. S. DEPARTMENT OF EDUCATION

Federal Authorization: Individuals with Disabilities Education Act (IDEA), Part C, as amended, 20 U.S.C. 1431-1444

State Authorization: General Statute (G. S.) 130A-5(3), G. S. 130A-124 and G. S. 130A-126; North Carolina Administrative Code 10A NCAC 43G

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

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SFY 2022 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 2021-2022)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from DHHS are found at the same website except “[Non-Governmental Audit Confirmation Reports \(State Fiscal Years 2020-2022\)](#)”.

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.

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

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This compliance supplement must be used in conjunction with the OMB 2022 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 purposes of the Individuals with Disabilities Education Act (IDEA), Part C (Part C) State formula grant program are to: (1) develop and implement a statewide, comprehensive, coordinated, multi-disciplinary interagency system that provides early intervention services for infants and toddlers with disabilities and their families; (2) facilitate the coordination of payment for early intervention services from Federal, State, local and private sources (including public and private insurance coverage); (3) enhance the State's capacity to provide quality early intervention services and expand and improve existing early intervention services being provided to infants and toddlers with disabilities and their families; (4) enhance the capacity of State and local agencies and service providers to identify, evaluate, and meet the needs of all children, including historically underrepresented populations, particularly minority, low-income, inner-city, and rural children, and infants and toddlers in foster care; and (5) encourage States to expand opportunities for children under the age of 3 years who would be at risk of having substantial developmental delay if they did not receive early intervention services (20 USC 1431(b); 34 CFR section 303.1).

II. PROGRAM PROCEDURES

The North Carolina Administrative Code (10A NCAC 43G .0109) states "The Children's Developmental Services Agencies within the Early Intervention Section shall manage the Early Intervention Program at the local level. Each Children's Developmental Services Agency shall serve children birth to three years of age who have been referred by parents, community agencies, physicians, or other interested parties for early intervention services. The Children's Developmental Services Agency shall determine the child's eligibility for the North Carolina Infant-Toddler Program." The North Carolina Administrative Code (10A NCAC 43G .0111) further states "The Children's Developmental Services Agency shall develop a service plan for each eligible child based upon the child's needs and the requirements of Part C of the Individuals with Disabilities Education Act (IDEA). Service provision shall be monitored by the Children's Developmental Services Agency.

The services shall be provided by the following:

- (1) staff of the Children's Developmental Services Agency; or
- (2) agencies or individuals within the community who have executed a provider agreement with the Children's Developmental Services Agency."

The North Carolina Infant-Toddler Program (ITP) is comprised of 16 Children's Developmental Services Agencies (CDSAs) that serve as the local lead agency under the Individuals with Disabilities Education Act (IDEA), Part C. They provide or assure the availability of the 18 services required under Part C of IDEA. Twelve are State-operated CDSAs and four contracted CDSA's. Each of the 16 CDSAs is strategically located to ensure that services are available to all 100 counties. Because of the complexity of services required and because services must be accessible geographically, the contracted agencies are "sole source" providers in areas where no other entity has the capacity to provide necessary services. The

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contractors have consistently provided services to children residing in North Carolina since 1964. Thus, Requests for Proposals (RFPs) are not utilized.

Each is staffed by multidisciplinary teams of specialists including pediatricians, nurses, psychologists, physical or occupational therapists, speech/language pathologists, social workers, service coordinators, educational diagnosticians, nutritionists and others. The CDSAs provide evaluations to determine eligibility and service planning, service coordination, and specialized services as required by an Individualized Family Service Plan (IFSP) to children up to three years of age. The CDSA's maintain a network of private and public providers who provide IFSP services. Children served have either developmental delays and/or disabilities or established health conditions that are known to lead to developmental delay and/or disability.

Contractors receive funding based on "catchment" area demographics (such as population, children in poverty, county size).

The four contract CDSAs all receive State as well as federal funding. The IDEA requires States to have policies and procedures to ensure services are provided in natural environments (home or in settings where typically developing young children would be found). Services must be family-centered, and each family must have access to service providers based on the child's needs and family's goals as stated in the IFSP. Services may include but are not limited to Speech, Physical Therapy, Occupational Therapy, Nutrition, Nursing, Assistive Technology and/or Specially Designed Instruction (also referred to as Community-Based Rehabilitative Services (CBRS)).

Source of Governing Requirements

These programs are authorized under 20 USC 1431 through 1444. Implementing regulations specific to this program are found at 34 CFR Part 303.

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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 2022 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 2022 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	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

A. Activities Allowed or Unallowed

Each contract with the four (4) contract CDSAs includes a “scope of work” which is incorporated into the contract. The activities allowed/unallowed reported below are not all inclusive. See the specific contract scope for the entity being audited.

Funds may be used to operate a CDSA in a designated area of the State for the purpose of determining eligibility, providing service coordination and IFSP services to all children enrolled in the NC Infant-Toddler Program; secure and maintain specialized staff; secure and maintain inventory, supplies, materials, and equipment necessary to operate a CDSA; and secure adequate facilities/office space to support the CDSA operation.

Funds may not be used for capital improvements, renovations or repairs to buildings without approval by the State. Funds may not be used to support overhead beyond 10% of expenditures for salaries.

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Suggested Audit Procedure: Verify through a sample that the scope of work was both contracted and accomplished within the parameters of the program.

B. Allowable Costs/Cost Principles

Cost must be reasonable and necessary for the performance and administration of the award/grant and be allocable to the activity. In the event CDSA staff cannot deliver required services due to extended or unanticipated absences, excessive case load or other emergency situations, the contractor may secure services through other arrangements. Payments for services are to be based on the usual and customary hourly rate charge by professional/clinicians in the geographic area.

Suggested Audit Procedure: Verify through a sample that the costs incurred under the grant would be deemed reasonable, necessary, and allocable by a prudent person in similar circumstances.

C. Cash Management

This is a requirement in the Uniform Grant Guidance, 2 CFR Part 200. However, the State retains responsibility for this requirement and thus chooses not to pass it along to any of its subrecipients.

Suggested Audit Procedure: Verify through a sample that requests for drawdown of federal funds is supported by prior expenditures of the program (reimbursement grant).

E. Eligibility

North Carolina children from birth to age three who have either developmental delays and/or disabilities or established health conditions that are known to lead to developmental delay and/or disability are eligible for evaluation through the North Carolina Infant-Toddler Program. Anyone may refer a child and it is strongly recommended that parents are informed of the referral. No one is denied service because of an inability to pay. Children who show evidence or potential for developmental delay in areas such as speech and hearing difficulties, learning problems, delays in cognitive development, metabolic or genetic abnormalities, elevated activity levels, or delays in physical development are candidates for evaluation, treatment and service coordination. (10A NCAC 43G 0110)

Suggested Audit Procedure: Verify through a sample that enrolled recipients meet eligibility criteria.

F. Equipment and Real Property Management

The contractor may purchase medical and office equipment necessary to adequately support the CDSA operation. Equipment exceeding \$5,000 per item requires prior approval from the U.S. Department of Education. The state is responsible for securing this approval. Income generated resulting from the sale of surplus equipment must be used by the contractor for the operation of the CDSA.

Suggested Audit Procedure: Verify that approval was received before purchases of equipment exceeding \$5,000 per item are made.

G. Matching, Level of Effort, Earmarking

There is only a maintenance of effort requirement in the Individuals with Disabilities Education Act (IDEA) and in the Uniform Grant Guidance, 2 CFR Part 200. However, the State retains responsibility for this requirement and thus chooses not to pass it along to any of its subrecipients.

Suggested Audit Procedure: Verify that the Level of Effort is maintained at the State level by examining the budget/expenditure of the year under audit with the actual expenditure of the previous year.

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H. Period of Performance

The period of availability of Federal funds is July 1st through June 30th.

Suggested Audit Procedure: Verify through a sample that the funds received were expended or obligated within the grant period.

I. Procurement and Suspension and Debarment

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 conform with federal agency codifications of the grants management common rule accessible on the Internet at:

https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

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.

Suggested Audit Procedure: Verify through a sample that all procurements met the requirement of the State Procurement Manual and were made with vendors that were not debarred nor suspended by either the State or Federal governments.

J. Program Income

Income generated as a result of CDSA services must be used for CDSA activities and services. The sources of income that may be available to a CDSA are State, Federal, insurance receipts and payments by families according to a sliding fee scale.

Suggested Audit Procedure: Verify through a sample that program income generated was used for CDSA activities and services.

L. Reporting

Service data are required to be reported through the Health Information System. Monthly expenditure reports are required for IDEA, Part C funds.

Examples of most used monthly service data and financial reports include the following:

- Clients by Referral Source and Referral Disposition
- Clients Who Received Evaluations
- Clients Who Received Treatments
- Clients Who Received Services Other than Treatments and Evaluations
- Monthly Contract Expenditure Reports (CERs)

Suggested Audit Procedure: Verify through a sample that required reports are accurate and submitted in a timely manner for CDSA activities and services.

M. Subrecipient Monitoring

Program standards are outlined in the Division of Public Health's "Early Intervention Subrecipient Monitoring Plan". The Program's federal funder, the Office of Special

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Education Programs, requires each state to develop a general supervision and monitoring plan. This plan is outlined in the program's "State Performance Plan".

Suggested Audit Procedure: Verify through a review of the "Early Intervention Subrecipient Monitoring Plan" and the "State Performance Plan" that they are in place and adequate. Verify through a sample that the monitoring plan is being followed on a timely and consistent basis.

N. Special Tests and Provisions

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(b1)) 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.

Suggested Audit Procedure: Verify through a sample that Conflicts of Interest and Certification Regarding No Overdue Tax Debts certification are on file for all non-state entities.