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**HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
(HOPWA)**

**State Project/Program: HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
(HOPWA)**

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Federal Authorization: Public Law 101-624

State Authorization: 15A NCAC 19A.0600

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

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Address Confirmation Letters To:

SFY 2024 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 2023-2024”.

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 .”

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 2024 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 goal of the HOPWA program is to comprehensively meet the housing and housing-related needs of HIV-positive individuals and their families through:

- Provision of Tenant-Based Rental Assistance (TBRA), including assistance for shared housing arrangements, to provide ongoing monthly rental assistance that pays the difference between Fair Market Rent and the amount the tenant pays for rent.
- Provision of Short-term Mortgage, Rent and Utility payments (STRMU) that are used to prevent a tenant from becoming homeless. STRMU assistance is limited to 21 weeks in a 52-week period and must be paid to a third party such as a mortgage company, landlord, or utility company.
- Provision of Supportive Services (SS) such as mental health and substance abuse treatment, case management, transportation, and food assistance which help individuals and their families maintain stable housing.
- Provision of Permanent Housing Placement (PHP) activities that assist individuals and their families with establishing permanent residence with the goal of continued occupancy.
- Provision of Short-term Facility-based housing (Hotel/Motel) assistance to provide motel and hotel vouchers for individuals and their families for up to 60 days if no appropriate shelter beds are available and subsequent rental housing has been identified but is not immediately available for move in by the program participants.

II. PROGRAM PROCEDURES

Federal grant funds are awarded to the State by the Department of Housing and Urban Development (HUD) through an allocation process based upon comparative housing and population data through the AIDS Housing Opportunity Act, Public Law 101-625, as amended. Effective April 1, 1998, Charlotte and Raleigh met the requirements to become eligible metropolitan statistical areas (EMSAs) and received a portion of North Carolina's funds directly from HUD. Effective FY 02, Wake County received a transfer of HOPWA formula funds from the City of Raleigh to provide HOPWA services to Wake, Franklin and Johnston counties. Effective FY 11, Greensboro also met the requirements to become an EMSA and received a portion of North Carolina's funds directly from HUD to provide HOPWA services in Guilford, Randolph, and Rockingham counties. In FY 13 The Charlotte EMSA was revised to include Iredell, Lincoln, and Rowan counties and the North Carolina HOPWA program gained Anson County. In FY 22, the Charlotte EMSA was revised again to include Anson County. In FY 15, Durham-Chapel Hill met the requirements to become an EMSA and received a portion of North Carolina's funds directly from HUD to provide HOPWA services in Chatham, Durham, Orange, and Person counties. In FY 22, the Durham-Chapel Hill EMSA was revised again to include Granville County. In FY 21, Winston-Salem met the requirements to become an EMSA and received a portion of North Carolina's funds directly from HUD to provide HOPWA services in Davidson, Davie, Forsyth, Stokes, and Yadkin counties. In FY 22 the City of

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Fayetteville met the requirements to become an EMSA and received a portion of North Carolina's funds directly from HUD to provide services in Cumberland, Harnett and Hoke counties. In addition, Currituck County, NC receives HOPWA funding through the Virginia Beach, Virginia EMSA. In FY 22, the Virginia Beach, Virginia EMSA was revised to include Camden County, NC. These seven EMSAs receive funding directly from HUD. The State receives a separate award, which it allocates throughout the remaining counties to various Project Sponsors/ subrecipients, utilizing an RFA process; whereby allowable expenditures are reimbursed for approved activities on a monthly basis.

The North Carolina Commission for Health Services has adopted specific rules for the Division of Public Health for funding special programs and projects, which are codified in 15A NCAC 19A .0600-.0605 and are available from the Epidemiology Section, Division of Public Health. Funds are made available to Project Sponsors for service contracts by written contracts, which are available from the Contracts Office of the Division of Public Health. The contract between the parties should be reviewed prior to beginning the audit. The contractual relationship between the State and local health departments is more fully explained below under the heading Consolidated Agreement System. The Federal regulations are found in Final Rule at 24 CFR 574, as amended; and Consolidated Plan Final Rule at 24 CFR Part 91.

HOPWA funds may be used to assist all forms of housing designed to prevent homelessness, including but not limited to emergency housing, shared housing arrangements, apartments, short-term use of extended stay Hotel/Motels and community residences. Appropriate supportive services must be provided as part of any HOPWA assisted housing, but HOPWA funds may also be used to provide services independently of any housing activity. In North Carolina, the following activities may be carried out with HOPWA funds: Tenant-Based Rental Assistance, including assistance for shared housing arrangements; Short-Term Rent, Mortgage and Utility payments to prevent the homelessness of the tenant or the mortgagor of a dwelling; supportive services; permanent housing placement; Short-Term Facility-based housing (Hotel/Motel assistance); administrative expenses; and, for competitive grants only, any other activity proposed by the applicant and approved by HUD (24 CFR section 574.300).

Grantees must assure that grant funds will not be used to make payments for health services for any item or service to the extent that payment was made, or can reasonably be expected to be made, with respect to any item or service: (1) under any State compensation program, under an insurance policy, or under any Federal or State health benefits program; or (2) by an entity that provides health services on a prepaid basis, as provided for in 24 CFR section 574.310(a)(2). Supportive services include such items as alcohol abuse treatment and counseling, day care, and nutritional services (24 CFR section 574.300(b)(7)).

Part I: Rental Assistance:

If grant funds are used to provide rental assistance, the following additional standards apply. In this case rental assistance does not include "short-term supported housing", whose standards are defined in Part II (below).

1. Maximum subsidy: The amount of grant funds used to pay monthly assistance for an eligible person may not exceed the difference between:
 - a. The lower of the fair market rent standard (set by HUD and available from the rental assistance administrator) and a rent that is reasonable in relation to rents currently being charged for comparable units in the private unassisted market. In any case the rent must not be in excess of rents currently being charged by the owner for comparable unassisted units.
 - b. The tenant's portion of the rent, as defined as the higher of:

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1. 30% of the family's monthly adjusted income as described in 24 CFR 813.102, (applicable the majority of the time); or
 2. 10% of the family's monthly gross income; or
 3. the portion of the family's welfare assistance that is specifically designated by a public welfare agency to meet the family's housing costs.
2. As with all housing assistance, all units assisted with HOPWA funds must meet the following housing quality standards, including:
 - a. Compliance with applicable State and Local housing codes, licensing requirements, and any other requirements in the jurisdiction in which the housing is located regarding the condition of the structure and the operation of the housing.
 - b. Compliance with federal habitability standards including:
 1. Structure and Materials: The structures must be structurally sound so as not to pose any threat to the health and safety of the occupants and so as to protect the residents from hazards.
 2. Access: The housing must be accessible and capable of being utilized without unauthorized use of other private properties. Structures must provide alternate means of egress in case of fire.
 3. Space and Security: Each resident must be afforded adequate space and security for themselves and their belongings. An acceptable place to sleep must be provided for each resident.
 4. Interior Air Quality: Every room or space must be provided with natural or mechanical ventilation. Structures must be free of pollutants in the air at levels that threaten the health of residents.
 5. Water Supply: The water supply must be free from contamination at levels that threaten the health of individuals.
 6. Thermal Environment: The housing must have adequate heating and/or cooling facilities in proper operating condition.
 7. Illumination and Electricity: The housing must have adequate natural or artificial illumination to permit normal indoor activities and to support the health and safety of residents. Sufficient electrical sources must be provided to permit use of essential electrical appliances while assuring safety from fire.
 8. Food Preparation and Refuse Disposal: All food preparation areas must contain suitable space and equipment to store, prepare and serve food in a sanitary manner.
 9. Sanitary Condition: The housing and any equipment must be maintained in sanitary condition.
3. The grantee (in this case the State of NC) and subgrantees must establish a reasonable grace period for continuing housing assistance to surviving family members in the case that the person infected with the HIV virus dies. The State has set that grace period as 90 days.
4. In terminating assistance to any program participant for violation of requirements, the family receiving rental assistance must be provided with a written notice containing a clear statement of the reasons for termination; allow the family to review the decision, confront opposing witnesses, present written objections, and be represented by their

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own counsel before a person other than the person or subordinate to the person who made or approved the termination decision, and be provided prompt written notification of the final termination decision.

Part II: Short-term Supported Housing:

Short-term supported housing includes emergency shelters as well as emergency rent, mortgage, and utility payments to enable eligible individuals to remain in their own homes. An emergency shelter may not:

- Provide residence to any individual for more than 60 days during any 6-month period; or
- Shelter more than 50 families or individuals at any one time.

In the case of short-term rent, mortgage and utility payments, these payments may not accrue over a period of more than 21 weeks in any 52-week time period. Case management services must be offered to individuals who are eligible for such services under the local agency's program.

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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 2024 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 2024 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 to be 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	N	Y	Y	N	Y	Y	Y

A. Activities Allowed or Unallowed

In North Carolina, grantees and project sponsors may use HOPWA funds to provide for any of the following eligible activities, subject to certain standards and limitations provided in the regulations:

1. Project- or tenant-based rental assistance including assistance or shared housing arrangement.
2. Short-term rent, mortgage, and utility payments to prevent the homelessness of the tenant or mortgagor of a dwelling.
3. Supportive services including, but not limited to, health, mental health, assessment, drug and alcohol abuse treatment and counseling, day care, nutritional services, intensive care when required, and assistance in gaining access to local, State and Federal government benefits and services except that health services may not be provided to family members.

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4. Permanent Housing Placement activities to assist individuals and families establish permanent residence with the goal of continued occupancy.
5. Short-term Facility-based housing (hotel/motel assistance) to house individuals and their families for up to 60 days while securing permanent housing.

Administrative expenses: 3 percent for grantees and 7 percent for project sponsors, including costs of staff necessary to carry out eligible activities; and the cost of other administrative overhead expenses like supplies, phones, copying, etc.

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.

C. Cash Management

Not applicable at the local level.

E. Eligibility

All public and private non-profit organizations are eligible for Communicable Disease Branch funding. Proof of nonprofit status is required.

Eligible beneficiaries are low-income persons with AIDS or related diseases, including HIV infection, and their families. Low-income is defined as a combined family gross income of 80% or less of local area median income (PL 101-625; 104 Stat. 4085, 42 USC 12704, Title I, Sec. 104 (D)10).

F. Equipment and Real Property Management

Local procedures and guidelines are delineated in the NC Division of Public Health contract with the local agency and should be audited accordingly.

H. Period of Performance

Funds are available to the subgrantee for the period delineated by the effective dates of the contract with the Division of Public Health.

I. Procurement and Suspension and Debarment

These are all addressed in the Division of Public Health contract with the local agency and should be audited accordingly.

L. Reporting

All HOPWA Project Sponsors must submit annual /budget justifications outlining how they plan to spend the HOPWA funds they will be receiving during the upcoming HOPWA fiscal year.

Project Sponsors are required to submit a DHHS Contract Expenditure Report, DHHS 2481, on a schedule set out in the contract between the parties. Project Sponsors submit monthly detailed expenditure reports, quarterly reports and an annual Consolidated Annual Performance and Evaluation Report (CAPER). Project Sponsors providing TBRA and/or STRMU additionally submit monthly documentation of client-specific expenditures. These documents monitor the programmatic and fiscal responsibilities of contracted agencies.

Local health department reporting requirements are set forth in Section C. FISCAL CONTROL of the Consolidated Agreement. Copies of these reports are available from the Communicable Disease Branch, Epidemiology Section, 1902 Mail Service Center, Raleigh, NC 27699-1902, (919) 715-0136 (see Section N).

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M. Subrecipient Monitoring

The Project Sponsors shall not subcontract any of the work contemplated under this financial assistance contract without prior written approval from the Division of Public Health. Any approved subcontract shall be subject to all conditions of this contract. Only the subrecipients specified in the contract documents are to be considered approved upon award of the contract. The Division shall not be obligated to pay for any work performed by any unapproved subrecipients. The Project Sponsors shall be responsible for the performance of all its subrecipients and will monitor said performance to ensure compliance with performance standards.

N. Special Tests and Provisions

Consolidated Agreement System

The DHHS Division of Public Health is made up of five major sections: Administrative, Local and Community Support, Chronic Disease and Injury, Epidemiology, Oral Health and Women's and Children's Health Sections. 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 sets 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 Addendum, which details 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 Budgetary Authorization 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.

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 NC 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 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,

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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.

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

DAVIS-BACON ACT

Applies only when the subgrantee is in receipt of housing development, funds; receipt of such funds will be specified in the Division of Public Health contract with the local agency.