

APRIL 2025

93.243 5

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE**

**State Project/Program: PROMOTING INTEGRATION OF PRIMARY AND BEHAVIORAL
HEALTH CARE (PIPBHC)**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION**

Federal Authorization: Sec 9003 21 Century Cures Act PL 114-255 & Sec 520K PHS Act

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 Use Services**

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Address Confirmation Letters To:

SFY 2025 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 2024-2025). 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 Oct’ 2023-2025).”

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

This compliance supplement must be used in conjunction with the OMB 2025 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.

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I. PROGRAM OBJECTIVES

The North Carolina State Medicaid Agency, known as the Division of Health Benefits, (DHB), and the State Mental Health Agency (SMHA) and the Single State Agency for Substance Use (SSA) of the Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMHDDSUS) implemented a project that will promote the integration of primary and behavioral care services in high need communities. Community health programs will partner with community health centers so that primary care services can be integrated in behavioral health settings to improve the overall wellness and physical and behavioral health of adults with serious mental illness (SMI), children with serious emotional disturbance (SED), and adults and children with substance use disorders (SUD) and/or co-occurring disorders (COD). The proposed project will initially be implemented in three counties in the southeast coastal region and three in the western region and expand to the piedmont and sandhills areas.

III. COMPLIANCE REQUIREMENTS

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 2025 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.

CC	A	B	C	E	F	G	H	I	J	L	M	N
Cross Cutting Requirements	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 & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
N	Y	Y	N	Y	Y	Y	N	Y	N	Y	Y	Y

A. Activities Allowed or Unallowed

Allowable activities under this grant are those activities that are aligned with the Program Objectives and Program Procedures as outlined above.

- 1.) Staff salary and fringe for positions directly providing services or oversight for the implementation of this grant.
- 2.) Medical equipment and supplies needed to complete testing requirements identified in the narrative above.
- 3.) Rental of space to provide integrated care services
- 4.) Program evaluation

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- 5.) Training and technical assistance on evidence-based practices
- 6.) Travel (within State travel guidelines) as required to complete the work for this grant
- 7.) Activities supporting the development and implementation of items included in sustainability plans, such as identifying, vetting, and potentially joining a Clinically Integrated Network (CIN).

B. Allowable Costs/Cost Principles

All grantees that expend State funds (including federal funds passed through the NC Department of Health and Human Services) are required to comply with the cost principles described in the NC 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.)

Certain expenditures are considered non-allowable and are not included in the cost allocation. Fixed assets and moveable assets costing \$5,000 or more must be reported on the cost finding as assets. (Moveable assets costing less than \$5,000 may be directly expensed.)

Funds must be expended or earned in accordance with the Performance Agreement between the DMHDDSUS and the Local Management Entity/Managed Care Organization (LME/MCO), including amendments via individual allocation letters.

Funds designated for substance abuse may be used for planning, establishing, maintaining, coordinating, and evaluating projects for the development of more effective prevention and treatment programs and activities to deal with substance abuse (42 U.S.C. 300x-3(a)(1) 1989 Revision).

SPECIAL CONDITIONS:

1. The award of these funds shall not be used by a county or LME/MCO as a basis to supplant any portion of a county's commitment of local funds to the area authority or LME/MCO.
2. If these funds shall be used to support a new service for which a license and/or accreditation is required, such licensure/accreditation shall be completed prior to the delivery of services.
3. If these funds shall be used for a new service which does not have an established reimbursement rate, a new Service Objective Form must be submitted and approved by the Division before any payments will be made.
4. The funds provided shall not be used to supplant Federal or non-Federal funds for services or activities which promote the purposes of the grant or funding.
5. The funds provided shall not be utilized to supplement any reimbursement for services or staff activities provided through the NC Medicaid Program.
6. The funds provided shall not be utilized to supplement any reimbursement for services or staff activities supported through the Division's payment of other Unit Cost Reimbursement (UCR) or non-UCR funds, without the prior written approval of the DMH/DD/SUS Director of Budget and Finance and the Chief of Addictions and Management Operations.

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7. The funds provided shall be fully utilized, monitored, and settled in compliance with the conditions of the current Contract Agreement between the LME/MCO and DMH/DD/SUS, with the full adherence of the LME/MCO and its sub-recipient contractors to all applicable State and federal laws, rules, regulations, policies, guidelines, standards, agreements, protocols, plans, and communications.
8. The funds provided shall be fully utilized, monitored, and settled in compliance with the conditions of the current Contract Agreement between the contracted providers and DMH/DD/SUS, with the full adherence of the contractors and any sub-recipient contractors to all applicable State and federal laws, rules, regulations, policies, guidelines, standards, agreements, protocols, plans, and communications.
9. Funds shall be used in accordance with SAMHSA's standard funding restrictions:
 - Funds shall not be used for substance use or other treatment services covered by Medicaid reimbursement.
 - No purchases are allowed for any one item above \$5,000 without prior written permission from DMH/DD/SUS.
 - Funds shall not be used for facility purchase, construction, or renovation.
10. Funds shall be used in accordance with cost principles describing allowable and unallowable expenditures for nonprofit organizations in accordance with OMB Circular A-122.

E. Eligibility

The proposed project will require screening that will identify individuals most in need of integrated services. In addition to the screening previously described for physical and behavioral health, it will screen potential participants for HIV and hepatitis as well as trauma. Individuals who have or are at risk for chronic medical conditions will be considered priority populations and will be linked with services offered by community partners to ensure that the services (e.g., treatment for chronic medical conditions) will be continued after the end of the grant funding period.

The proposed project will screen participants for primary care, mental health, and substance use. Its general health screening for adults will include cholesterol and blood screening, blood pressure for hypertension, BMI, tobacco use, fasting glucose or HgbA1c, diabetes, heart disease, cholesterol, cancer, and communicable diseases such as HIV/AIDS, STDs, and hepatitis. Adult participants will be screened for depression (including suicidal ideation), anxiety, trauma, alcohol, and illicit substance use. The screening that will be provided to children and adolescents will include BMI, sleep, asthma, oral health, immunizations, wellness visits, tobacco use, exposure to second-hand smoking, communicable diseases such as HIV/AIDS STDs, and hepatitis. They will be screened for mental health disorders and substance use that include screening for depression (including suicidal ideation), anxiety, trauma, developmental stage, and substance use. Comprehensive clinical assessments conducted after positive indications on selected screening instruments will lead to the development of an integrated treatment plan (through a collaborative team approach) that will address both primary health and behavioral health (mental and substance use).

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 \$10,000 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/SUS contracts.

G. Matching, Level of Effort, Earmarking

Matching: This requirement does not apply at the local level.

Level of Effort: Funds allocated shall be used to supplement and increase the level of State, local and other non-federal funds and shall, in no event, supplant such State, local and other non-federal funds. If grant funds are reduced, services and provider agencies participation may be reduced in a proportionate manner.

Earmarking: 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 NC 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 NC 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

<https://www.doa.nc.gov/north-carolina-procurement-manual-2022/open>.

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.

L. Reporting

For federal funds allocated outside of UCR, approved expenditures shall be reported through the routine submission of monthly Financial Status Reports (FSRs). Any exceptions to the required timely reporting of federal funds expended shall be approved in writing by the DMH/DD/SUS Assistant Director of Budget and Finance and the Section Chief of Addictions and Management Operations.

Grantees must provide monthly and final Financial Status Reports (FSRs).

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The DHHS Controller's Office is responsible for submitting a SF-425 Financial Status Report to the Federal Grants Management Officer for documentation of federal funds expended according to the DHHS Cash Management Policy.

M. Subrecipient Monitoring

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 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 200.332. 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.

N. Special Tests and Provisions

Audit Objectives

- a. To ensure compliance with the DHHS and DMH/DD/SUS records retention schedules and policies; and
- 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/SUS 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.
- d. When applicable, verify that the grantee has obtained a Unique Entity Identifier (UEI) through SAM.gov and is registered in the Central Contractor Registration (CCR) system.
- e. Verify that the Conflict-of-Interest declaration is signed AND that there is no overdue tax debts at the federal, State or local level as required below.

Conflicts of Interest and Certification Regarding 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 effective 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) 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)).

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

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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.