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**DEVELOPMENTAL DISABILITIES – BASIC SUPPORT AND
ADVOCACY GRANTS**

State Project/Program: NC COUNCIL ON DEVELOPMENTAL DISABILITIES

U. S. Department of Health and Human Services

Federal Authorization: Public Law (PL) 106-402; United State Code (USC) 42, 15001 et seq.

**N. C. Department of Health and Human Services
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N. C. DHHS Confirmation Reports:

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 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 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.

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 purpose of the NC Council on Developmental Disabilities (NCCDD) is to assure that individuals with intellectual and other developmental disabilities and their families participate in the design of and have access to culturally competent services, supports, and other assistance and opportunities that promote independence, productivity, and integration and inclusion into the community. The NCCDD:

- Promotes through systemic change, capacity building and advocacy the inclusion of people with intellectual and other developmental disabilities and their families in all aspects of community life.
- Promotes a family centered, comprehensive, coordinated system of supports and services that will increase the independence, productivity, integration, and inclusion of people with intellectual and other developmental disabilities through activities consistent with the NCCDD's State Plan.
- Promotes increased awareness and education among policy makers and the public about people with intellectual and other developmental disabilities.
- Promotes new models of service delivery to enhance potential for participant driven services, and quality of life for people with intellectual and other developmental disabilities.

II. PROGRAM PROCEDURES

Developmental disabilities funds are obtained by the State from the US Department of Health and Human Services, Administration for Community Living, Administration on Disabilities, Office of Intellectual and Developmental Disabilities. Funds are made available through PL 106-402, the Developmental Disabilities Assistance and Bill of Rights Act (42 United State Code (USC) 15001 et seq.), as amended. Based on responses to Requests for Applications (RFA), and occasionally Requests for Proposals (RFP), to satisfy goals and objectives in a Five-Year State Plan (required by the DD Act), the NC Council on Developmental Disabilities (NCCDD), NC Department of Health and Human Services, makes contracts to organizations. These contracts are made under the terms of a DHHS Open Window contract that incorporates a comprehensive program narrative and budget.

Each year the NCCDD fulfills its responsibilities by distributing nearly \$1.5 million in federal funds for contracts and activities. These contracts and activities vary widely in scope. Contractors may be state or local advocacy organizations, grassroots disability groups, state or local governmental agencies or such diverse community groups as churches, transit systems or local schools. Most of the NCCDD's funds are given out competitively through Requests for Applications (RFAs). An RFA contains a concept the NCCDD would like to see implemented and asks the potential contractor to describe, in an application, how that concept might be implemented. RFAs are published in the NCCDD's newsletter at least once a year. This publication is widely distributed in the State. Persons interested in learning about funding initiatives can contact the NCCDD by phone at (984) 920-8200, by internet at www.nccdd.org, or write to the Council at 2010 Mail Service Center, Raleigh, NC 27699-2010.

The NCCDD also provides a limited amount of funds on a non-competitive basis. Throughout the year, unsolicited ideas for possible NCCDD activities that are consistent with goals and objectives within the NCCDD's State Plan may be received from agencies and organizations. The NCCDD, prior to further action, may approve these conceptual

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ideas for potential development and implementation. The requirements for development and implementation of these potential contracts are the same as the competitive contracts.

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 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 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	N	Y	Y	N	N	Y	Y	Y

A. ACTIVITIES ALLOWED OR UNALLOWED

Activities/services described in I., Program Objectives, are allowable activities of a developmental disabilities contract. These include promoting systems change that contribute to a coordinated consumer- and family-directed, comprehensive system of community services, individualized supports, and other forms of assistance that enable individuals with intellectual and other developmental disabilities to exercise self-determination, be independent, be productive, and be integrated and included in all facets of community life (PL 106-402, Sec. 121(1)(2)). Activities described in the program narrative, a unique narrative included in each approved developmental disabilities contract, are also allowable activities. Activities specifically not allowed are construction and major renovation. (PL 106-402, Sec. 123)

Suggested Audit Procedures – Review the local provider’s developmental disabilities program scope of work as approved and contracted by the NCCDD. The activities and tasks should adhere to the allowable activities as outlined in PL 106-402, Sec. 121(1)(2)

B. ALLOWABLE COSTS/COST PRINCIPLES

Costs in the approved application budget are allowable costs of a developmental disabilities contract. These include the following budget categories: salaries, fringe benefits, supplies, staff travel, cost of space, equipment, contracted services, “other” (“other” is defined in the application), and indirect costs. Each budget category may

have explanatory remarks. Expenditures / costs are limited to those outlined in the approved budget in the application. Basic Considerations, Indirect Costs, Direct Costs, Allowable Costs, and Unallowable Costs may be found in the latest version of the federal Office of Budget and Management (OMB) Circular 122 or OMB Circular A-87 available from the OMB website at: <https://www.whitehouse.gov/omb/>.

C. CASH MANAGEMENT

Not less than monthly a "Request for Reimbursement" or a "Report of Outlays" (for contracts receiving monthly advances) showing expenditures will be submitted to the NCCDD. While no moneys may have been expended (in such case all entries will be zeros), these monthly requests are mandatory. Expenditures in arrears more than sixty (60) days, or two months of the period, for which the contract is funded, may not be reimbursable. A negative award, or amendment with reduced award, may be issued. Grantees requesting advance payment may receive up to 1/12 of the contract. Any unexpended balance of an advance must be returned to the NCCDD at the expiration of the contract.

Suggested Audit Procedures – Review the local provider's developmental disabilities program's "Request for Reimbursement" submissions during the contract. There should be a record of all "Request for Reimbursement" forms submitted, including when the amount requested was \$0, or communication related to missing or late "Request for Reimbursement" submissions leading up to and potentially including a negative award and/or contract termination.

E. ELIGIBILITY

An eligible recipient under a NCCDD contract must conduct activities for people with intellectual and other developmental disabilities that are defined as severe and chronic and:

1. Are attributable to a mental or physical impairment or combination of mental and physical impairments,
2. Are manifested before the person reaches the age of 22,
3. Are likely to continue indefinitely,
4. Result in substantial functional limitations in three or more of the following areas of major life activity:
 - a) self-care
 - b) receptive and expressive language
 - c) learning
 - d) mobility
 - e) capacity for independent living
 - f) economic self-sufficiency
 - g) self-direction
5. Reflect the need for a combination and sequence of special, interdisciplinary or generic services, individualized supports or other forms of assistance that are of lifelong or extended duration and are individually planned and coordinated.

However, it should be noted that early intervention activities for infants and young children apply to individuals from birth to age 9, inclusive, who have substantial developmental delay or specific congenital or acquired condition. These individuals may be considered to have a developmental disability without meeting three or more of the criteria described in clauses 1 through 5 above, if the individual, without services and supports, has a high probability of meeting those criteria later in life (PL 106-402, Sec. 102(8)(B)).

Suggested Audit Procedures – Review the local provider’s developmental disabilities program scope of work as approved and contracted by the NCCDD. The activities and tasks, in general, should adhere to the eligibility criterion outlined.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

The contract and the budget incorporated therein will define the percentage of NCCDD activities that are to be funded by local, non-federal funds.

Funds used to match NCCDD funds must be either State or local. Federal funds, even though channeled through a State agency, may not be used as match (PL 106-402, Sec. 126 b (1)). Activities funded in non-poverty counties must be supported by not less than 25% State or local funds. Activities in poverty counties must be supported by not less than 10% State or local funds. Exceptions may be made on a case-by-case basis at the discretion of and with the approval of the NCCDD.

Level of Effort is applicable at the local level by requiring contractors to maintain no less than their initial level of matching participation when contracts are continued beyond the first year. Earmarking is not applicable at the local level.

Suggested Audit Procedures – Compare, by line item, the local provider’s developmental disabilities program expenses with the final budget as approved by the NCCDD. There should be verification on the required match percentages as outlined in “G. Matching, Level of Efforts, Earmarking” and in the case that there is no match included, should be noted in the Notice of Award submitted to the local provider’s developmental disabilities program.

H. PERIOD OF PERFORMANCE

The contract and budget incorporated therein will define the period of performance. Federal funds may be spent over multiple years; however, contracts and budgets are usually written for one year at a time, and budgets are usually one-year budgets. The beginning and ending dates of the contract are incorporated into the contract, and all expenditures must occur within these dates.

Suggested Audit Procedures – Review the local provider’s developmental disabilities program contract language as approved by the NCCDD. There should be verification that the period of performance does not exceed one year at a time, even in cases where the overall effort is expected to take multiple years.

L. REPORTING

In addition to the monthly fiscal reports described in Section C – Cash Management above, a final fiscal report must be prepared by the local service providing agency and submitted to the NCCDD no later than 30 calendar days after the contract period ends

(PL 106-402, Sec. 103 and NCCDD Assurances). NCCDD Assurances are signed by the contractor and are a part of the contract defining the terms and expectations of the contractor and NCCDD. Final Requests for Reimbursement received by the NCCDD after 30 calendar days may not be reimbursable and a negative award may be issued.

Suggested Audit Procedures – Review the local provider’s developmental disabilities program’s final fiscal report submission after the contract period ends. There should be a record of the final fiscal report submitted or communication related to the late final fiscal report submission leading up to and potentially including non-reimbursement or a negative award.

M. SUBRECIPIENT MONITORING

The NCCDD “Quarterly Initiative Report” accomplishes subrecipient monitoring. This report provides information on the number of people served (if appropriate); the impact of the contract on enhancing the interdependence, contribution and inclusion of people with intellectual and other developmental disabilities and their families into the community; the specific successes achieved during the reporting period; the challenges or barriers encountered during the reporting period; indications regarding consumer and family satisfaction; the impact of the initiative on changing or influencing rules, regulations or policy at the State or local level (if appropriate); the activities the grantee must focus on during the next reporting period to achieve its goal; the efforts made to secure resources to continue the funded activity after NCCDD funds have ended (if appropriate); the identification of unexpected outcomes not addressed in answers to the above. Contractors are allowed to engage to pass down monies (subcontract) further. This must be evident in the approved application budget and must have prior approval by the NCCDD before implementation of the contract.

Suggested Audit Procedures – Review the local provider’s developmental disabilities program’s reporting on initiative progress to NCCDD, including their potential submissions in NCCDD’s Program Reporting Software Solution (e.g., DD Suite or its successor), via e-mail to the related Systems Change Manager, or included and discussed in the approved minutes of the NCCDD’s Quarterly Council Meeting(s). There should be verification that the program reported on its progress in alignment with subrecipient monitoring expectations.

SPECIAL TESTS AND PROVISIONS

1. BUDGET AMENDMENTS

Compliance Requirement – The service provider may amend the budget during the contract cycle with prior approval from the NCCDD. However, the service provider may not exceed the total monetary limit as shown on and approved in the contract.

Audit Objective – To determine that the budget approved by the NCCDD and the budget used by the contract are identical. To determine that line item expenditures reported on the Request for Reimbursement to the NCCDD have not exceeded approved line item budgeted amounts.

Suggested Audit Procedures – Compare, by line item, the local provider's developmental disabilities program expenses with the final budget as approved by the NCCDD. There should be verification that the reported expenditures are allowable and supported by sufficient documentation.

2. INDIRECT COST

Compliance Requirement – If budgeted, the local provider/contractor of NCCDD contracts may report indirect cost on NCCDD funding. Indirect cost rates negotiated by the local provider with the federal Department of Health and Human Services regional controller or other similar federal agency may be used to compute allowable indirect cost. Expenditures included, an indirect cost may not be duplicated elsewhere in the budget. A copy of the Negotiation Agreement must be included with the application. In the absence of a federally negotiated rate, the contractor may use the de minimis rate or 10% of modified total direct costs. Use of the de minimis rate does not require any documentation from the grantee. The local provider/contractor of NCCDD contracts may waive the indirect cost rate and use the waived indirect cost as a match.

Audit Objective – To determine that a current negotiated indirect cost rate agreement exists, if not using the de minimis rate.

Suggested Audit Procedures – The indirect cost plan supporting the indirect cost reported to the NCCDD should be reviewed to determine that cost included in the plan is allowable and equitably allocated. Any discrepancies should be disclosed in the audit as "questioned costs."