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OPIOID STR

State Project/Program: STATE OPIOID RESPONSE (SOR) 2020 GRANT – SOR 2

**US DEPARTMENT OF HEALTH AND HUMAN SERVICES
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION**

Federal Authorization: H.R. 2466 – State Opioid Response Grant Authorization Act of 2020

State Authorization: H.R. 2466 – State Opioid Response Grant Authorization Act of 2020
North Carolina’s Opioid Action Plan 2017 – 2021
Session Law 2015-241 – House Bill 97 – Section 12F.16.(m) – (q) –
Statewide Strategic Plan – Established Prescription Drug Abuse
Advisory Committee (PDAA/OPDAA)

**N. C. Department of Health and Human Services
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services**

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SFY 2023 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 2022-2023). 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 2021-2023)”

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 2023 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

To carry out the state plan by providing comprehensive substance use disorder prevention and treatment services, the Division of Mental Health, Developmental Disabilities and Substance Abuse Services was awarded a grant from the Substance Abuse and Mental Health Services Administration (SAMHSA) to address the opioid crisis by increasing access to medication-assisted treatment using the three FDA-approved medications for the treatment of opioid use disorder, reducing unmet treatment need, and reducing opioid overdose related deaths through the provision of prevention, treatment and recovery activities for opioid use disorder (OUD) (including illicit use of prescription opioids, heroin, and fentanyl and fentanyl analogs). This program also supports evidence-based prevention, treatment and recovery support services to address stimulant misuse and use disorders, including for cocaine and methamphetamine.

SOR 2: State Opioid Response (SOR) 2020 Grant

SOR 2: In September 2020, North Carolina received \$70,298,762 to address the opioid crisis through the State Opioid Response Grant Authorization Act of 2020. The funding period for this grant was September 30, 2020 through September 29, 2022. Additionally, a no cost extension was granted for the period of September 30, 2022 through September 29, 2023 for the purpose of fully utilizing remaining funds. This grant provided additional funds to enable North Carolina to continue efforts that were begun under the STR and previous SOR grants, to address the unmet treatment need for individuals with an opioid use disorder, including prescription opioid drug misuse, as well as illicit opioid use. The primary purpose of the project is to continue addressing the opioid crisis in North Carolina, using the North Carolina Opioid and Substance Use Action Plan 3.0, launched June 2019, as the guide. The Action Plan aims to Prevent, Reduce Harm and Connect to Care while focusing on several key areas: (1) Reduce the supply of inappropriate prescriptions and illicit opioids, (2) Prevent future opioid addiction by supporting children and families (3) Advance harm reduction, (4) Address non-medical drivers of health and eliminate stigma, (5) Address the needs of justice-involved populations, (6) Expand access to treatment and recovery supports and (7) Track progress and measure impact.

Grant funds were expected to serve 3300 individuals in the first year and an additional 2300 individuals in the second year.

The goals and objectives of the SOR 2 grant are as follows:

Goal 1: To increase community awareness and prevention

- **Objective 1:** Decrease stigma associated with opioid use, particularly injection drug use, through targeted media campaigns and providing medication drop boxes and lock boxes.
- **Objective 2:** Reduce harm from drug use by supporting and funding the use of naloxone.
- **Objective 3:** Work with prescribers in western North Carolina to prevent the initial use of prescription opioids and support the reduction of opioid prescription use by promoting alternative pain management approaches supported by the National Institutes of Health.
- **Objective 4:** Provide TA/T to providers and community organizations in utilizing prevention best practices.

- **Objective 5:** Host an Opioid Summit to highlight prevention, treatment and recovery work across the state. Highlight the best practices in each of the areas above.

Goal 2: To treat opioid use disorder and stimulant use disorder

- **Objective 1:** To increase access to medication assisted treatment and other EBPs, among uninsured and under-insured North Carolinians, including providing financial assistance for the costs associated with MAT, including FDA-approved medications, by providing funding to OTPs and OBOTs through contracts with the LME/MCOs.
- **Objective 2:** North Carolina has seen an increase in the number families involved with Division of Social Services due to parental substance use, and correspondingly, an increase in the number of children in out-of-home placements. Partner with DSS and local treatment providers to continue funding a pilot initiative, to engage parents in MAT and other clinical and recovery supports.
- **Objective 3:** Provide services to transitioning populations. Initiate the delivery of MAT in designated reentry facilities, as well as identified detention facilities, to individuals with opioid use disorders. Prior to release, individuals will receive medications, be linked with a community health center for continued care and be provided naloxone.

Goal 3: To maintain recovery

- **Objective 1:** Improve engagement and retention in treatment. The project will highlight the need to engage patients in MAT and retain them in treatment by providing information on the percentage of patients for whom treatment was terminated, the reasons for termination, and the differences between those who remained in treatment and those who did not so that barriers to treatment can be resolved.
- **Objective 2:** Provide linkages to recovery and support services. The project will provide linkages to resources that will enable the individual to build up the foundations (health, home, purpose, and community) to support recovery.
- **Objective 3:** Utilize certified peer support specialists. The project plans to provide support for peer support specialists.

Goal 4: To assess project performance and conduct evaluation

- **Objective 1.** To assess performance.
- **Objective 2.** To assess the impact of the project on participants.

All grantees are required to comply with the NC Department of Health and Human Services and the Division of Mental Health, Developmental Disabilities and Substance Abuse Services records retention schedules and policies. Financial records shall be maintained in accordance with established federal and state guidelines.

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

Advisory Councils and Resources

Opioid and Prescription Drug Abuse Advisory Committee.

In accordance with Section Law 2015-241, Section 12F.16.(m), the NC DHHS PDAAC was established in early 2016. The group, which has changed its name to the Opioid and Prescription Drug Abuse Advisory Committee (OPDAAC), has focused on providing guidance and leadership in: (1) the implementation of the “Opioid and Substance Use Action Plan”.

The plan was updated in May 2021 – Opioid and Substance Use Action Plan 3.0 with three main areas of focus: prevention, harm reduction and connection to care.

- Prevention
 - Reducing the supply of inappropriate prescriptions and illicit opioids
 - Preventing future opioid addiction by supporting children and families
- Reducing Harm
 - Advancing harm reduction
 - Addressing the non-medical drivers of health and eliminating stigma
- Connecting to Care
 - Expanding access to treatment and recovery supports
 - Addressing the needs of justice-involved populations

Statewide Overdose Prevention Summits. North Carolina’s statewide Opioid Misuse and Overdose Prevention Summits were held in July 2014, July 2015, June 2017, June 2019 and May 2021. The 2021 Summit was organized and co-lead by DMHDDSAS and the Injury and Violence Prevention Branch (IVPB) of the Division of Public Health, along with other partners. These events provided opportunities to share the latest data, prevention, treatment and recovery strategies, and progress on the opioid epidemic. Overall, the Summits helped provide a shared vision for the state in its misuse, prevention and overdose work, laying the groundwork for shared efforts and contributions towards common goals.

Monthly Surveillance Reports and the Opioid Data Dashboard. Through collaboration with Surveillance Quality Improvement (SQI), dashboards were developed for local departments to monitor prescription drug-related emergency department visits in their counties. Updated data is available daily. Data tables and surveillance statistics are posted on the IVPB website and accessible by all.

Educating Medical Providers and Promotion of CDC Prescribing Guidelines. The Governor’s Institute on Substance Abuse, Inc. (GI) is a statewide organization founded in 1991 to improve how physicians and other healthcare providers prevent, identify, and intervene with substance use issues. The GI has long-standing, strong partnerships with the state’s medical schools, the NC Divisions of MH/DD/SAS and Public Health, the NC Chapter of the American Society of Addiction Medicine (ASAM), the NC Academy of Family Physicians, the NC Psychiatric Association, additional NC healthcare provider groups, the NC Medical Board, regional Area Health Education Centers (AHECs), Community Care of NC and other state and federal agencies that are addressing the opioid epidemic in NC.

Through a contract with DMH/DD/SAS, GI has collaborated with the aforementioned groups on a number of successful addiction medicine workgroups, projects and several websites supporting safer opioid prescribing and addiction medicine efforts in the state (e.g., <https://governorsinstitute.org/>). The GI also provides a well-attended and reviewed regional Addiction Medicine conference that is now in its twelfth year (<https://addiction-medicine.org/>). The conference audience is largely physicians with a sizeable group of physician assistants (PAs) and advanced practice nurses (APNs). The conference addresses the needs of both primary care physicians who are new or relatively new to addiction medicine and presents an opportunity as well for seasoned addiction medicine physicians to get updates, further training and opportunities for case discussion and networking.

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 2023 Compliance Supplement; however, the State Agency may have added the Type and this should be 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 2023 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, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

A. ACTIVITIES ALLOWED OR UNALLOWED

The purpose of this grant is to address the opioid use crisis by carrying out initiatives that supplement activities pertaining to opioids undertaken by the North Carolina Department of Health and Human Services, the State agency responsible for

administering the Substance Abuse Prevention and Treatment Block Grant under subpart II of part B of title XIX of the Public Health Service Act (42 U.S.C. 300x–21 et seq.).

The SOR 2 grant is used for the following purposes:

- (A) Continuing and expanding service delivery models that enable the full spectrum of treatment and recovery support services. The proposed project will utilize medication assisted treatment, clinical and recovery services and supports for all participants of this grant. The majority focus will be those individuals with an OUD.
- (B) Continuing the pilot in collaboration with the Department of Public Safety to provide MAT to individuals re-entering communities as well as jail-based MAT programming in detention facilities.
- (C) Providing funding for several initiatives developed by the Eastern Band of the Cherokee Indians.
- (D) Continuing and expanding community recovery support services such as peer supports, recovery coaches and recovery supported housing.
- (E) Continuing and expanding prevention and education initiatives to hire a Prevention Coordinator, purchasing, distributing and training on the administration of naloxone and continuation of the “Lock Your Meds” campaign.

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 and in 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 Division of MH/DD/SAS and the Local Management Entity-Managed Care Organization (LME/MCO), including amendments via individual allocation letters.

Funds designated for substance use disorders 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 such (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 UCR or non-UCR funds, without the prior written approval of the DMH/DD/SAS Business/Budget Director and the Chief of Addictions and Management Operations;
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/SAS, 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. Funds shall be used in accordance with HHS Grant Policy Statements;
9. Federal funds shall not be paid in advance to an LME/MCO, contractor, or any other entity. Any exceptions to the required timely reporting of actual federal funds expended, shall be approved in writing by the DMH Business/Budget Director and the Chief of Addictions and Management Operations Section;
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;
11. Agencies or organizations receiving federal funds are required to receive prior written approval from the Chief of the Addictions and Management Operations Section regarding the use of evidence-based program nominal incentives, including the specification of the type(s) and equivalent dollar value(s) of any such nominal incentives offered, and the manner of utilization of any such approved incentives for clients, recipients, students, or other persons. "Nominal incentives" are restricted to those incentives of no more than twenty-five dollars (\$25.00) in value, per recipient, per event. Programs are strictly prohibited from utilizing any incentive items that could potentially be converted to cash, or that could be used for the purchase of any age-restricted product, such as tobacco, alcohol, drugs, weapons, lottery tickets or other inappropriate products or materials. Incentives may not be offered to staff, interns, contractors, consultants, board members, consultants, volunteers, or any other individuals who are not enrolled as recipients in the program of behavioral health services;
12. Federal funds shall not be utilized for law enforcement activities;
13. No part of any federal funding shall be used for publicity or propaganda purposes, for the preparation, distribution, or use of any kit, pamphlet, booklet, publication, radio, television, or video presentation designed to support or defeat legislation pending before the Congress or any State legislature, except in presentation to the Congress or any state legislative body itself;
14. No part of any federal funding shall be used to pay the salary or expenses of any grant or contract recipient, or agent acting for such recipient, related to any activity designed to

- influence legislation or appropriations pending before the Congress or any state legislature;
15. LME/MCOs are prohibited from withholding or deducting any portion of allocated federal funds for the support of any LME/MCO activity or function, including, but not limited to, administration, overhead, or indirect expenses. All allocated funds are required to be fully contracted by the LME/MCO for approved expenditure by eligible non-profit subrecipient organizations;
 16. Funds cannot be used to pay for housing other than residential substance use disorder services, such as group living, halfway house or other supportive living service codes approved for the ASOUD benefit plan;
 17. Funds can be used to offset co-pays and deductibles as long as the costs are specific to addressing an individual's opioid use;
 18. Private for-profit OTPs (opioid treatment programs) and OBOTs (office-based opioid treatment practices) are permitted to receive SOR 2 funds, as long as these activities are done through a contract mechanism;
 19. Any payback of funds provided to the LME/MCO pursuant to this allocation and determined to be owed by the LME/MCO as a result of the funding review and settlement process conducted by DMH/DD/SAS for each fiscal year, must be paid within 60 days after the date of LME/MCO's receipt of the non-Medicaid funding audit report memorandum (financial settlement memorandum) from DMH/DD/SAS. If not timely paid, DMH/DD/SAS will take action to recover any such payback amount due from the LME/MCO. The LME/MCO will be provided prior written notice of the process to recoup any payback fund owed and not timely paid by the LME/MCO and any appeal rights to contest the payback amount due, in the financial settlement memorandum from DMH/DD/SAS;
 20. NC DHHS has an approved cost allocation plan which exempts the State from the indirect cost rate requirement for Federal awards;
 21. NC DHHS does not allocate pass-through funds identified as Research and Development.
 22. SOR 2 Grant funds are prohibited to be used to satisfy any requirement for the expenditure of non-Federal funds as a condition of receipt of Federal funds. (i.e., Federal funds may not be used to satisfy any condition for any state, local or other funding match requirement);
 23. SOR 2 Grant funds are prohibited to be used towards the annual salary of any contractor or subcontractor, including LME/MCO, provider, or contractor employee, consultant, or other individual that is in excess of Level I of the most current US Office of Personnel Management Federal Executive Salary Schedule. This amount is currently designated for the calendar year effective January 2023 at an annual salary of \$235,600;
 24. SOR 2 Grant funds may not pay for any lease beyond the project period;
 25. SOR 2 Grant funds may not provide residential or outpatient treatment services when the facility has not yet been acquired, sited, approved, and met all requirements for human habitation and services provision. (Expansion or enhancement of existing residential services is permissible.)
 26. SOR 2 Grant funds may not provide detoxification services unless it is part of the transition to MAT with extended-release naltrexone;
 27. SOR 2 Grant funds may not support non-evidence-based treatment approaches;

28. Private for-profit OTPs (opioid treatment programs) and OBOTs (office-based opioid treatment practices) are permitted to receive SOR 2 funds, as long as these activities are done through a contract mechanism.

C. CASH MANAGEMENT

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.

E. ELIGIBILITY

The priority populations for this grant includes individuals with an opioid use disorder (OUD), as well as those with a benefit plan that is specific to populations with a stimulant use disorder.

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 of \$5,000 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 at the local level.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

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

Level of Effort: SOR grant funds allocated shall be used to 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 with any agreed upon limitations.

Earmarking: Each LME/MCO shall designate and expend SOR grant funds to carry out the program requirements as designated under program procedures section of this compliance supplement.

H. PERIOD OF PERFORMANCE

The period of performance for these funds is as follows:

SOR 2 – September 30, 2020 – September 29, 2023

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://ncadmin.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.

J. PROGRAM INCOME

As per the Funding Opportunity Announcement for the SOR Grant (TI-18-015), recipients must utilize third party and other revenue realized from the provision of services to the extent possible and use SAMHSA grant funds only for services to individuals who are not covered by public or commercial health insurance programs, individuals for whom coverage has been formally determined to be unaffordable, or for services that are not sufficiently covered by an individual's health insurance plan.

L. REPORTING

Financial Reports:

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/SAS 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).

Program Reports:

SOR 2 grantees must provide reports to minimally include the following information:

1. As per requirements from SAMHSA, all providers receiving these funds for the provision of medication assisted treatment and recovery supports will be required to administer the Government Performance and Measurement Act (GPRA) performance tool and report a series of data elements that will enable SAMHSA to determine the impact of the program on opioid use, and opioid-related morbidity and mortality and stimulant use, as applicable. Grantees will be required to report client-level data on elements including but not limited to: diagnosis, demographic characteristics, substance use, services received, types of MAT received; length of stay in treatment; employment status, criminal justice involvement, and housing. Additional data elements may also be required upon determination by SAMHSA of the feasibility of expanding the current GPRA tools. Examples of the type of data collection tools required can be found here: <https://www.samhsa.gov/grants/gpra-measurement-tools/csat-gpra/csat-gpra-discretionary-services>. Data will be collected through in-person or virtual interviews using this tool at three data collection points: intake to services, six months post intake, and at discharge. Recipients will be expected to do a GPRA interview on all clients funded through this SOR grant.

2. NCTOPPS data must be collected at the standard, defined time periods.

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 200.331. 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 Crosscutting Supplement.⁹

N. SPECIAL TESTS AND PROVISIONS

Audit Objectives

- a. To ensure compliance with the DHHS and DMH/DD/SAS 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/SAS record retention schedules and policies;
- b. Review contract/grant agreement, identify any special requirements; and
- c. Verify if the requirements were met.

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 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. 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 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 sub-grantee accountable for the legal and appropriate expenditure of those State grant funds.