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**DEMONSTRATION PROGRAMS TO IMPROVE COMMUNITY  
MENTAL HEALTH SERVICES**

**State Project/Program: MENTAL HEALTH SERVICES**

**U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Federal Authorization:** P.L. 113-90 Protecting Access to Medicare Act of 2014, 42 USC 1396a note, section 223 subsections (a), (b), (d)(7).

**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 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.

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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 NC Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMHDD/SUS) of the NC Department of Health and Human Services (DHHS) serves as the State's Mental Health Agency (SMHA). To carry out the SMHA's Plan for providing comprehensive community based mental health services and supports to adults with a serious mental illness and to children with a serious emotional disturbance by funding community-based services through an area authority or through a county program established pursuant to G. S. 122C-115.1.

#### **Certified Community Behavioral Health Clinics**

CCBHCs provide a comprehensive collection of services that create access, stabilize people in crisis, and provide the needed treatment and recovery support services for those with the most serious and complex mental and substance use disorders. CCBHCs integrate services to ensure a comprehensive approach to healthcare and provide services to any individual, regardless of their ability to pay or their place of residence.

### II. PROGRAM PROCEDURES

The funds were awarded via Request for Application No, DMH22-007BG-RFA. The Certified Community Behavioral Health Clinics (CCBHC) grant is funded through the Substance Abuse and Mental Health Services Administration (SAMSHA) COVID emergency relief funding, in accordance with the American Rescue Plan Act 2021 (ARPA), provided via the Mental Health Block Grant (MHBG) awarded to the North Carolina Department of Health and Human Services (NCDHHS), Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH/DD/SUS). ARPA funding provided via the MHBG is available through September 30, 2025.

#### **Purpose**

The purpose of this project is to increase access to; and improve the quality of community mental and substance use disorder (SUD) treatment services through the use of CCBHCs. CCBHCs are non-profit organizations or units of a local government behavioral health authority. They must directly provide (or contract with partner organizations to provide) nine types of services, with an emphasis on the provision of the following:

- 24/7 crisis intervention services for individuals with SMI or SUD, including opioid use disorders; children and adolescents with SED; and individuals with co-occurring mental and substance disorders (COD)
- Evidence-based practices
- Care coordination with local primary care and hospital partners
- Integration with physical health care
- The expectation is to provide comprehensive 24/7 access to community-based mental and SUD services; treatment of COD; and primary healthcare in one location.

#### **Requirements**

Applicants must provide the following services, in compliance with CCBHCs criteria:

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- a. Crisis mental health services, including 24-hour mobile crisis teams, emergency crisis intervention services, and crisis stabilization (may be provided via DCO).
- b. Screening, assessment, and diagnosis, including risk assessment.
- c. Patient-centered treatment planning or similar processes, including risk assessment and crisis planning.
- d. Comprehensive outpatient mental health and substance use services; including provision of appropriate psychotropic medication (specifically Clozapine and Buprenorphine (OBOT), inclusive of long-acting injectable antipsychotic medication and FDA-approved medication treatments for SUDs including for tobacco, alcohol and opioid use disorders; appropriate psychotherapeutic interventions including individual, group, and family therapy; as well as focused interventions such as, for example, motivational interviewing and cognitive behavioral therapies.
- e. Screening for HIV and viral hepatitis (A, B, and C) B.

The following must be provided directly or through DCOs:

- a. Outpatient primary care screening and monitoring of key health indicators and health risk; provision of vaccinations, where indicated, including for Hepatitis A and B;
- b. Clinical monitoring for adverse effects of medications including monitoring for metabolic syndrome consistent with published guidelines.
- c. Case management
- d. Psychiatric rehabilitation services
- e. Social support opportunities through established models such as clubhouses that provide therapeutic individual and group interactions, assistance with employment, housing, and other community recovery supports.
- f. Development of comprehensive community recovery supports including peer support, counselor services, and family supports.
- g. Intensive community-based mental health care for members of the armed forces and veterans, particularly those members and veterans located in rural areas, provided the care is consistent with minimum clinical mental health guidelines promulgated by the Veterans Health Administration, including clinical guidelines contained in the Uniform Mental Health Services Handbook of such Administration.
- h. Assertive Community Treatment, Community Support Team, or Substance Abuse Intensive Outpatient Program (SAIOP).

### C. CCBHCs must also:

- a. Establish cooperative relationships with judicial officials/court systems and provide Assisted Outpatient Treatment when ordered.
- b. Establish an Advisory Work Group comprising individuals with mental and substance use disorders, and family members, to provide input and guidance to the CCBHC on implementation, services, and policies.
- c. Develop and implement plans for sustainability to ensure delivery of services once funding ends. Recipients will be asked to report on sustainability plans.
- d. Utilize third party reimbursement and other revenue realized from provision of services to the extent possible and use these funds only for services to individuals who are not covered by public or commercial health insurance programs, individuals for whom

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coverage has been formally determined to be unaffordable, or for services that are not sufficiently covered by an individual's health insurance plan.

- e. Facilitate the health insurance application and enrollment process for eligible uninsured consumers and should consider other systems from which a potential service recipient may be eligible for services (for example, senior services or the Veterans Health Administration).
- f. Utilize evidence-based practices (EBPs) when providing the required services and must disclose which EBP is appropriate for which populations.
- g. Collect and report data as requested by NC DMH/DD/SUS.

### 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 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 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, Embarking	Period of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y

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### **A. ACTIVITIES ALLOWED OR UNALLOWED**

#### **ALLOWABLE ACTIVITIES:**

1. Services provided with MHBG funds shall be provided only through appropriate, qualified community programs in coordination with LME/MCO's (which may include community mental providers, behavioral health centers, child mental health programs, psychosocial rehabilitation programs, mental health peer and family partner support programs and mental health family driven, youth, consumer-directed programs). Services under the plan will be provided through community mental/behavioral health centers only if the services are provided as follows:
  - a. Services principally to individuals residing in a defined geographic area (service area).
  - b. Outpatient services, including specialized outpatient services for children, the elderly, individuals with serious mental illness, and residents of the LME/MCO catchment areas who have been discharged from inpatient treatment at a mental health facility.
  - c. 24-hours-a-day emergency care services
  - d. Day treatment and other partial hospitalization services or psychosocial rehabilitation services.
  - e. Screening for patients being considered for admission to State mental health facilities to determine the appropriateness of such admission (42 USC 300x-2(b) and (c)).

The activities of this grant are consistent with the State Plan and are specified in the contract (see program procedures section above). These activities include evaluating the programs and services delivered under these contracts, and educational/training activities related to providing services under the MHBG State Plan.

FEP services include assertive engagement, case management, individual and family psychoeducation and therapy, medication management, crisis intervention, supportive employment and education and peer support, community outreach and education, clinical consultation, technical assistance, database development and management and fidelity monitoring.

**UNALLOWABLE ACTIVITIES:** The funds for services or assistance allocated or under contract are not used to: (1) Provide inpatient hospital services. The Division ensures compliance with inpatient service prohibition by not reimbursing inpatient service with MHBG funds through NCTracks; (2) Make cash payments to intended recipients of health services; (3) Purchase or improve land, purchase, construct or permanently improve (other than minor remodeling) any building or other facility, or purchase major medical equipment – unless the State has obtained a waiver from the Secretary of HHS; (4) Satisfy any requirement for the expenditure of non-Federal funds as a condition for the receipt of Federal funds; (5) Provide financial assistance to any entity other than a public or non-profit entity.

### **B. ALLOWABLE COSTS/COST PRINCIPLES**

All grantees that expend State funds (including federal funds passed through NCDHHS) are required to comply with the cost principles described in the N. C. 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).

Restrictions on LME/MCO, Provider, and Contractor Use of MHBG Funds

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MHBG funds are prohibited from being used towards the annual salary of any LME/MCO, provider, or contractor employee, consultant, or other individual that is in excess of Level I of the most current federal Executive Salary Schedule. This amount is designated for calendar year 2024 at an annual salary of \$235,600. <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2023/EX.pdf>

### **Assurances on LME/MCO, Provider, and Contractor Use of MHBG Funds**

1. Funds are used to provide services to adults with Serious Mental Illness (SMI) and children with Severe Emotional Disturbance (SED).
2. Funds are used to provide for a system of integrated services appropriate for the multiple needs of children without expending the grant for any services other than comprehensive community based mental health services. Examples of integrated services include:
  - Social services
  - Educational services, including services provided under the Individuals with Disabilities Education Act
  - Juvenile Justice services
  - Substance Use services
  - Health and mental health services
3. Funds are used to provide access to services to underserved mental health populations including homeless persons, rural populations, older adults, children and youth with co-occurring disorders, and adolescents transitioning into adulthood.
4. FEP services are directed to individuals ages 15-30 who have experienced their first onset episode of psychosis through evidence-based treatment by Coordinated Specialty Care Teams.

## **C. CASH MANAGEMENT**

These funds are earned/reimbursed based on the following:

1. Funds are earned through the NCTracks based on allowable activities provided by the entity receiving the funds, and/or
2. Funds are reimbursed based on actual expenditures incurred and certified by the LME/MCO, or
3. Funds are reimbursed based on actual expenditures incurred and certified by the contractor.

The N. C. 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 N. C. DHHS Cash Management Policy.

## **E. ELIGIBILITY**

The mental health services of the LME/MCO are provided to any adult with Serious Mental Illness (SMI) [NCTracks Target Population - AMI] or child with Severe Emotional Disturbance (SED) [NCTracks Target Population - CMSED] residing or employed in the services area of the LME/MCO, regardless of ability to pay for such services.

### **Governor's Institute on Alcohol and Substance Abuse, Inc.**

The target population is the general public, consumers, providers and LME/MCOs. Dissemination is also targeted toward colleges and universities that prepare

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practitioners. Those who are or work with veterans, military, family members and those at highest risk or with lived experience with suicide risk, attempts or loss are also included in the target population.

### 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

Level of Effort must be maintained since regulations require that MHBG funds 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 MHBG funds are reduced, the Local Management Entity/Managed Care Organization may reduce its participation in a proportionate manner. Maintenance of Effort is determined at the State level.

#### Earmarking

Not applicable at the local level. No testing is required.

### I. PROCUREMENT AND SUSPENSION AND DEBARMENT

#### Procurement

All grantees that expend federal funds (received either directly from a federal agency or passed through the NCDHHS) are required to conform to federal agency codifications of the grants management common rule accessible on the Internet <https://www.whitehouse.gov/omb/information-for-agencies/circulars/>

All grantees that expend State funds (including federal funds passed through the NCDHHS) 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 at:

[http://www.pandc.nc.gov/documents/Procurement\\_Manual\\_5\\_8\\_2013\\_interactive.pdf](http://www.pandc.nc.gov/documents/Procurement_Manual_5_8_2013_interactive.pdf).

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.

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### **L. REPORTING**

1. For funds allocated through UCR, LME/MCO report services delivered to eligible adult and child mental health clients through Unit Cost Reimbursement (UCR) will report via NCTracks effective July 1, 2013 as amended.
2. For funds allocated as non-UCR funds, any applicable reporting requirements will be set forth in specific allocation letters to Local Management Entities/Managed Care Organizations (LME/MCO).

#### **For Contract Reporting:**

Financial Status Reports (FSR) will be submitted by the 10<sup>th</sup> of the month unless otherwise specified. Quarterly reports on the deliverables in the contract are also required.

### **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. 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.

### **N. SPECIAL TESTS & PROVISIONS**

#### **Audit Objectives**

- a. To ensure compliance with the DHHS and DMHDDSAS records retention schedules and policies.
- 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.
- c. To ensure that MHBG funds were not awarded to private for-profit entities.

#### **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 Mental Health 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.

#### **Conflict of Interest and Certification of 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 NCDHHS) 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



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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 subgrantee accountable for the legal and appropriate expenditure of those State grant funds.