LGC
Reviewed
in accordance to
G.S. 159-34(a)

APRIL 2024

**93.958-1** **BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES (MHBG)**

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

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

**Federal Authorization:** Public Health Service Act, Title XIX, Part B, Subpart I and III, as amended,
P.L. 102-321; 42 USC 300X

**State Authorization:** NC General Statutes 122C; Developmental Disabilities, and Substance Use 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 DHSR Grant Subrecipients will be available by mid-October at the following web address:
**https://www.ncdhhs.gov/about/administrative-offices/office-controller/audit-confirmation-reports**

At this site, click on the link entitled "Audit Confirmation Reports (State Fiscal Year 2023-2024). Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from DHHS are found at the same website except select **"**Non-Governmental Audit Confirmation Reports.

**The auditor should not consider the Supplement to be "safe harbor" for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the Supplement a "safe harbor" for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current.**

**The grantor agency may elect to review audit working papers to determine that audit tests are adequate.**

**Auditors may request documentation of monitoring visits by the State Agencies.**

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.

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## I. PROGRAM OBJECTIVES

The NC Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMHDDSUS) 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. Since the program objective is to provide comprehensive community based mental health services and supports, LME/MCOs use these funds for any of the allowable services that are within the covered services as now included in NC Tracks, except that MHBG funds may not be used for individuals in justice facilities, incarcerated or for inpatient services.

### First Episode Psychosis (FEP)

The mandated 10% set-aside for persons with first episode psychosis (FEP) are allocated to three LME/MCOs to contract for services as directed in the *Guidance for Revision of the FY2016-2017 Block Grant Application for the New 10% Set-aside* issued by SAMHSA in February 2016 and as amended in subsequent years. Funding may only be used for evidence-based programs. The DMHDDSUS has selected Coordinated Specialty Care Teams, a model recognized by SAMHSA as evidence-based and components within CSC teams demonstrating positive effect, including peer and family support, individual placement services (IPS) as examples. Program objectives include:

1. To provide early intervention and treatment to clients ages 15-30 who are experiencing their first onset of psychosis.
2. To provide assertive outreach to promote early engagement in treatment and intervention.
3. To provide integrated medical/psychosocial care focused not only on symptomatic recovery but also on social and functional recovery.
4. To provide community education about early episode psychosis, including identification and referral, to community providers and stakeholders

In addition, funds are allocated to an LME/MCO for a contract with a provider for treatment. A separate contract is awarded for database development, technical assistance, and fidelity monitoring for any MHBG set aside FEP funded program.

In addition to mental health services funded through the LME/MCO, DMHDDSUS contracts with the following non-profit agencies to carry out specific program objectives:

UNC-Chapel Hill, OASIS program, receives funding and serves as the statewide training and technical assistance center providing consultation and practice support to CSC teams; and CSC program evaluation, annual, periodic, and special reporting is completed to monitor trends and inform the NCDMHDDSUS and LME/MCO implementation of FEP services and support best practice fidelity.

**5% Set-Aside: Crisis Services:**

The mandated 5% set-aside for crisis services has been utilized to expand Enhanced Mobile Crisis Teams across North Carolina and enhance our existing 9-8-8 services. Enhanced Mobile Crisis or MORES (Mobile Outreach Response Engagement Stabilization Teams) provide mobile crisis to children and families across six pilot sites currently. These teams have incorporated Family Support Partners, have improved response times, and extended after-episode follow-up care.

**NAMI North Carolina, Inc.**

The intent of the DMHDDSUS mission is to provide increased access to quality, effective consumer- and family-driven services and supports that demonstrate improved outcomes for the consumer and the system. With this contract, consumer driven services and supports promote well-being for children with serious emotional disturbance (SED) and their families and communities, as well as adults with serious mental illness (SMI). NAMI NC's work in past years has assisted the Division to this end. This year's work will continue to contribute to the Division's ability to act on its mission and achieve reform outcomes through an array of targeted, evidenced, informed consumer/family driven best practices for those most seriously in need of services and supports.

**Objective 1.** Families, children, youth, and adult consumers directly affected by serious mental illness (for children, serious emotional disturbance), including those experiencing First Episode Psychosis (FEP), will receive information and support through the Family-to-Family Education Program, NAMI Basics Parent Education Program, Parent and Teachers as Allies, In Our Own Voice, Peer-to-Peer programs, Support Group Facilitator programs, Veterans and military outreach, school mental health and transition initiatives such as Positive Behavior Intervention & Supports (PBIS), NAMI on Campus, Text for Teens, suicide prevention, reducing stigma, healthy schools and healthy youth transition recovery and wellness, Tuesday Newsday, self-advocacy supports, and Psychiatric Advance Directives (PAD) in coordination with the division, and research peer directed recovery and crisis supports and services.

**Objective 2.** Callers to the NAMI-NC Helpline will receive high-quality information, referral and support services through increasing accessibility and operation of the NAMI-NC Helpline.

**Objective 3**. Citizens of North Carolina who are most directly affected by and living with serious mental illness will have access to mental health information and support through educational materials, conferences, workshops training, scholarships, and other events.

**System of Care (SOC) Expansion Implementation**

The Division, as the State Mental Health Agency (SMHA), developed a comprehensive, culturally and linguistically competent strategic plan as a result of implementing a SAMHSA grant initially funded in 2014 to strengthen, enhance, and expand System of Care for children and youth with serious emotional disorders and their families in North Carolina.

This strategic plan continues to be implemented in close partnership with youth and families and in collaboration with child welfare, education, juvenile justice, substance abuse, primary care, and other child-serving organizations. One component of the plan is advancing an evidence-based service delivery model called High Fidelity Wraparound (HFW) in counties among the six (6) LME/MCOs: Alliance, Eastpointe, Partners, Sandhills, Trillium and Vaya. Additional goals focus on the enhancement of North Carolina's SOC infrastructure within the state's current management care environment and NC Medicaid Transformation.

The Division has elected to use MHBG funds to further support the HFW teams and to add the macro dimension of Family Partner Coordinators (FPC) in pilot sites. FPCs are individuals with lived experience as caregivers for children/youth with severe emotional disturbance who work with the local federal pilot sites to facilitate the identification and access of non-behavioral health resources that support the children, youth and families served by the High-Fidelity Wraparound Teams. These Family Partner Coordinators also recruit family and youth attendance at the local community collaboratives and represent their communities at the North Carolina State Collaborative for Children, Youth and Families.

**Leadership Fellows Academy**

NC is a mostly rural state (52 of the 100 counties) with more than 10.6 million residents (US Census, 2021). Nationally, it is estimated that at any point in time 20 to 25% of the population is experiencing some degree of mental health and/or substance use disorder, or co-occurring health related condition(s) that interfere(s) with an individual's daily activities. Based on this estimate, approximately 2.5 million individuals in North Carolina live with these challenges on any given day. Of these, as many as 12% live with the most serious mental illnesses, of whom nearly 161,000 accessed public mental health community-based treatment services and supports in SFY21. (DHHS/DMHDDSUS: NCMHBG, 2021).

Currently North Carolina has a shortage of consumer operated / consumer run service organizations and advocacy organizations. The definition that is being used for consumer run / consumer operated is the one utilized by SAMHSA which states that at least 51 percent of the board of directors must be consumers and/or family members of children, adolescents, or adults living with serious mental health and/or co-occurring challenges. Among the objectives of this work, NC State University Institute for Nonprofits will develop and provide a Community Leadership Development Training. Funds support partial FTEs, equipment, consultants, materials & supplies, and travel/remote services; the leadership academy inclusive of coaching, mentoring and stakeholder engagement curriculum initially developed in 2014-2015, will continue to be refined and utilized to provide training and consultation to eligible consumer/youth led/family driven nonprofit organization(members, leaders); and by the end of the contract cycle participants will demonstrate a 50% increase in their knowledge of Budgeting, Financial Management, Program Evaluation, Board Development and Reporting.

All grantees are required to comply with the NC DHHS/DMHDDSUS 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 NCDHHS and the N. C. 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 (FSR) or three years following the submission of a revised final FSR. In addition, 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 NC DHHS-DMH/DD/SUS.

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.

There shall be evidence of LME/MCO support for the promotion, provider training, implementation and monitoring of evidence-based treatment services for adults.

There shall be evidence of LME/MCO support for the promotion, provider training, implementation and monitoring of evidence-based treatment services for children and adolescents.

The LME/MCO and providers have in effect systems to protect from inappropriate disclosure patient records maintained by the LME/MCO and the provider in connection with an activity funded under the program involved or by any entity, which is receiving amounts from the grant and for SA under 42 CFR Part 2.

## II. PROGRAM PROCEDURES

The funds are allocated to LME/MCOs on a continuing basis based on the approved MHBG State Plan that specifies the expected distribution of funds to LME/MCOs. Funds must be expended or earned in accordance with the Performance Contract, including amendments via individual allocation letters. NCTracks, which replaced the Integrated Payment and Reporting System (IPRS) as of July 1, 2013, is used to ensure that eligible adults with serious mental illness and children with serious emotional disturbance are the recipients of services supported by MHBG and State funds. The State uses no more than 5% of the grant for administrative costs (this is a State-level requirement and not required to be monitored at the local level). The State also contracts with a small number of non-profit organizations to carry out activities including evaluating programs and services carried out under the plan, and planning, administration and education activities related to providing services under the MHBG State Plan.

**First Episode Psychosis (FEP)**

10% of MHBG funds are allocated to LME/MCOs for First Episode Psychosis Services with specific conditions for use of funds specified in allocation letters. Programs are expected to bill for services covered by private insurance and Medicaid. There are no specific instructions from SAMHSA regarding the use of state funds. FEP set-aside funds may be used to cover services of evidence-based Coordinated Specialty Care Teams that are not otherwise billable.

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

The current emphasis is on multi-faceted communication and dissemination of information in coordination with partners, providers, consumers, families and stakeholders about the effective eevidence based ppractices (EBP) for children and adults with mental health disorders, those with co-occurring disorders, and those veterans, military and family members with lived experience and serious mental health challenges. Many of whom experience suicide ideation, attempts, and injury from self-harm, or are impacted by complex trauma loss and suicide loss, social determinants of health (marginalized by serious mental health, chronic health, housing, or employment support needs), and in

need of effective treatment or are in recovery. Many of these EBPs are preventive in nature, reducing risk and improving outcomes in specific target populations (early intervention, outreach education and community-based process strategies).

**NAMI North Carolina, Inc.**

In keeping with the Division's efforts to implement system changes with increased involvement of consumers and family members, and the requirement of the MHBG State Plan to provide services that are evidence informed best practice, NAMI-NC, through this contract, will continue to build both regional and statewide capacity for the delivery of the NAMI North Carolina educational and outreach programs, services and supports and will continue to enhance the provision of high-quality information, referral, and support services through the marketing and operation of the NAMI North Carolina Helpline.

Some of the outcomes and deliverables expected from the objectives outlined above include:

**Objective 1.**

- NAMI will implement best practice educational and outreach programs statewide, targeting specific regions and communities, consumer/family partners, NAMI Affiliates and providers of service to the SED/SMI population. Reports will reflect all activities and outcomes.

**Objective 2.**

- Helpline services and data collected will help inform the development of outreach and education as needed in communities across North Carolina; reports will reflect data collected and utilization of such.

**Objective 3**.

- NAMI will develop, present and distribute materials for outreach and education to help increase access to and sustained engagement in necessary treatment services and support for those in need of treatment.
- NAMI NC will provide education and support to individual living with SMI/SED the provision of their Signature Programs: Basics, Family to Family (F2F), Homefront, Peer-to-Peer, NAMI Smarts, Connection Recovery Support Group, Family Support Group, In Our Own Voice (IOOV), Family and Friends, NAMI Provider and Ending the Silence.
- NAMI will promote wellness and mental health promotion, suicide prevention and peer and family supports to increase consumer and family well-being, recovery, and engagement in treatment services and supports.
- NAMI will facilitate awareness days/weeks throughout the year for general population and targeted activities for adults with mental illness and children with or at risk for serious emotional disorders and behavioral health challenges.
- NAMI will continue to work with their volunteer affiliates across the state to include family and consumer participation in the planning and execution of the Community Inclusion Model.
- NAMI will plan and implement training and provide education related to Psychiatric Advance Directives, promote suicide prevention, and promote access to / research of peer directed crisis services and supports in coordination with the division.

## 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 | Y | Y | N | Y | Y | Y |

### 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; or
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

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

**NAMI North Carolina, Inc.**

Adults who live with serious mental illness and their family members.

Children and youth who are at risk for or who experience serious emotional disturbance and their families.

**System of Care (SOC) Expansion Implementation**

LME/MCO's Support Team, or individual(s) approved by LME/MCO Support Team, will identify eligible youth for NC High Fidelity Wraparound (HFW). Current eligibility for the HFW would be youth who are:

a) 3-20 years old with serious emotional disturbance (SED) and/or a co-occurring substance use disorder and/or co-occurring intellectual/ developmental disability
AND
b) Medicaid recipients covered by a participating LME/MCO
AND
c) Currently reside in a:
   I. NC Psychiatric Residential Treatment Facility (PRTF) during the time of referral.
   OR
   II. Psychiatric Residential Treatment Facility (PRTF) within forty (40) mile radius of the North Carolina border during the time of referral or NC State Run Center (i.e., The Whitaker School).
   OR
   III. Residential Treatment Level III: Licensed under 122-C or NC State Run Center (i.e., Wright School)
   OR
   IV. Level II Therapeutic Foster Care (at a minimum of 180 days) or Residential Treatment Level II: Program Type
   OR
   V. DSS custody and are identified as at risk of disrupting current placement or have had multiple disruptions in placements AND are staffed and agreed upon together by the Wraparound Coach, DSS staff, and LME/MCO
   OR
   VI. A youth that has had three (3) inpatient hospitalizations within six (6) months or two (2) inpatient hospitalizations within thirty (30) days.
      a. Referrals for these youth should be made within thirty (30) days of the last/qualifying hospitalization.
   OR
   VII. A Youth Development Center (YDC) or Prison/Jail (minimum of 30-day stay)

AND

d) All potential youth should be currently residing (for those in a Level II or III placement) or transitioning back into a designated LME/MCO wraparound catchment area or within a 30-mile radius of the local wraparound office (still within the LME/MCO geographic jurisdiction).

**Exception Criteria:**

Any youth that does not meet the above criteria, but the referral source and the Wraparound Coach feel that the youth would be a good fit for High Fidelity Wraparound could make a referral under the "exception criteria".

a. The local Wraparound Coach, LME/MCO representative, if possible, the referral source, and one of the Implementation Specialists should review the request and determine if the youth would be an appropriate referral due to clinical need, risk of placement, and consideration of alternative services.

b. Documentation of such a review is to be provided with any authorization requests and maintained in the youth's record.

## 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.

## H. PERIOD OF PERFORMANCE

Any amounts paid to the state for a fiscal year shall be available for obligation and expenditure until the end of the fiscal yar following the fiscal year for which the amounts were paid.

## 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 at:

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.

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

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 10th 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 DMHDDSUS 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 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.