

93.958-3

BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES (MHBG)

State Project/Program: CHILD/YOUTH WORKFORCE DEVELOPMENT PROGRAM

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; Mental Health, Developmental Disabilities, and Substance Abuse Act 1985

**N. C. Department of Health and Human Services
Division of Child and Family Well-Being**

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Address Confirmation Letters To:

SFY 2025 audit confirmation reports for payments made to Counties, Local Management Entities (LMEs), Managed Care Organizations (MCOs), Boards of Education, Councils of Government, District Health Departments and 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 2024-2025).” Additionally, audit confirmation reports for non-governmental entities receiving financial assistance from DHHS are found at the same website except select “Non-Governmental Audit Confirmation Reports” (State Fiscal Years Oct 2023-2025).

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

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

Auditors may request documentation for monitoring visits by the State Agencies.

This State Compliance Supplement must be used in conjunction with the OMB 2025 Compliance Supplement which is scheduled to be issued in May 2025. The OMB supplement will include “Part 3 - Compliance Requirements,” for the types that apply, and “Part 6 - Internal Control.” If a federal Agency issued guidance for a specific program, this will be included in “Part 4 - Agency 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 (DMHDDSAS) 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.

Session Law 2023-134 (H.B. 259) allocates \$5,386,350 of the Community Mental Health Services Block Grant to the DHHS, Division of Child and Family Well-Being (DCFV). These funds are intended to provide services and support for children, youth and young adults with serious emotional disturbance or severe mental health needs. DCFV has dedicated these funds to workforce development to expand the service array and improve the quality of services available for this population. This funding shall be used for the following purposes:

NC Child Treatment Program – Problematic Sexual Behavior

The NC CTP Problematic Sexual Behavior Treatment Program (NC CTP-PSB) implements, disseminates, and sustains an array of evidence-based treatments that address problematic sexual behaviors (PSB) among children and youth, 3-18 years of age. NC CTP faculty and staff meet this objective through clinical and administrative workforce development and support, and through collaboration with policy leadership across the System of Care (SOC). The goal is to assure that effective – and cost-effective – mental health treatment is available to children coping with PSB in communities and facilities across North Carolina.

The NC CTP training platform incorporates Learning Collaborative methodology to simultaneously address clinical training and implementation drivers that are critical to achieving targeted clinical outcomes and program sustainability. This intensive, data-driven training model aids in identification of appropriate case referrals, individual clinical coaching, group clinical coaching, and treatment fidelity monitoring; as well as coaching of agency leadership regarding organizational processes to promote and support treatment fidelity, quality, and program sustainability.

The NC CTP Learning Collaborative platform relies on a targeted recruitment strategy incorporating data relative to the density of current service delivery resources, identified service needs, and current system priorities to recruit child- and family-serving agencies to apply for participation. The Learning Collaborative training platform recommends that clinical participants enroll as part of an *implementation team*, which is most often comprised of a high-level agency administrator (Senior Leader) and one or more practicing clinicians. Clinicians in private practice (LIPs) are encouraged to assemble a team and apply. If selected, they will work as an *integrated implementation team* for the purposes of peer supervision and fidelity monitoring.

The Division of Child and Family Well-Being establishes an annual contract with the Child Family Center for Health NC Child Treatment Program to provide the following services:

1. Distribute marketing materials to NC CTP program graduates, Managed Care Organization (MCO) clinical leadership, clinicians who have participated in prior

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training activities with CCFH faculty, DSS and Child Advocacy Center referral sources, and other System of Care referral sources.

2. Provide multiple opportunities for interested parties to ask questions and receive clarification on the application and participation requirements.
3. Review all applicants and apply rigorous selection criteria. Limit enrollment to those clinicians and agencies demonstrating a capacity for and commitment to effective implementation of evidence-based models.
4. Upon notification of their selection, agency implementation teams shall be asked to submit participation agreements (contracts) and preparatory assignments.
5. Release clinicians from the program and remove their names from the public roster of graduates if they are unable to demonstrate clinical competency and/or acceptable model fidelity during the training/consultation process.
6. Monitor clinician performance to ensure that graduating clinicians achieve model fidelity and provide treatment demonstrative of positive clinical outcomes and, ultimately, cost savings for payers.
7. Ensure clinicians attend all face-to-face training sessions and participate in implementation and quality improvement activities related to competence, fidelity, and sustainability of clinical services. Senior Leaders are also encouraged to attend relevant parts of face-to-face training sessions and to participate in implementation and quality improvement activities.
8. Allow clinicians who do not meet the rostering requirements during the regular course of the Learning Collaborative to have the ability to enter into an extended consultation contract in order to complete their requirements, depending on the clinician's progress in the collaborative and the clinical faculty's capacity.
9. Provide the Division with a written summary of all training activities, participation, and performance on a quarterly basis.
10. Training clinicians, administrators, clinical trainers, and senior leader trainers in PSB-CBT™-P Learning Collaboratives.

UNC-Chapel Hill Behavioral Health Springboard Child & Family Well-Being

The goal of this project is to provide project management and program/policy implementation assistance to the DCFW Children's Behavioral Health Unit (DCFW CBH).

The Contractor provides the following services:

- Consult with the NC DHHS DCFW Child Behavioral Health (CBH) Team on current trends and research on an array of community- and school-based behavioral health policies, initiatives, services, and interventions.
- Provide research on evidence-based and promising practices in children's residential programming, trauma-informed behavioral health practices with children, and Systems of Care (SOC) models that promote quality improvement initiatives and training for NC.

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- Monitor the implementation of the School Behavioral Health Strategic Plan—working across departments around a statewide unified strategic plan for School Behavioral Health.
- Provide the following for the Rapid Resource Team (RRT):
 - a. Rapid Response Team Coordination: Collect and prioritize referrals from local Departments of Social Service (DSS), facilitate daily meetings and agendas; synthesize action items based on discussion; develop processes for responding.
 - b. Data Management: Collect data from, and share data externally from and with, Local Management Entities/Managed Care Organizations (LME/MCO) and county DSS. Create data visualization for presentation purposes to various stakeholders, case tracking and metrics.
 - c. Documentation and Record Keeping: Maintain thorough records of RRT calls, referrals, follow up, and action items.
 - d. Continuous Improvement Process – streamline processes for managing the meetings and documentation, including a transition to an electronic (IT) tracking process.
 - e. Collaboration: Participate in Division and Department meetings, present RRT referrals for further review by cross-divisional leadership, recommend strategies/identifying barriers observed through the RRT processes/referrals. Participate in other DCFW meetings and groups as requested.
 - f. Cases Elevated to ERT – assume a greater leadership role in the management of ERT meetings, provide updates.

UNC-Chapel Hill Frank Porter Graham Child Development Institute, Impact Center Implementation Support Program

The Impact Center assists DCFW with building system and community capacity to achieve prevention and well-being outcomes for children, families, and communities. The work is grounded in implementation science and best practices within a local context and long-term partnerships. (Source: Impact Center website, 6/29/2023)

DCFW contracts with The Impact Center to provide multi-tiered, tailored implementation science support to focus primarily on the Child Behavioral Health Unit (DCFW CBH). This support is designed to: (a) the provide organizational science, change management facilitation, and implementation science resources to state leaders, program, and project leaders/managers; (b) facilitate leadership and teaming competencies associated with organizational change management, program development, adaptive leadership, and complex system navigation through implementation science best practice guidance and coaching; and (c) provide ongoing design, enhancement of existing or provision of new multi-tiered capacity building across support systems for various DHHS projects and teams, including intermediary and local partners.

Building Community Collaborative Capacity

DCFW uses MHBG funding to provide training, tools and resources to the System of Care Coordinators, Family Partners, and the Community Collaboratives for local

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capacity building. DCFW funds Results Achieved Through Community Engagement (RACE) for Equity Now to support the SOC staff and the Collaborative membership in learning the Results Based Accountability model to use data for planning, monitoring, and communicating their activity and successes.

II. PROGRAM PROCEDURES

DCFW expends the funds in the following two ways:

1. Contracts with universities and non-profit entities

The State also contracts with universities and a small number of non-profit organizations to carry out workforce development activities and planning, administration and education activities for programs/services under the MHBG State Plan, workforce development activities, planning, administration and education activities related to services under the MHBG State Plan.

These are financial assistance contracts in which specific objectives and performance measures are identified. The contractors are reimbursed monthly. The contractors submit invoices (contract reimbursement requests – CRRs) to DCFW.

2. Allocations to LME/MCOs

Funds must be expended or earned in accordance with the Division of Mental Health, Developmental Disabilities and Substance Use Services' Performance Contract, including amendments via individual allocation letters. NC Tracks, 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).

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III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements (Types) that are applicable to the federal program. These Types are either determined by the federal agency or the State Agency may have added the Type. This is 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 discussed in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, this is indicated by "N."

If the Type is applicable, the auditor must determine if the Type has a direct and material effect on the federal program for the auditee. The auditor must use the OMB 2025 Compliance Supplement, Part 3 and Part 4 (if an OMB supplement is issued) in addition to this State supplement to perform the audit.

| 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 | N | Y | Y | Y | N | Y | Y | Y |

A. ACTIVITIES ALLOWED OR UNALLOWED

Grantees are to complete activities as noted in their contract addenda/scope of work. Each scope of work is different based upon the needs of the specific area served. See individual contract scopes of work for more information.

ALLOWABLE ACTIVITIES:

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:

- Services principally to individuals residing in a defined geographic area (service area).
- 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.
- 24-hours-a-day emergency care services.

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- 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).

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 NC Tracks; (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

The Consolidated Appropriations Act, 2023 (Public Law No: 117-328), signed into law on December 29, 2022, restricts the amount of direct salary to Executive Level II of the Federal Executive Pay scale. Effective January 1, 2023, the salary limitation for Executive Level II is \$212,100. For awards issued prior to this change, if adequate funds are available in active awards, and if the salary cap increase is consistent with the institutional base salary, recipients may re-budget to accommodate the current Executive Level II salary level. However, no additional funds will be provided to these grant awards

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

1. Funds are used to provide services for children/youth 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.

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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.

C. CASH MANAGEMENT

These funds are earned/reimbursed based on the following:

1. Funds are earned through NC Tracks 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 workforce development services are focused on providers who serve or child/youth with Severe Emotional Disturbance (SED) [NC Tracks Target Population - CMSED] residing or educated/employed in the services area of the LME/MCO, regardless of ability to pay for such services.

The Substance Abuse and Mental Health Services Administration defines eligibility for the service target population to be supported through these funds as follows:

Persons up to 18 who have a diagnosable behavioral, mental, or emotional issue (as defined by the DSM). This condition results in a functional impairment that substantially interferes with, or limits, a child's role or functioning in family, school, or community activities.

SAMHSA's definitions of children with serious emotional disturbances and adults with serious mental illness were provided in a 1993 *Federal Register* notice (May 20, 1993; 58 FR 29422).

G. MATCHING, LEVEL OF EFFORT, EARMARKING

Matching

There is no match requirement.

Level of Effort

Level of Effort for child/youth services 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 Availability

SAMHSA allocates the state's share of the block grant two years at a time. The DHHS, Division of MH/DD/SUS codes the funding based on the year of the funding designated in the NOA. When DHHS, DCFW awards contracts or allocations the specific period of availability of the funds is stated in each document. The payment system is also set up to trigger non-payment if there is an attempt to bill against funds encumbered for an incorrect year.

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.

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, accessible at:

<https://www.doa.nc.gov/divisions/purchase-contract/procurement-rules>

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 NC Tracks 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:

Contract Reimbursement Requests (CRRs) 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 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/SAS 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 UEI number and is registered in the Central Contractor Registration (CCR) system.