

OFFICE OF RURAL HEALTH/NC MEDASSIST

State Authorization: Session Law 2020-4, Section 3.3 (33)

**Department of Health and Human Services
Central Administration/ Office of Rural Health**

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Address Confirmation Letters To:

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 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 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.

I. PROGRAM OBJECTIVES

The purpose of this grant is to provide pharmacy services to low income and uninsured NC residents by providing access to medications that treat ambulatory chronic illness like diabetes, hypertension, hypercholesteremia, and asthma. The long-term objective of this grant is to reduce the individual’s need to use the emergency room as their primary source of medications.

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II. PROGRAM PROCEDURES

Per session law and at the directive of the NC General Assembly, NC Med Assist, a statewide free pharmacy program, provides low-income uninsured individuals needed medications to manage their health conditions. NC MedAssist will improve the health status of vulnerable and uninsured North Carolinians by providing medication delivery and counseling for prescription adherence among the uninsured, under-insured and low-income North Carolina residents with particular emphasis on ambulatory chronic diseases.

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 State agency noted by "Y."

If the Matrix indicates "Y," the auditor must determine if a particular type of compliance requirement has a direct and material effect on the State program for the auditee.

1	2	3	4	5	6	7	8	9	10	12	13	14
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Conflict of Interest	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	N	Y	N	Y	N	N	Y	Y	N

1. Activities Allowed or Unallowed

NC MedAssist shall use all funds awarded to specifically:

- Enroll clients in its state-wide pharmacy program at their local agency or clinic or refer them to the statewide toll-free number whereby clients may enroll on their own.
- Determine eligibility and counsel the client through the application process.
- Verify eligibility paperwork via the following documents: NC MedAssist application, proof of residency (utility bill, driver's license, etc.), financial documentation (tax forms, pay stub), and prescription from the doctor.
- Enter client into the pharmacy system upon verification.
- Fill prescriptions within 7-11 business days and individually package for clients in 90-day refills. Clients receive their prescriptions at the local clinic, or they are mailed to their home address.

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- Prompt clients to update eligibility status at the end of the client's one-year eligibility period.

Coronavirus Relief Fund

A State Financial Assistance Award per session law appropriated funds to provide a directed grant to NC MedAssist, to offset increased costs for providing prescription assistance services during the COVID-19 pandemic to individuals who are indigent or uninsured.

2. Allowable Costs/Cost Principles

Costs must be reasonable and necessary for the performance and administration of the grant to be allocable to the activity. Costs may not be prohibited under State or local laws/regulations and must be approved by ORH. Generally accepted accounting principles are to be followed in accounting for costs under this program. Adequate documentation of all costs associated with the grant must be maintained by the grantee. No line-item may be increased by more than fifteen (15) percent without the written approval of the ORH. This requirement relates to the contractor's expenditures as of the date of the balance sheet compared to the budget approved by the ORH.

Audit Objectives- Determine whether charges made to State awards were for allowable costs; and methods of allocating costs to State awards produce an equitable distribution.

Suggested Audit Procedure- Ascertain that the costs incurred during the performance and administration would have been considered reasonable and necessary to a prudent person under the same circumstances. Review the contractor's budget as approved by the ORH, including any subsequent amendments. Determine that any revisions exceeding fifteen (15) percent of the budget line-item have been approved in writing.

Coronavirus Relief Fund

NC MedAssist provides access to prescription medications and outreach activities in underserved communities through its mobile pharmacy services that distribute critical over-the-counter medications to alleviate symptoms of cold, flu, and COVID-19.

3. Cash Management

Funds are paid on a contractual basis and paid in quarterly installments. Approved invoices and source documents for expenditures related to the agreed-upon objectives of the contract shall be submitted monthly using Form C- 1 and Form C-2. Any unexpended balance must be returned to the ORH at the end of the contract period.

Audit Objectives- Determine whether the grantee followed procedures established by the applicable sections of the contract; and the grantee implemented procedures to assure that subrecipients conformed to the same requirements that applied to the grantee.

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Suggested Audit Procedure- Review monthly C-1 and C-2 grantee payment requests and trace to supporting documentation showing that the costs for which payment was requested were paid prior to the date of the payment request and that requests are supported by accounting reports.

Coronavirus Relief Fund

Same as above

4. Conflict of Interest

Conflict of Interest and Certification Regarding 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 the N. C. Department of Health and Human Services) are subject to the financial reporting requirements of Uniform Guidance Appendix XI to Part 200. These requirements include the submission of a Notarized Conflict of Interest Policy and a written statement (if applicable) that the entity does not have any overdue tax debts as defined at the federal, State or local level. 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.

Audit Objective – Before receiving and disbursing State funds, determine whether the grantee (1) has adopted a conflict of interest policy and has it on file and (2) whether the grantee has any overdue tax debts at the federal, State or local level.

Suggested Audit Procedures -

1. Ascertain that the grantee has a conflict of interest policy as described above.
2. Check the policy and verify through board minutes that the policy was adopted before the grantee received and disbursed State funds.
3. Verify as to whether the grantee has any overdue tax debts at the federal, State or local level by reviewing tax reports filed with the appropriate government agencies and confirming via an inspection of the accounting records that all taxes were paid timely.

Coronavirus Relief Fund

Same as above

6. Equipment and Real Property Management

The grantee is responsible for the proper custody and care of any property purchased for use in connection with the performance of the contract. At the termination of the contract, the grantee will contact the ORH for instructions as to the disposition of such property and will comply with the instructions, which are to be reasonable.

Audit Objectives- Determine whether Contractor maintains proper records for equipment and adequately safeguards and maintains equipment; and disposition

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of any equipment acquired with State awards is in accordance with the requirements of the awarding agency.

Suggested Audit Procedure- Verify through invoices that the funds were expended for the equipment described in the approved budget.

Coronavirus Relief Fund

Same as above

8. Period of Performance

Use of grant funds will be limited to the grant period as outlined in the grant agreement. Funds must be expended or obligated for expenditure within the grant period.

Audit Objectives- Determine whether State funds were disbursed within the period of performance.

Suggested Audit Procedure- Verify through monthly review of C-1 and C-2 forms that the funds were expended or obligated during the allowed grant period.

Coronavirus Relief Fund

Same as above

12. Reporting

Grantees shall submit quarterly status reports which will be used to measure the grantee's progress towards meeting the performance targets and objectives listed on the attachment. The quarterly reports will be due as specified in the contract and no later than 90 days following the end of each quarter. End of year reports shall include: State Grant Compliance Report; Schedule of Receipts and Expenditures and Program Activities and Accomplishments.

Audit Objectives- Determine whether required reports for State awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Suggested Audit Procedure- Verify through a sample that the quarterly status reports and end of year reports were submitted.

13. Subrecipient Monitoring

If grantee passes funding through to other entities, it must perform various monitoring activities on each subrecipient to include: reviewing reports submitted by the subrecipient, performing site visits to the subrecipient to review financial and programmatic records and observe operations, and reviewing the subrecipient's single audit or program-specific audit results and evaluating audit findings to

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ensure the subrecipient is in compliance. If grantee does not act as a pass-through entity, this requirement does not apply.

Audit Objectives- Determine whether the Contractor:

1. Identified State award information and compliance requirements to ORH
2. Monitored subrecipient activities to provide reasonable assurance that the ORH administers State awards in compliance with State requirements
3. Ensured required audits are performed and requires appropriate corrective action on monitoring and audit findings
4. Evaluated the effect of subrecipient activities

Suggested Audit Procedure- Obtain a list of all subrecipients with which the grantee has agreements. Select a sample and verify that all monitoring activities are documented.

Coronavirus Relief Fund

Same as above