State Authorization: General Assembly of North Carolina, HB 1237, Session Laws - 1973, Chapter 627, Sections 1 and 2

N. C. Department of Health and Human Services
Central Administration
Office of Rural Health and Community Care

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N. C. DHHS Confirmation Reports:
SFY 2012 audit confirmation reports for payments made to Counties, Local Management Entities (LMEs), Boards of Education, Councils of Government, District Health Departments and DHSR Grant Subrecipients will be available by early September at the following web address: http://www.dhhs.state.nc.us/control/. At this site, page down to “Letters/reports/forms for ALL Agencies” and click on “Audit Confirmation Reports (State Fiscal Year 2011-2012)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from the DHHS are found at the same website except select “Non-Governmental Audit Confirmation Reports (State Fiscal Years 2010-2012)”. 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.

I. PROGRAM OBJECTIVES

The Health Net initiative supports the ongoing maintenance of community-based systems of care for the uninsured. Health Net meshes the volunteer spirit of NC’s community physicians, hospitals, health departments, community and rural health centers, and other community-based organizations affiliated with Community Care of NC, to strengthen and sustain efforts to provide indigent clients access to an integrated health delivery system. Health Net gains will support communities’ efforts to work collaboratively, share and conserve scarce resources, and find medical homes for the uninsured.

II. PROGRAM PROCEDURES

The HealthNet Program is administered by the Department of Health and Human Services, Office of Rural Health and Community Care (ORHCC), 2009 Mail Service Center, Raleigh, North Carolina 27699-2009, 919-733-2040.
Under HealthNet, selected communities are awarded mini-grants with which to provide a medical home and other needed care for uninsured adults between 18 and 64 years of age whose family income does not exceed 200% of the Federal Poverty Limit. HealthNet enrollees also receive assistance in gaining access to specialty care and medication assistance programs, and care coordination and disease management for chronic medical conditions.

Grants are awarded based upon a program proposal narrative explanation and budget submissions in one or more of the following categories:

- Medical Home
- Prescription Drug Assistance Program
- Care Management/Disease Management
- Other Program Needs

I. COMPLIANCE REQUIREMENTS

1. Activities Allowed or Unallowed

   Services provided by and costs allowable under a HealthNet grant are limited to those activities budgeted by the grantee and approved by the ORHCC. Services are limited to coordinating and/or providing care to uninsured patients.

   Suggested Audit Procedure:

   Ascertain through a sample that the services provided by and the costs allowable under a HealthNet grant are limited to those activities budgeted by the grantee and approved under the grant.

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 ORHCC. 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.

   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.

3. Cash Management

   When funds are advanced to recipients they must follow procedures to minimize the time elapsing between the transfer of funds from the State Treasurer disbursement to the Controller’s Office. When advance payment procedures are used to pay subrecipients, recipients must establish similar procedures for subrecipients.

4. Conflict of Interest and Certification of No Overdue Tax Debts
The grantee expressly states that it has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under the contract. Grantee shall not hire any person having such interest during the performance of the grant. The grantee further agrees to notify the ORHCC in writing of any instance that might have the appearance of a conflict of interest. Upon execution of a contract and prior to the disbursement of funds, the grantee must supply to the ORHCC a notarized copy of its policy addressing conflict of interest.

Suggested Audit Procedure:

Ascertain through a sample that a policy on conflict of interest is on file with the grantee and that a notarized copy was sent to the ORHCC.

8. Period of Availability of State Funds

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.

Suggested Audit Procedure:

Verify through a sample that the funds were expended or obligated during the allowed grant period.

12. Reporting

Grantees shall submit quarterly performance measure 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 no later than 30 days following the end of each quarter.

Depending on the size of the grant, the grantee is required to submit a “Sworn Certification” or an audit in a form approved by the Office of the State Auditor. “Sworn Certifications”, if applicable, are due within six (6) months of the end of the grantee’s fiscal year. Audits, if applicable, are due within nine (9) months, but no later than thirty (30) days after the issuance by the CPA.

Suggested Audit Procedure:

Verify through a sample that the quarterly reports were submitted.

13. Subrecipient Monitoring

This refers to the requirement that a pass-through entity perform various monitoring activities, such as reviewing reports submitted by the subrecipient, performing site visits to the subrecipient to review financial and programmatic records and observe operations, arranging for agreed-upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations, reviewing the subrecipient's single audit or program-specific audit results and evaluating audit findings and the subrecipient’s corrective action plan. This applies when awards are passed through to a subrecipient. If the entity is not a pass-through entity, this requirement does not apply.