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 objectives of grants for family planning services are to assist in the establishment and operation of voluntary family planning projects that provide the educational, comprehensive medical and social services necessary to aid individuals in freely determining the number and spacing of their children.
II. PROGRAM PROCEDURES

Public Health Service officials in Region IV of the U. S. Department of Health and Human Services annually award the State of North Carolina, Department of Health and Human Services, a Title X grant to support the provision of subsidized contraceptive services. Local health providers, primarily county health departments, receive allocations of Title X (PHS) funds from the North Carolina Department of Health and Human Services on a State fiscal year basis as a continuing grant to support the provision of comprehensive family planning services. Recipient agencies may include private, not-for-profit providers of services. Local projects are expected to maintain a low-income focus for service provision and adhere to State and federal guidelines.

III. COMPLIANCE REQUIREMENTS

A. ACTIVITIES ALLOWED OR UNALLOWED

Funds are to be used to provide:

1. Medical services related to family planning including physician’s consultation, examination, prescription, continuing supervision, laboratory examination, and contraceptive supplies, and necessary referral to other medical facilities;

2. Social services related to family planning including counseling, referral to and from other social and medical services agencies, and any ancillary services which may be necessary to facilitate clinic attendance;

3. Information and educational programs designed to (a) achieve community understanding of the project, (b) inform the community of the availability of services, and (c) promote continued participation in the project by persons to whom family planning services may be beneficial; and

4. Coordination and use of referral arrangements with other providers of health care services including but not limited to local health and welfare departments, hospitals, voluntary agencies and health services projects supported by other Federal programs. (42 CFR Sections 59.5(b)(1), (2), (3), (8))

Funds may not be used:

1. To provide pregnancy care (including obstetric or prenatal care);

2. To provide counseling concerning the use of abortion as a method of family planning or provide referral for abortion as a method of family planning;

3. For expenditures to encourage, promote or advocate abortion as a method of family planning;

4. To pay for the sterilization of a person under age twenty-one or judged to be mentally incompetent; and

5. For expenditures that are contrary to the allowable costs prescribed in “Subpart Q of 45 CFR Section 74.27.” (42 CFR Sections 59.2, 59.8, 59.10 and 43 CFR Sections 50.202, 50.203, 50.204, 50.205, 50.206, 50.207, 50.208, 50.209)

B. ALLOWABLE COSTS/COST PRINCIPLES

All grantees that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the cost principles described in the N. C. Administrative Code at 09 NCAC 03M .0201.
C. CASH MANAGEMENT

Compliance Requirement

LOCAL HEALTH DEPARTMENT PROJECTS

In accordance with the provisions of the Consolidated Agreement with Local Health Departments/Districts/Public Health Authorities/Human Service Agencies (see Section N for further discussion of the Consolidated Agreement), local agencies report actual expenditures on a monthly basis. Payments are made in the following month based upon the amounts of reported expenditures to the extent that authorization remains. Payments, comprised of both federal and State funds are used to support operating expenses, primarily salary and fringes and the purchase of pharmaceuticals for patients. For a complete discussion of the Consolidated Agreement, see “Section N” below. (Consolidated Agreement).

Compliance Requirement

PROJECTS NOT BASED IN LOCAL HEALTH DEPARTMENTS

Local agencies are funded on a reimbursement basis and submit monthly expenditure reports. See “L. Reporting.”

E. ELIGIBILITY

Persons from low-income families who desire family planning services and who would not otherwise have access to them comprise the target population. This includes women of childbearing age, adolescents, and males. Low income families are those whose total annual income does not exceed 100 percent of the level set forth in the poverty guidelines updated annually in the Federal Register by DHHS under authority of “Section 673(2) of the Omnibus Budget Reconciliation Act of 1981” (poverty guidelines). Individuals from other than low income families are eligible for services, but will be charged a fee in accordance with either a schedule of discounts or a schedule of fees as explained in Part N. 1. below. (42 CFR Section 59.5(a) (6), (7))

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Compliance Requirement

LOCAL HEALTH DEPARTMENT PROJECTS

Local agencies are required to obtain prior written approval prior to purchasing or leasing to purchase items of equipment with an acquisition cost of greater than $2,500. (Consolidated Agreement)

Compliance Requirement

PROJECTS NOT BASED IN LOCAL HEALTH DEPARTMENTS

Local agencies are required to obtain prior written approval prior to purchasing equipment with a cost of $500 or more. (Family Planning Services Contract)

G. MATCHING, LEVEL OF EFFORT, EARMARKING

This is a requirement in Title 2 Code of Federal regulations, Chapter I, Chapter II, Part 200. However, the State retains responsibility for this requirement and thus chooses not to pass it along to any of its subrecipients.
H. PERIOD OF PERFORMANCE

Compliance Requirement

LOCAL HEALTH DEPARTMENTS

In accordance with the provisions of the Notice of Grant Award (NGA), Title X funds may be used to support costs incurred during the funding period. In the case of local health departments, this period is the same as the State fiscal year and the period covered by the Consolidated Agreement, July 1 through June 30. Unobligated, unexpended funds may not be carried forward. Settle-up and final expenditure submission should occur within forty-five days of the end of the contract period, i.e., June 30. (Consolidated Agreement)

Compliance Requirement

PROJECTS NOT BASED IN LOCAL HEALTH DEPARTMENTS

Service agreements executed with non-local health department agencies establish a funding period. Refer to copy of fully executed contract and any amendments affecting contract period. Funds may be used to support costs incurred during the funding period. Settle-up and final expenditure report submission should occur within sixty days following the end of the contract period. (DHHS Agreement)

I. PROCUREMENT AND SUSPENSION AND DEBARMENT

All grantees that expend federal funds (received either directly from a federal agency or passed through the N. C. Department of Health and Human Services) are required to conform with federal agency codifications of the grants management common rule accessible on the Internet at https://www.whitehouse.gov/omb/grants_chart.

All grantees that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) 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 Procurement Manual accessible on the Internet at http://www.pande.nc.gov/documents/Procurement_Manual_5_8_2013_interactive.pdf.

Nongovernmental subrecipients shall maintain written Procurement policies that are followed in procuring the goods and services required to administer the program.

J. PROGRAM INCOME

The federal Notice of Grant Award (NGA) for Title X Family Planning indicates that program income should be used “to further program objectives.” [US DHHS Notice of Grant Award]

L. REPORTING

Financial Reporting

Compliance Requirement

LOCAL HEALTH DEPARTMENT PROJECTS

Local agencies are required to submit a Local Expenditure Report. [15A NCAC 21A .0819]

Compliance Requirement

PROJECTS NOT BASED IN LOCAL HEALTH DEPARTMENTS

Projects not based in local health departments are required to submit an Expenditure Report. [15A NCAC 21A .0819]
M. SUBRECIPIENT MONITORING

This is a requirement in the Title 2 Code of Federal regulations, Chapter I, Chapter II, Part 200. However, the State retains responsibility for this requirement and thus chooses not to pass it along to any of its subrecipients.

N. SPECIAL TESTS AND PROVISIONS

1. **Compliance Requirement** – Charges for services to persons from families whose annual income is above the level set forth in the poverty guidelines, but not greater than 250 percent of this level, should be made in accordance with a schedule of discounts based on ability to pay. (42 CFR Section 59.5(a)(7))

Charges for services to persons from families whose annual income exceeds 250 percent of the level set forth in the federal poverty guidelines should be made in accordance with a schedule of fees designed to recover costs of providing services. (42 CFR Section 59.5(a)(7))

**Audit Objective** – To determine whether (1) the grantee properly collected fees in accordance with a schedule of discounts and fees and (2) the schedule of fees was properly designed to recover costs of providing services.

**Suggested Audit Procedures** – Review and evaluate policies and procedures for:

1. Identifying the person’s ability to pay,
2. Using the schedule of discounts to adjust rates based on ability to pay when appropriate, and properly recording and adjusting fees.

Test to determine whether fees were properly recorded based on ability to pay and adjusted based on the sliding fee schedule when appropriate.

Review the methods used to calculate the schedule of fees and determine whether it was designed to recover costs of providing services.

Determine that the schedule of fees is based upon the most recent federal poverty guidelines.

2. **Compliance Requirement** – If a third party is authorized or legally obligated to pay for services, the grantee should make all reasonable efforts to obtain third party payment without application of any discounts. (42 CFR Section 59.5(a)(8))

**Audit Objective** – To determine whether all reasonable efforts were made to obtain payment from third parties.

**Suggested Audit Procedures** – Review and evaluate policies and procedures for maximizing revenues from third parties such as insurance, Medicare and Medicaid.

Test selected patient records to determine whether third party collections were maximized.

3. **Compliance Requirement** – There are three options regarding the use of the program income set out in “45 CFR Section 74.24.” The grant award document will specify which option the grantee has chosen to utilize.

**Audit Objective** – To determine whether program income was accounted for in accordance with the grant award.

**Suggested Audit Procedures** – Review and evaluate the internal controls in place to account for program income in accordance with grant award.
Test records to determine whether program income was accounted for in accordance with the grant award.

4. Compliance Requirement

Consolidated Agreement System

The DHHS Division of Public Health is made up of six major sections: Chronic Disease & Injury, Environmental Health, Epidemiology, Women’s and Children’s Health Services, Oral Health, and Administrative, Local, and Community Support. The Division utilizes a single written agreement to manage all funds, that is, State, federal or private grant funds, that the Division allocates to local health departments across the State. This document, as amended, is called the Consolidated Agreement.

The Agreements set forth the more general requirements of the funding relationship between the State and local public health agencies. The respective requirements are detailed under the headings: Responsibilities of the Department (Local Public Health Unit); Funding Stipulations; Fiscal Control; Responsibilities of the State; and Compliance. More specific information related to program activity is set out in a document called the Agreement Addenda which detail outcome objectives (which may or may not be negotiable at the beginning of each fiscal year) that each health department must achieve in exchange for the funding. A third part of the system is the Budgetary Authorization which is sent annually from each of the Sections or Branches of the Division to all health departments being allocated funds from specific sources, i.e., State appropriations or other federal grant funds for specific activities. This Estimate indicates the amount of the allocated funds and their respective sources. Each health department should be able to provide an auditor with a copy of the Consolidated Agreement for the particular year being audited, as well as copies of the Budgetary Authorization and any revisions, Agreement Addenda, expenditure reports and any activity reports for each source of money received. If the health department cannot provide these documents, they may contact the State Division of Public Health Budget Office for assistance.

Suggested Audit Procedures – Section B. FUNDING STIPULATIONS of the Consolidated Agreement should be reviewed by the auditor before beginning an audit. The fourteen items of this Section describe much of the detailed information the Auditor may be seeking during a review of these programs.

5. Conflicts 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 G. S. 143C-6-23 for fiscal years beginning on or after July 1, 2007. These requirements include the submission of a Notarized Conflict of Interest Policy (see G. S. 143C-6-23(b)) and a written statement (if applicable) completed by the grantee’s board of directors or other governing body 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)).

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.