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**MATERNAL AND CHILD HEALTH SERVICES BLOCK
GRANT TO THE STATES**

State Project/Program: **HEALTHY BEGINNINGS PROGRAM (MINORITY INFANT
MORTALITY REDUCTION PROGRAM)**

U. S. Department of Health and Human Services

Federal Authorization: 42 United States Code Section 701-709

State Authorization: Senate Bill 1505

**N. C. Department of Health and Human Services
Division of Public Health**

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N. C. DHHS Confirmation Reports:

SFY 2008 audit confirmation reports for payments made to Counties, Area Programs, Boards of Education, Councils of Government and District Health Departments, DCD State level Contractors and HRSA Bioterrorism Grant Subrecipients will be available by around late August to 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 2007-2008)”. 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 2006-2008)”.

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 purpose of the Healthy Beginnings Program is to fund projects in various communities to demonstrate means to lower infant mortality and low birth weight rates among babies in minority populations. Grants are given to local health departments and private non-profit organizations to support local community-based minority infant mortality reduction efforts. Planning grants are also awarded to these entities periodically to support the development of a community-based infrastructure that addresses minority infant mortality reduction.

II. PROGRAM PROCEDURES

In 1994, the North Carolina General Assembly appropriated \$750,000 annually to fund fifteen projects that would demonstrate means to lower infant mortality and low birth weight rates among minority populations. Currently, there are 17 projects being funded for a total budget of \$610,000. The goal of the Healthy Beginnings Program is to address the nearly two-fold disparity between white and minority infant mortality in the State of North Carolina by targeting areas with significant minority infant mortality. A community-based approach addressing infant mortality was mandated with a specific focus on the formulation and implementation of innovative strategies to improve birth outcomes and involvement from a variety of community organizations. At present, 17 projects are funded in 15 counties throughout the State.

Funds for this program are from a combination of Maternal and Child Health Block Grant funds and matching State funds. The proportion is four federal dollars and three State dollars for every seven dollars awarded and expended. The subrecipient has no requirement to account separately for federal and State dollars in its budget and expenditures.

III. COMPLIANCE REQUIREMENTS

A. Activities Allowed or Unallowed

Contractors, which include local health departments and private, non-profit organizations, are to complete activities as noted on 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.

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

This is a requirement in the OMB Circular A-133 federal supplement. However, the State retains responsibility for this requirement and thus chooses not to pass it along to any of its subrecipients.

E. Eligibility

Contractors must be public or non-profit private institutions. Contractors must document how they have networked within the community or project area with other organizations, as well as document how they have reached minority communities. Each contractor must involve minority community-based organizations in all phases of the program planning and implementation. Each contract must have an Advisory Board representative of their priority population.

F. Equipment and Real Property Management

Equipment must be accounted for in accordance with the North Carolina Department of State Treasurer Policies Manual, Chapter 20, Fixed Assets Policy.

HEALTHY BEGINNINGS (MINORITY INFANT MORTALITY REDUCTION PROGRAM)

Title to equipment costing in excess of \$2,500.00 acquired by the Contractor with funds from this contract shall vest in the contractor, subject to the following conditions.

1. The Contractor shall use the equipment in the project or program for which it was acquired as long as needed. When equipment is no longer needed for the original project or program or if operations are discontinued, the Contractor shall contact the Department of Health and Human Services, Division of Public Health, for written instructions regarding disposition of equipment.
2. When acquiring replacement equipment, the Contractor may use the equipment to be replaced as trade-in against replacement equipment or may sell said equipment and use the proceeds to offset the costs of replacement equipment subject to written approval of the Division of Public Health.
3. For equipment costing in excess of \$2,500.00, equipment controls and procedures shall include at a minimum the following:
 - a) Detailed equipment records shall be maintained which accurately include the:
 - i. Description and location of the equipment, serial number, acquisition date/cost, useful life and depreciation rate;
 - ii. Source/percentage of funding for purchase and restrictions as to use or disposition
 - iii. Disposition data, which includes date of disposal and sales price or method used to determine fair market value.
 - b) Equipment shall be assigned a control number in the accounting records and shall be tagged individually with a permanent identification number.
 - c) Biennially, a physical inventory of equipment shall be taken and results compared to accounting and fixed asset records. Any discrepancy shall immediately be brought to the attention of management and the governing board.
 - d) A control system shall be in place to ensure adequate safeguards to prevent loss, damage, or theft of equipment and shall provide for full documentation and investigation of any loss or theft.
 - e) Adequate maintenance procedures shall be implemented to ensure that equipment is maintained in good condition.
 - f) Procedures shall be implemented which ensure that adequate insurance coverage is maintained on all equipment. A review of coverage amounts shall be conducted on a periodic basis, preferably at least annually.
4. The Contractor shall ensure all subcontractors are notified of their responsibility to comply with the equipment conditions specified in this section.
5. Prior written approval from Department must be obtained before purchasing equipment valued over \$2,500.00. Institutions of higher education, hospitals, and other non-profit organizations shall use procurement procedures that conform to applicable federal law and regulations and standards identified in OMB Circular A-110. All non-federal entities shall follow federal laws and implementing regulations applicable to procurements, as noted in federal agency implementation of the A-102 Common Rule and OMB Circular A-110.

H. Period of Availability of Federal Funds

This is a requirement in the OMB Circular A-133 federal supplement. However, the State retains responsibility for this requirement and thus chooses not to pass it along to any of its subrecipients.

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 <http://www.whitehouse.gov/omb/grants/chart.html>.

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 Agency Purchasing Manual accessible on the Internet at http://www.doa.state.nc.us/PandC/agpurman.htm#P6_65.

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

J. Program Income

Revenue generated must be used within the program.

L. Reporting

Financial Reporting: Monthly expenditure reports (DHHS 2481) are required to be completed for payment. The Contractor shall submit to the Division a monthly reimbursement request and, upon approval by the Division, receive payment within 30 days. The original expenditure report, DHHS 2481, shall be submitted to the Division Contract Administrator. The Contractor shall have up to sixty (60) days from last day of contract for close out, completion and submission of the final monthly expenditure report related to this contract period. If this contract is terminated, the Contractor is required to complete a final accounting report and to return any unearned funds to the Division within 60 days of the contract termination date. All payments are contingent upon fund availability.

Performance Reporting: Each contractor will submit a planned scope of work prior to the funded fiscal year. This scope includes a description of activities planned, a number of the anticipated target population, the anticipated outcomes of the activity. Each contractor submits a mid-year report on or before January 15th and an end-of-year report within 30 days following the termination date of contract.

M. Subrecipient Monitoring

Local health departments and other entities frequently contract with other agencies to provide allowable services. Unless services are obtained on other than fee for service contracts, the auditor does not need to audit for this requirement. (Reference Section C (1) (c and d) of the Consolidated Agreement between the local health department and the Division of Public Health)

N. Special Tests and Provisions

Conflict of Interest and Certification Regarding 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.

Suggested Audit Procedures

1. Ascertain that the grantee has a written conflict of interest policy.
2. Check the policy and verify through board minutes that the policy was adopted before the grantee received and disbursed State funds.