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

State Project/Program: HEALTHY MOTHERS / HEALTHY CHILDREN

**U. S. Department of Health and Human Services
Health Resources and Services Administration**

Federal Authorization: 42 United States Code Section 701-709

State Authorization: 10A NC Administrative Code 43B.01xx

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

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SFY 2021 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 2020-2021)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from DHHS are found at the same website except “[Non-Governmental Audit Confirmation Reports \(State Fiscal Years 2019-2021\)](#)”.

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.

This compliance supplement must be used in conjunction with the OMB 2021 Compliance Supplement which will be issued in the summer. This includes "Part 3 - Compliance Requirements," for the types that apply, "Part 6 - Internal Control," and "Part 4 - Agency Program" requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

I. PROGRAM OBJECTIVES

The objectives of the Maternal and Child Health Services Block Grant are to provide funds to States (1) to provide mothers and children, particularly those with low income or with limited availability to health care, access to quality maternal and child health services; (2) reduce infant mortality, the incidence of preventable diseases, handicapping conditions among children, the need for long-term care services and to increase the immunization levels of children; (3) provide rehabilitative services for blind and disabled individuals under the age of 16 who receive benefits under the Supplemental Security Income Program; and (4) provide and promote family-centered, community-based, coordinated care for children with special health needs and to facilitate the development of community-based systems of services for such children and their families. (42 U.S.C. Section 701 (a) (1))

II. PROGRAM PROCEDURES

The Secretary of the Department of Health and Human Services (federal DHHS) allocates funds to a state in accordance with a pre-defined formula, upon submission of an application by a state and approval of that application. The application must include a needs assessment that shall identify the need for preventive and primary care services for pregnant women, mothers, and infants up to age one, and children, and services for children and youth with special health care needs. The needs assessment must be conducted and updated every 5 years. (42 U.S.C. Section 705 (a) (1))

The application must also include a State plan for meeting the needs identified by the statewide needs assessment and must include (1) a statement of the goals and objectives, which must be consistent with the objectives of the program, for meeting the needs specified in the needs assessment; (2) an identification of the areas and localities in the State where services are to be provided and coordinated; (3) an identification of the types of services to be provided and the categories or characteristics of individuals to be served; and (4) information the State will collect in order to prepare required reports. The plan must be updated annually. (42 U.S.C. Section 705 (a) (2))

The State Plan for the Maternal and Child Health Block Grant is approved by the North Carolina General Assembly, and executed by the Division of Public Health on a State fiscal year basis.

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. Federal funds are drawn by the state to meet the required match upon total expenditures reported.

In this program funds are allocated to local health departments to provide services for child health, maternal health and/or family planning. Each health department is allocated a set amount.

The Maternal and Child Health Block Grant is administered by the North Carolina Department of Health and Human Services, Division of Public Health, Women’s and Children’s Health Section, 1928 Mail Service Center, Raleigh, NC 27699-3811. Questions should be directed to the Women’s and Children’s Health Section at (919) 707-5512.

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 federal agency, noted as “Y,” on the “Matrix of Compliance Requirements” located in Part 2 of the OMB 2021 Compliance Supplement; however, the State Agency may have added the Type and 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 noted in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, it is noted by “N.”

If the Matrix indicates “Y,” the auditor must determine if a particular type of compliance requirement has a direct and material effect on the federal program for the auditee. For each such compliance requirement subject to the audit, the auditor must use the OMB 2021 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) 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, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

A. Activities Allowed or Unallowed

In addition to Federal statutory requirements, each State has the authority to issue rules consistent with Federal statutes and regulations. These rules should be reviewed before beginning the audit. A copy may be obtained from the **Women's and Children's Health Section**.

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 Title 2 Code of Federal Regulations, Chapter I, Chapter II, Part 200 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

To be eligible for maternal and child health ambulatory services provided by MCH program funds, clients must meet the eligibility criteria established by the local provider. Financial eligibility requirements may not be more restrictive than the official poverty line issued annually by the United States Department of Health and Human Services (10A NCAC 43B .0105)

F. Equipment and Real Property Management

All equipment purchased or leased with an acquisition cost exceeding \$2,500.00, including equipment purchased using PHP&R Grant funds, where there is an option to purchase with State/Federal funds, must receive prior written approval from the appropriate Branch/Section. Equipment must be accounted for in accordance with the North Carolina Department of State Treasurer Policies Manual, Chapter 20, Fixed Assets Policy. (Reference Section B (14) of the Consolidated Agreement between the local health department and the Division of Public Health)

G. Matching, Level of Effort, and Earmarking

This is a requirement in the Title 2 Code of Federal Regulations, Chapter I, Chapter II, Part 200 federal supplement. 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

This is a requirement in the Title 2 Code of Federal Regulations, Chapter I, Chapter II, Part 200 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 https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl.

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.pandc.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.

- A. Compliance Requirement – Obligations must be incurred in accordance with state purchasing requirements

Audit Objective – To determine obligations were incurred in accordance with state purchasing requirements.

Suggested Audit Procedure: Determine purchases met the state purchasing requirements (G.S. 143-48 through 143-64.5)

- B. Compliance Requirement – LHD are prohibited from entering into a contract with a party that has been suspended or debarred by the State of North Carolina.

Audit Objective – To determine the LHD has not entered into a contract with a party that has been suspended or debarred by the State of North Carolina.

Suggested Audit Procedure – Verify the LHD has not entered into a contract with a party that has been suspended or debarred by the State of North Carolina. A list of debarred parties can be found at <https://ncadmin.nc.gov/government-agencies/procurement/contracts/debarred-vendors>.

- J. Program Income

Client and third party fees collected by the local provider from the provision of maternal and child health services must be used to expand, maintain or enhance those services in either the year in which they were earned or a subsequent fiscal year. (10A NCAC 43B .0105)

- L. Reporting

Financial Reporting

Local agencies must submit to the North Carolina Department of Health and Human Services expenditure reports using the “Aid-to-Counties Website”. (Reference Section C of the Consolidated Agreement between the local health department and the Division of Public Health.)

Program Reporting

Local health departments are required to report services provided with funds allocated. (Reference Section A of the Consolidated Agreement between the local health department and the Division of Public Health). In addition, specific program deliverables are identified in Program Agreement Addenda to this Consolidated Agreement from the Child Health, Maternal Health and Family Planning programs.

- M. Subrecipient Monitoring

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

N. Special Tests and Provisions

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. These documents are kept on file at the Division and are incorporated into the contract with non-State entities for compliance review.

Audit Objective – Determine whether the grantee has adopted and has on file, a conflict-of-interest policy, before receiving and disbursing State funds.

Suggested Audit Procedures:

1. Ascertain that the grantee has a 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.