

LME SYSTEMS PERFORMANCE

Federal Authorization: Section 516 of the Public Health Service Act, Public Health Service Act, Title XIX, Part B, Subpart II, as amended, Public Law 102-321; 42 U.S.C. 300x; and 45 CFR Part 96

State Authorization: G. S. §122C-115.4; S.L. 2006-142, Session 2005 (House Bill 2077); Session Law 2008-107 (House Bill 2436)

**N. C. Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services**

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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 DHSR 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 select

“[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.

I. PROGRAM OBJECTIVES

Local Management Entities/Managed Care Organizations (LME-MCOs) are agencies of local government - area authorities that are responsible for managing, coordinating, facilitating and monitoring the provision of mental health, intellectual and developmental

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disabilities, and substance use services in the catchment area served. LME-MCO responsibilities include ensuring consumers have 24/7/365 access to services, developing and overseeing the provider network, and handling consumer complaints and grievances as well as all the Local Management Administrative Functions per G.S. 122C – 115.2.

The primary functions of an LME-MCO outlined in G.S. 122C-115.4 and reflected in the DMH/DD/SAS contract include the following:

- Access for all citizens to the core services described in G. S. 122C-2 This includes provision of a 24-hour a day, seven-day a week screening, triage, and referral process including a comprehensive crisis service system.
- Development and management of a qualified provider network that includes monitoring, technical assistance, capacity development, and quality control. An LME-MCO has authority to select which providers may enroll in their network and may end a provider’s contract if a provider fails to meet defined quality or contract criteria.
- Utilization management, utilization review, and determination of the appropriate level and intensity of services in accordance with the LME-MCO non-Medicaid benefit plan based on medical necessity, priority populations, and existing funding. Service authorization includes the review and approval of the person-centered plans for consumers who receive State-funded services.
- Authorization of the utilization of State psychiatric hospitals and other State facilities. Review of eligibility determination requests for recipients under an Innovations waiver and maintenance of a waiting list for persons with intellectual and/or developmental disabilities (IDD) that are waiting for a state-funded IDD service.
- Care coordination. This function provides client care decisions at critical treatment junctures, including collaboration with discharging crisis and inpatient facilities, to assure the timely transition and coordination of a client’s care. It also includes addressing service coordination needs for high-risk and priority populations to ensure linkage to appropriate levels of service, facilitation of collaborative person-centered plans, and linkage to primary care providers.
- Quality management includes processes for timely identification, response, reporting, and follow-up to consumer incidents, reporting aggregate data to the LME-MCO board, human rights committee, and Consumer and Family Advisory Committee (CFAC), and production of management reports for analysis, planning, and improvement. Activities include compilation and reporting on outcome and performance measures including, reporting of required information on individuals served, service events, and performance measures to the Division, and analysis of data to identify access and service gaps and plan system improvements.
- Community collaboration and consumer affairs including a process to protect consumer rights, an appeals process, and support of an effective consumer and family advisory committee.
- Financial management and accountability for the use of State and local funds and information management for the delivery of publicly funded services.

The following are the seven LME-MCOs and the counties served:

LME	Counties
Alliance Health	Cumberland, Durham, Johnston, Wake
Cardinal Innovations Healthcare Solutions	Alamance, Cabarrus, Caswell, Chatham, Davidson, Davie, Forsyth, Franklin, Granville, Halifax, Mecklenburg, Orange, Person, Rockingham, Rowan, Stanly, Stokes, Union, Vance, Warren

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Eastpointe	Bladen, Duplin, Edgecombe, Greene, Lenoir, Robeson, Sampson, Scotland, Wayne, Wilson
Partners Health Management	Burke, Catawba, Cleveland, Gaston, Iredell, Lincoln, Rutherford, Surry, Yadkin
Sandhills Center for MH/DD/SAS	Anson, Guilford, Harnett, Hoke, Lee, Montgomery, Moore, Randolph, Richmond
Trillium Health Resources	Beaufort, Bertie, Camden, Chowan, Columbus, Craven, Currituck, Dare, Gates, Hertford, Hyde, Jones, Martin, Nash, Northampton, Pamlico, Pasquotank, Perquimans, Pitt, Tyrrell, Washington, Brunswick, Carteret, New Hanover, Onslow, Pender
Vaya Health	Alexander, Alleghany, Ashe, Avery, Buncombe, Caldwell, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Swain, Transylvania, Watauga, Wilkes, Yancey

All grantees are required to comply with the N. C. Department of Health and Human Services and the Division of Mental Health, Developmental Disabilities and Substance Abuse Services records retention schedules and policies. Financial records shall be maintained in accordance with established federal and State guidelines.

The records of the grantee shall be accessible for review by the staff of the North Carolina Department of Health and Human Services and the Office of the State Auditor for the purpose of monitoring services rendered, financial audits by third party payers, cost finding, and research and evaluation.

Records shall be retained for a period of three years following the submission of the final Financial Status Report or three years following the submission of a revised final Financial Status Report. Also, if any litigation, claim, negotiation, audit, disallowance action, or other action involving these funds has been started before expiration of the three year retention period, the records must be retained until the completion of the action and resolution of all issues which arise from it, or until the end of the regular three year period, whichever is later. The grantee shall not destroy, purge or dispose of records related to these funds without the express written consent of N. C. DHHS/DMH/DD/SAS.

The agency must comply with any additional requirements specified in the contract or to any other performance-based measures or agreements made subsequent to the initiation of the contract, including, but not limited to, findings requiring a plan of correction or remediation in order to bring the program into compliance.

II. PROGRAM PROCEDURES

Single stream payments will be disbursed on a monthly (1/12th) basis during the year. Expenditures for LME-MCO administrative functions will be limited to amount specified in allocation letter specifically for administration. The allowable administrative functions include: implementation of the local business plan/LME-MCO contract; access screening, triage, and referral; provider relations and support; customer services and consumer rights;

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quality management and outcomes evaluation; business management and accounting (including claims adjudication); and various information management, analysis and reporting functions. Other service system management responsibilities include discharge planning and aftercare planning with the State facilities, community capacity expansion, and managing bed day allocations to the State facilities. The salary levels within these tables change each January; therefore, when measuring compliance, it will be necessary to review the salary tables. This form is to be completed every month by each LME-MCO to either report the required information or indicate “none” if there is no such cost to report. LME-MCO Systems Management funds shall be paid, reported and settled per rule 10A NCAC 27A .0400.

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.

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

1. ACTIVITIES ALLOWED OR UNALLOWED

LME-MCO responsibilities include ensuring consumers have 24/7/365 access to services, developing the provider network and monitoring providers, and handling consumer complaints and grievances.

Audit Objectives

- a. Determine whether funds were expended only for allowable activities.

Suggested Audit Procedures

- a. Review contract requirements and determine activities which are allowable for reimbursement.
- b. Sample monthly billings to the DMH/DD/SAS to verify that the activities billed for relate directly to the allowable activities to be reimbursed under the terms of the Contract.

2. 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. (Note: Pending the change in reference from OMB Circular A-87 to 2 CFR, Part 200 Subpart E – Cost Principles.)

Audit Objectives

Determine whether funds allowable to the LME-MCO for LME-MCO Systems Administration activities were expended for allowable costs and in accordance with the applicable cost principles.

Suggested Audit Procedures

- a. Review contract requirements and determine activities which are allowable for reimbursement.
- b. Sample monthly billings to the DMH/DD/SAS to verify that the activities billed for relate directly to the allowable activities to be reimbursed under the terms of the contract.

3. CASH MANAGEMENT

This requirement does not apply at the local level.

4. CONFLICT OF INTEREST

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 effective 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) 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)).

G. S. 143C-6-23(b) stipulates that every grantee shall file with the State agency disbursing funds to the grantee a copy of that grantee's policy addressing conflicts of interest that may arise involving the grantee's management, employees, and the members of its board of directors or other governing body. The policy shall address situations in which any of these individuals may directly or indirectly benefit, except as the grantee's employees or members of its board or other governing body, from the grantee's disbursing of State funds, and shall include actions to be taken by the grantee or the individual, or both, to avoid conflicts of interest and the appearance of impropriety. The policy shall be filed before the disbursing State agency may disburse the grant funds.

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 Objectives

- a. Determine whether the entity has adequate policies and procedures regarding the disclosure of possible conflicts of interest.

Suggested Audit Procedures

- a. Ascertain that the grantee has a conflict of interest policy.
- b. Verify through Board minutes that the policy was adopted before the grantee received and disbursed State funds.

5. ELIGIBILITY

The program provides funding to the LME-MCOs for the purpose of providing administrative support to carry out and operate the Division's programs of financial assistance. LME-MCOs are considered "local government" as defined in NCGS §159 and therefore must be in good standing with both the Office of State Treasurer/Local Government Commission (LGC) and the DHHS/DMH/DD/SAS.

Provider and LME-MCO shall protect the confidentiality of any and all individuals and will not discuss, transmit, or narrate in any form other information, medical or otherwise, received in the course of providing services hereunder, except as authorized by the individual, his legally responsible person, or as otherwise permitted or required by law. The Provider and LME-MCO shall, in addition, meet all confidentiality requirements promulgated by any applicable governmental authority.

Audit Objectives

- a. Determine whether required eligibility determinations were made (including obtaining any required documentation/verifications), that individual program participants or groups of participants (including area of service delivery) were determined to be eligible, and that only eligible individuals or groups of individuals (including area of service delivery) participated in the program.
- b. Determine whether subawards were made only to eligible subrecipients.
- c. Determine whether amounts provided to or on behalf of eligibles were calculated in accordance with program requirements.

Suggested Audit Procedures

- a. Select a sample of client records for individuals served under the terms of the Contract;
- b. Review client records for documentation that allowed services were provided to individuals with any age/disability.

6. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Equipment Management

This requirement refers to tangible property that has a useful life of more than one year and costs \$5,000 or more. Such equipment may only be purchased per the conditions of the approved contract or grant agreement. If the contract should be terminated, any equipment purchased under this program shall be returned to the Division.

Real Property Management

This requirement does not apply at the local level.

Audit Objectives

- a. Determine whether the entity maintains proper records for equipment and adequately safeguards and maintains equipment.
- b. Determine whether disposition or encumbrance of any equipment or real property acquired under State awards is in accordance with State requirements and that the awarding agency was compensated for its share of any property sold.

Suggested Audit Procedures

- a. Obtain entity's policies and procedures for equipment management and ascertain if they comply with the State's policies and procedures.
- b. Select a sample of equipment transactions and test for compliance with the State's policies and procedures for management and disposition of equipment.

7. MATCHING, LEVEL OF EFFORT, EARMARKING

This requirement does not apply at the local level.

8. PERIOD OF PERFORMANCE

This requirement does not apply at the local level.

9. PROCUREMENT AND SUSPENSION AND DEBARMENT

This requirement does not apply at the local level.

10. PROGRAM INCOME

This requirement does not apply at the local level.

12. REPORTING

LME-MCO Performance Contract Reports/Data requirements are <<https://www.ncdhhs.gov/divisions/mhddsas/reports/performance-contracts-quarterly-report>>

They include, but are not limited to:

- Performance Measurement Reporting: to be submitted quarterly, due on the 17th of November, February, May, and August, until such time as LME-MCOs submit sufficient claims data for the Division to pull the information from NCTracks;
- Access to Care / Call Center Reports: to be submitted quarterly, due on the 20th of the month following the end of the quarter: 10/20, 1/20, 4/20, 7/20;
- Substance Abuse Prevention Block Grant (SAPTBG) Compliance Report: to be submitted semi-annually, due on January 20th and July 20th;
- Substance Abuse/Juvenile Justice Initiative Quarterly Report: to be submitted quarterly, due on the 20th of the month following the end of the quarter: 10/20, 1/20, 4/20, 7/20;
- Work First Initiative Quarterly Reports: to be submitted quarterly, due on the 20th of the month following the end of the quarter: 10/20, 1/20, 4/20, 7/20;
- Client Data Warehouse (CDW) Records: to be submitted monthly, due on the 15th of each month;
- NC Treatment Outcomes and Program Performance System (NC-TOPPS): Initial, Update, and Episode Completion Interviews (LME-MCO is responsible for ensuring that contracted providers submit the reports);
- National Core Indicators (NCI): Consent forms, pre-survey and family addresses to be submitted annually on DMH/DD/SAS schedule;
- NC Support Needs Assessment Profile (NC-SNAP): (LME-MCO is responsible for ensuring that contracted providers submit the reports monthly)
- MH/SU Consumer Perception of Care Survey: to be collected annually in collaboration with DMH/DD/SAS;
- System of Care Report: to be submitted semi-annually, due on January 31st and July 31st;

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- Traumatic Brain Injury (TBI) Quarterly and Annual Reports: to be submitted on the following dates: 1st qtr. 11/30; second qtr. 2/28; third qtr. 5/31; 4th qtr. 8/31; and an annual report on 7/31.
- NC Start and Crisis Respite Report: to be submitted quarterly;
- Geriatric Adult Mental Health Specialty Team (GAST Quarterly Report: to be submitted by the six GAST providers quarterly (LME-MCO is responsible for ensuring that contracted providers submit the reports);
- LME Housing Annual Report: to be submitted by the LME-MCOs annually;
- LME Complaint Report: to be submitted five months after the quarter in which data is collected, due on 2/20, 5/20, 8/20, 11/20;
- Day and Employment Survey: to be submitted annually by LME-MCOs;
- IDD State of the State Survey: to be submitted every 2 years by the LME-MCOs;
- Residential Information Systems Project (RISP) IDD Residential Survey: to be submitted annually by the LME-MCOs;
- National Core Indicators Staff Stability Survey -IDD provider contact list to be submitted annually;
- LME-MCO Single Audit: to be submitted annually by the LME-MCOs to the Local Government Commission within the Office of the State Treasurer; and
- Network Adequacy and Accessibility Analysis Report: to be submitted annually.
- The DHHS Controller's Office is responsible for submitting a Financial Status Report 269 to the Federal Grants Management Officer for documentation of federal funds expended, according to the DHHS Cash Management Policy. Financial Status Reports (FSR) will be submitted by the 10th of the month. Quarterly reports on the deliverables in the contract are also required.

Audit Objectives

- a. Determine whether required reports include all activities of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Suggested Audit Procedures

- a. Review applicable laws, regulations and the provisions of the contract for reporting requirements.
- b. Verify that Contractor has provided all required reports.
- c. Ascertain if the financial reports were prepared in accordance with the required accounting basis.
- d. For Performance and Program reports, verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.
- e. Ensure that reports reviewed are copies of the same reports submitted to DHHS by the LME-MCO.

13. SUBRECIPIENT MONITORING

Monitoring is required if the agency disburses or transfers any State funds to other organizations, except for the purchase of goods or services, the grantee shall require such organizations to file with it similar reports and statements as required by G. S. §143C-6-22 and 6-. If the agency disburses or transfers any pass-through federal funds received from the State to other organizations, the agency shall require such

organizations to comply with the applicable requirements of 2 CFR Part 200.331. Accordingly, the agency is responsible for monitoring programmatic and fiscal compliance of subcontractors based on the guidance provided in this compliance supplement and the audit procedures outlined in the DMH-0 Cross-cutting Supplement.

Audit Objectives

- a. Determine whether the pass-through entity properly identified State award information and compliance requirements to the sub-recipient, and approved only allowable activities in the award documents.
- b. Determine whether the pass-through entity monitored sub recipient activities to provide reasonable assurance that the sub-recipient administers State awards in compliance with State requirements.
- c. Determine whether the pass-through entity ensured required audits were performed, issued a management decision on audit findings within 6 months after receipt of the sub-recipient's audit report, and ensures that the sub-recipient takes timely and appropriate corrective action on all audit findings.
- d. Determine whether in cases of continued inability or unwillingness of a sub-recipient to have the required audits, the pass-through entity took appropriate action using sanctions.
- e. Determine whether the pass-through entity evaluates the impact of sub-recipient activities on the pass-through entity.

Suggested Audit Procedures

- a. Gain an understanding of the pass-through entity's sub-recipient procedures through a review of the pass-through entity's sub-recipient monitoring policies and procedures (e.g., annual monitoring plan) and discussions with staff. This should include an understanding of the scope, frequency, and timeliness of monitoring activities and the number, size, and complexity of awards to sub-recipients.
- b. Review the pass-through entity's documentation of during-the-award monitoring to ascertain if the pass-through entity's monitoring provided reasonable assurance that sub-recipients used State awards for authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements, and achieved performance goals.
- c. Review the pass-through entity's follow-up to ensure corrective action on deficiencies noted in during-the-award monitoring.
- d. Verify that in cases of continued inability or unwillingness of a sub-recipient to have the required audits, the pass-through entity took appropriate action using sanctions.
- e. Verify that the effects of sub-recipient noncompliance are properly reflected in the pass-through entity's records.

14. SPECIAL TESTS AND PROVISIONS

Audit Objectives

- a. To ensure compliance with the NCDHHS and DMH/DD/SAS records retention schedules and policies.
- b. To ensure compliance with all federal and State policies, laws and rules that pertain to this fund source and/or to the contract/grant agreement.

Suggested Audit Procedures

- a. Verify that records related to this fund source are in compliance with N. C. DHHS-DMH/DD/SAS record retention schedules and policies.
- b. Review contract/grant agreement, identify any special requirements; and
- c. Verify if the requirements were met.