

**CHILDREN'S TRUST FUND**

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**State Authorization:** N.C.G.S. 7B-1300-1302

**NC Department of Health and Human Services  
Division of Social Services**

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**Address Confirmation Letters To:**

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 \(State Fiscal Years 2019-2021\)](#)".

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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**

The objective of the Children's Trust Fund is to provide community-based educational and service programs designed to prevent the occurrence of child abuse and neglect. Child abuse and neglect prevention programs are defined to be those programs and services which impact juveniles and families before any substantiated incident of abuse or neglect has occurred. These programs may include, but are not limited to:

- 1) Community-based educational and family support programs on prenatal care, parent-child bonding, parenting skills, child development, positive discipline, basic child care, care of children with special needs, and coping with family stress; and
- 2) Community-based programs related to crisis and respite care, case management, referrals, aid to meet family's basic needs, mental health services, developmental

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assessments, and support groups for parents and their children experiencing stress within the family unit.

- 3) Community response programs that provide outreach, case management, support, and services to individuals and families identified as being at-risk of compromised health and safety by promoting protective factors that strengthen families.

## II. PROGRAM PROCEDURES

The North Carolina Children's Trust Fund established through N.C.G.S. 7B-1301-1302, is administered by the North Carolina Department of Health and Human Services (DHHS), Division of Social Services (DSS).

Grants are awarded by DSS through a competitive Request for Applications (RFA), an assessment of the ability and capacity of the organization to implement community-based programs, and availability of funding. The RFA will be made accessible to the public through announcement on the DSS public notice site. The RFA will contain a listing of approved services, application process, and required application forms and contract certifications.

Any tribal government, community-based, public or private nonprofit, tax-exempt organization (including faith-based), school system, local government agency that is duly incorporated and registered under North Carolina Statutes, including, but not limited to County Departments of Social Services, is eligible to apply.

An independent review team is comprised to review and score the applications. The recommendations of this team are forwarded to the Community Based Program Administrator, Section Chief for Child Welfare Policy and Programs, and Deputy Director for Child Welfare Services, for approval. Once this process is completed, a formal award notification is sent to approved applicants. DSS enters into a contract agreement with each agency to provide allowable services. These funds require a 25% provider match.

Subrecipients are reimbursed following expenditure through submission of a monthly DSS-1571 Part III Administrative Costs Report to the NC DHHS Controller's Office. All State requirements are communicated to the subrecipients as part of the RFA and contracting process.

The State is required to monitor, evaluate, and report on all programs funded by this grant in accordance with regulations adopted by the DSS, which can be found at <https://files.nc.gov/ncdhhs/documents/files/dss/monitoring/NC-DSS-Sub-Recipient-Contract-Monitoring-Plan-2015-2016-DRAFT.pdf>

These funds may be used for an array of services including but not limited to: Community-based educational programs on prenatal care, prenatal bonding, child development, basic child care, care of children with special needs, coping with family stress; and programs related to mental health, crisis and respite care, parenting aid and education, and support groups for parents and their children experiencing stress within the family unit.

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**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 requirements	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Conflict of Interest	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	N	Y	N	Y	Y	N

**CROSSCUTTING REQUIREMENTS**

The compliance requirements in the Division of Social Services “Crosscutting Requirements” in Section D (DSS-0) are applicable to this grant.

**1. ACTIVITIES ALLOWED OR UNALLOWED**

**Compliance Requirement**

Specific, allowable activities include the services and activities described in the contract between the DSS and the service provider organization.

Services provided by and costs allowable under the Children’s Trust Fund grants are determined by the grantee with the approval of the DSS. These authorized services will be documented in the contract narrative and subsequent contract amendments.

Examples of allowable activities include, but are not limited to:

- Services designed to increase parenting skills and support;
- Case management and referral;
- Early developmental screening;
- Respite or Crisis Care;
- Referrals to community-based services;
- Public awareness and education activities;
- Individual, group, and family counseling and mental health services;
- Child abuse and neglect prevention activities;

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- Family Resource Center based activities;
- Transportation to and from the services and activities;
- Child care, meals, and incentives to reduce participation barriers;
- Flexible funds to meet family's basic needs;
- Family access to formal and informal resources;
- Parent engagement and leadership; and
- State and community-based collaborations and partnerships.

**Audit Objective** – To determine that Children's Trust Funds are used only for allowable activities as specified in the individual contracts.

**Suggested Audit Procedures** – Examine the agency's contract, cost reports and documentation to support the expenditures to determine if the expenditures were allowable.

### 2. ALLOWABLE COSTS/COST PRINCIPLES

All grantees that expend State funds (including federal funds passed through the NC 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.

Grantees may claim reimbursement for the following activities:

- Purchase of allowable services;
- Purchase of equipment, and training materials;
- Travel costs to required meetings sponsored by DSS and other relevant trainings;
- Other services or activities with prior approval from DSS.

**Compliance Requirement** – The following requirements relate to the grantee's budget as of the balance sheet date as compared to the budget approved by DSS:

- The total expenditures may not exceed the contracted amount without prior written authorization of DSS.

**Audit Objective** – To determine whether agency has adhered to authorized budgeting practices.

#### **Suggested Audit Procedures**

- Review the operating budget approved by DSS and subsequent revisions. Determine that line items are within the amounts budgeted.
- All grantees that expend State funds (including federal funds passed through the NC Department of Health and Human Services) are required to comply with the cost principles described in the NC Administrative Code at 09 NCAC 03M .0201.

### 3. CASH MANAGEMENT

**Compliance Requirement** – Grantees are reimbursed after expenditure through submission of the DSS-1571 part III Administrative Costs Report to the NC DHHS Controller's Office, unless a cash advance has been approved.

**Audit Objective** – To determine funding was reimbursed to grantees after expenditure.

**Suggested Audit Procedures** – Examine the contract to determine language of reimbursement after expenditure was included and verify that the cost reports were submitted the subsequent month after contracted services were provided.

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### 4. CONFLICT OF INTEREST AND CERTIFICATION OF NO OVERDUE TAX DEBTS

**Compliance Requirement** – Children's Trust Fund grantees shall file with DSS, a copy of the grantee's conflict of interest policy as well as annual conflict of interest verification that the policy is on file with DSS.

**Audit Objective** – To determine whether agency has adhered to N.C.G.S 143C-6-23(b).

**Suggested Audit Procedures** – Examine grantee agency conflict of interest policy and procedure against personnel and related files to ensure compliance with N.C.G.S 143C-6-23(b).

### 5. ELIGIBILITY

**Compliance Requirements** – Children's Trust Fund Services are designated as primary or secondary prevention services. Families who do not have a confirmed or unconfirmed child abuse and neglect report are eligible to receive services.

**Audit Objective** – Determine whether agency is completing authorized eligibility documentation.

**Suggested Audit Procedures** – Examine sample of need assessment documentation in case records. Ascertain whether agency has completed forms for recipients of program benefits and determined recipients to be eligible for program benefits.

### 6. EQUIPMENT AND REAL PROPERTY MANAGEMENT

**Compliance Requirement** – Equipment purchased through the Children's Trust Fund as a direct cost is allowable as long as that equipment is designated for the exclusive use of the Children's Trust Fund programs. Otherwise, equipment must be cost allocated.

**Audit Objective** – Determine whether Children's Trust Fund programs direct charged equipment purchases or used cost-allocation method. Determine whether purchases met the standards for pre-approval as indicated in contract between DHHS and Children's Trust Fund grantee.

**Suggested Audit Procedure** – Verify that no equipment was charged to Children's Trust Fund without consent of the NCDHHS.

### 7. MATCHING, LEVEL OF EFFORT, EARMARKING

Every Children's Trust Fund contract shall contain provisions that at least twenty-five percent (25%) of the total funding required for a program be provided by the administering organization in the form of cash, in-kind or combination match.

#### **MATCHING**

**Audit Objective** – To determine that grantees match all funds as required.

**Suggested Audit Procedures** – Review grantee agency finance records located at the grantee agency offices in order to verify that the grantee has provided the appropriate match for funds received with this program at the appropriate rate.

**LEVEL OF EFFORT** and **EARMARKING** do not apply at the local level for the Children's Trust Fund.

## 9. PROCUREMENT AND SUSPENSION AND DEBARMENT

### Procurement

All subrecipients 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 at [http://www.pandc.nc.gov/documents/Procurement Manual 5 8 2013 interactive.pdf](http://www.pandc.nc.gov/documents/Procurement_Manual_5_8_2013_interactive.pdf).

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

### Suspension and Debarment

The listing of most debarred and suspended parties can be viewed at the following web site: <https://www.sam.gov/SAM/>

**Audit Objective** – To determine that no contract was awarded to any party that has been suspended or debarred or whose principals have been suspended or debarred.

### **Suggested Audit Procedures**

1. Test a sample of contracts and ascertain if the required suspension and debarment certifications were received for subawards and covered contracts.
2. Test a sample of contracts to the list of parties excluded from federal procurement or non-procurement programs issued by the general services administration and ascertain if contracts were awarded to suspended or debarred parties.

## 9. REPORTING

A monthly report of budget expenditures is to be submitted to DSS at the end of each month. All costs are submitted on a DSS-1571 Administrative Cost Report. In conjunction with the monthly report, all Children's Trust Fund grantees are required to submit performance monitoring reports on a quarterly basis.

**Audit Objective** – To determine that grantees are accurately reporting their expenditures on the DSS-1571.

**Suggested Audit Procedures** – Review the operating budget approved by DSS and subsequent revisions. Determine that expenditure line items are reported accurately on the form DSS-1571.

## 10. SUBRECIPIENT MONITORING

The State is required to monitor and report on all programs funded by this grant in accordance with regulations adopted by DSS, which can be found at <https://files.nc.gov/ncdhhs/documents/files/dss/monitoring/NC-DSS-Sub-Recipient-Contract-Monitoring-Plan-2015-2016-DRAFT.pdf>.

**Audit Objective** – To determine if grantees are monitored according to the NCDSS Monitoring Plan.

**Suggested Audit Procedures** - Review documentation of performance monitoring reports to verify grantee performance is being monitored according to the monitoring plan.