

**OFFICE OF RURAL HEALTH/ TELEMEDICINE/ STATEWIDE TELEPSYCHIATRY
PROGRAM**

State Authorization: Session Law 2013-360, Senate Bill 402

**Department of Health and Human Services
Central Administration/ Office of Rural Health**

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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 \(State Fiscal Years 2019-2021\)](#)”

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 General Assembly appropriated funds for the following purposes:

- (1) To enter into a contract with East Carolina University Center for Telepsychiatry and e-Behavioral Health for statewide implementation and administration of the telepsychiatry program authorized in G. S. 143B-139.4B of the General Statutes; and
- (2) To purchase needed telepsychiatry equipment for the State facilities listed in G. S. 122C-181 that participate in the statewide telepsychiatry program

II. PROGRAM PROCEDURES

The Statewide Telepsychiatry Program is administered by the Department of Health and Human Services, Office of Rural Health (ORH), 2009 Mail Service Center, Raleigh, North Carolina 27699-2009, (919) 527-6440.

Through this initiative, East Carolina University Center for Telepsychiatry and e-Behavioral Health was awarded a grant with which to establish and administer a statewide telepsychiatry program that allows referring sites to utilize consulting providers at a consultant site to provide timely psychiatric assessment and rapid initiation of treatment for patients at the referring site experiencing an acute mental health or substance abuse crisis.

Funds are paid based upon receipt of approved invoices and reporting on the following criteria:

- Number of consultant sites and referring sites participating in the program.
- Number of psychiatric assessments conducted under the program, reported by site or region;
- Length of stay of patients receiving telepsychiatry services in the emergency departments of hospitals participating in the program, reported by disposition; and
- Number of involuntary commitments recommended as a result of psychiatric assessments conducted by consulting providers under the program, reported by site or region and by year, and compared to the number of involuntary commitments recommended prior to implementation of this program.

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.

1	2	3	4	5	6	7	8	9	10	12	13	14
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	N	Y	N	Y	Y	Y	N

1. Activities Allowed or Unallowed

Services provided by and costs allowable under the Statewide Telepsychiatry Program grant are limited to those activities budgeted by the grantee and approved by the ORH.

Audit Objectives- Determine whether State awards were expended only for allowable activities. The allowable activities should be defined in the contract(s) through which funds were provided for the period being audited.

Suggested Audit Procedure-Ascertain through a sample that the services provided by and the costs allowable under the grant are limited to those activities budgeted by the grantee and approved under the grant.

2. Allowable Costs/Cost Principles

Costs must be reasonable and necessary for the performance and administration of the grant to be allocable to the activity. Costs may not be prohibited under State or local laws/regulations, and must be approved by ORH. Generally accepted accounting principles are to be followed in accounting for costs under this program. Adequate documentation of all costs associated with the grant must be maintained by the grantee. No line-item may be increased by more than fifteen (15) percent without the written approval of the ORH. This requirement relates to the contractor’s expenditures as of the date of the balance sheet compared to the budget approved by the ORH.

Audit Objectives- Determine whether charges made to State awards were for allowable costs; and methods of allocating costs to State awards produce an equitable distribution.

Suggested Audit Procedure- Ascertain that the costs incurred during the performance and administration would have been considered reasonable and necessary to a prudent person under the same circumstances. Review the contractor’s budget as approved by the ORH, including any subsequent amendments. Determine that any revisions exceeding fifteen (15) percent of the budget line-item have been approved in writing.

3. Cash Management

Funds are paid on a contractual basis. Generally, funds are paid upon the receipt of approved invoices for expenditures related to the agreed-upon objectives of the contract. Any unexpended balance must be returned to the ORH at the end of the contract period.

Audit Objectives- Determine whether the grantee followed procedures established by the applicable sections of the contract; and the grantee implemented procedures to assure that subrecipients conformed to the same requirements that applied to the grantee.

Suggested Audit Procedure- Select a sample of funds and compare to the dates the funds were disbursed and/or checks were presented to the banks for payments. Select a sample of grantee payment requests and trace to supporting documentation showing that the costs for which payment was requested were paid prior to the date of the payment request and that requests are supported by accounting reports.

4. Conflict of Interest

Conflict 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 Uniform Guidance Appendix XI to Part 200. These requirements include the submission of a Notarized Conflict of Interest Policy and a written statement (if applicable) that the entity does not have any overdue tax debts as defined at the federal, State or local level. 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 Objective – Before receiving and disbursing State funds, determine whether the grantee (1) has adopted a conflict of interest policy and has it on file and (2) whether the grantee has any overdue tax debts at the federal, State or local level.

Suggested Audit Procedures -

1. Ascertain that the grantee has a conflict of interest policy as described above
2. Check the policy and verify through board minutes that the policy was adopted before the grantee received and disbursed State funds
3. Verify as to whether the grantee has any overdue tax debts at the federal, State or local level by reviewing tax reports filed with the appropriate government agencies and confirming via an inspection of the accounting records that all taxes were paid timely

5. Eligibility

Funds may only be awarded to East Carolina University Center for Telepsychiatry and e-Behavioral Health to establish and administer this program.

Audit Objectives- Determine whether required eligibility determinations were made, (including obtaining any required documentation/verifications) and that the grantee was determined to be eligible; subawards were made only to eligible subrecipients; and amounts provided to or on behalf of the grantee were calculated in accordance with program requirements.

Suggested Audit Procedure- Determine the eligibility criteria related to the performance of the contract. Determine grantee was eligible in accordance with the compliance requirements of the program. Amounts paid to or on behalf of the grantee were calculated correctly and in compliance with the requirements of the program. Payments were discontinued when the period of performance expired.

6. Equipment and Real Property Management

The grantee is responsible for the proper custody and care of any property purchased for use in connection with the performance of the contract. At the termination of the contract, the grantee will contact the ORH for instructions as to the disposition of such property and will comply with the instructions, which are to be reasonable.

Audit Objectives- Determine whether Contractor maintains proper records for equipment and adequately safeguards and maintains equipment; and disposition of any equipment acquired with State awards is in accordance with the requirements of the awarding agency.

Suggested Audit Procedure- Verify through invoices that the funds were expended for the equipment described in the approved budget.

8. Period of Performance

Use of grant funds will be limited to the grant period as outlined in the grant agreement. Funds must be expended or obligated for expenditure within the grant period.

Audit Objectives- Determine whether State funds were disbursed within the period of performance.

Suggested Audit Procedure- Verify through a sample that the funds were expended or obligated during the allowed grant period.

10. Program Income

Income received that is directly generated by the initiative should be properly recorded during the grant period. Program income includes, but is not limited to, income from billing for services performed and subscription fees from participating hospitals.

Audit Objectives- Determine whether program income was: carried forward from the previous year; earned in current year; expended appropriately in current year; accounted for; and correctly reported with any excess returned to ORH.

Suggested Audit Procedure- Review financial reports from the Contractor on income related to the statewide telepsychiatry program.

12. Reporting

Grantees shall submit quarterly performance measure reports which will be used to measure the grantee's progress towards meeting the performance targets and objectives listed on the attachment. The quarterly reports will be due no later than 90 days following the end of each quarter.

Audit Objectives- Determine whether required reports for State awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Suggested Audit Procedure- Verify through a sample that the quarterly reports were submitted.

13. Subrecipient Monitoring

If East Carolina University Center for Telepsychiatry and e-Behavioral Health passes funding through to other entities, it must perform various monitoring activities on each subrecipient to include: reviewing reports submitted by the subrecipient, performing site visits to the subrecipient to review financial and programmatic records and observe operations, and reviewing the subrecipient's single audit or program-specific audit results and evaluating audit findings to ensure the subrecipient is in compliance. If East Carolina University Center for Telepsychiatry and e-Behavioral Health does not act as a pass-through entity, this requirement does not apply.

Audit Objectives- Determine whether the Contractor:

1. Identified State award information and compliance requirements to ORH
2. Monitored subrecipient activities to provide reasonable assurance that the ORH administers State awards in compliance with State requirements
3. Ensured required audits are performed and requires appropriate corrective action on monitoring and audit findings
4. Evaluated the effect of subrecipient activities

Suggested Audit Procedure- Obtain a list of all subrecipients with which the grantee has agreements. Select a sample and verify that all monitoring activities are documented.