

93.150 PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)

State Project/Program: PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Federal Authorization: Public Health Service Act, Title V, Part C, Sections 521, as amended; 42 U.S.C. 290cc-21 et seq; Stewart B. McKinney Homeless Assistance Amendments Act of 1990; Public Law 101-645

State Authorization: NC General Statutes 122C; Developmental Disabilities, and Substance Abuse Act 1985

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

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SFY 2026 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 2025-2026). 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 Oct’ 2023-2026).”

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.

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This State compliance supplement must be used in conjunction with the OMB 2026 Compliance Supplement which is scheduled to be issued in May 2026. The OMB supplement will include "Part 3 - Compliance Requirements," for the types that apply, and "Part 6 - Internal Control." If a federal Agency issued guidance for a specific program, this will be included in "Part 4 - Agency Program". The OMB Compliance Supplement is Section A of the State Compliance Supplement

I. PROGRAM OBJECTIVES

The PATH Program provides outreach and support services to adult individuals, meeting the following criteria:

1. Individual has a serious mental illness, or individual has a co-occurring serious mental illness and substance use disorder.
2. Individuals experiencing homelessness, who are homeless or at imminent risk of homelessness. Priority is given to Veterans.

PATH services include outreach; screening; clinical assessment, case management; referrals for primary health services, benefits, and any other needed community services; and a prescribed set of housing services. The goals of the PATH Program are as follows:

- Individuals are connected to community mental health services or services for co-occurring substance use disorders.
- Individuals are connected to permanent housing.
- Individuals receive referral assistance to attain permanent supportive housing, temporary housing, medical insurance, primary care services, income, employment and other needed services and supports.

All grantees are required to comply with the NC Department of Health and Human Services and DMHDDSUS records retention schedules and policies. These include Functional Schedule for State Agencies, Records Retention and Disposition Schedule – DMH/DD/SUS Local Government Entity (APSM 10-6), Records Retention and Disposition Schedule – DMH/DD/SUS Provider Agency (APSM- 10-5) and the DHHS Records Retention and Disposition Schedule for Grants.

The records of the contractor shall be accessible for review by the staff of the N. C. 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 the DHHS/DMH/DD/SUS.

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

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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

PATH funds are allocated through a contract between DHHS and the organization selected through a Request for Applications (RFA).

The State and the organization must provide a \$1.00 match expenditure for every \$3.00 of the PATH funds expended using non-federal or state dollars. Continued funding is based on a demonstrated effective administration of the PATH program and an annual approved PATH application. Funds must be expended or earned in accordance with contract. Funds are paid through submission of the Financial Status Report, Consumer Assistance Log, Outreach Logs, Outcome Report and receipts/supportive documentation monthly per the approved PATH budget and budget narrative, and match budget narrative. Reporting of the services delivered to eligible recipients is submitted quarterly.

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements (Types) for this federal program identified by either the federal or State agency with a “Y” that are subject to the audit. The auditor must determine if the Type noted by “Y” has a direct and material effect on the federal program for the auditee. If the Type is determined to be subject to audit, the auditor must use the OMB 2026 Compliance Supplement, Part 3 and Part 4 (if an OMB supplement is issued) in addition to this State supplement to perform the audit.

If the State determines that the federal requirement does not require testing at the local level or if the State modifies the federal requirements, this is discussed in the supplement under the type of compliance requirement. Auditors are not expected to test requirements that have been noted with an “N.”

CC	A	B	C	E	F	G	H	I	J	L	M	N
Cross Cutting Requirements	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
N	Y	Y	Y	Y	N	N	N	N	N	Y	Y	Y

A. ACTIVITIES ALLOWED OR UNALLOWED

PATH funds are only used for those individuals meeting the PATH criteria to provide the following services: assertive outreach; screening; clinical assessment, case management;

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residential support services; referrals for temporary housing, permanent supportive housing, medical insurance, primary health services, income, benefits, and any other needed community services; and housing services in compliance with Public Health Service Act, Title V, Part C, Section 521, and Section 522 (h)(1) as amended, 42 U.S.C 290cc-21 et seq; Stewart B. McKinney Homeless Assistance Amendments Act of 1990; and Public Law 101-645.

Audit Objective

- Determine that expenditures were incurred for allowable activities consistent with PATH program and allocation guidance

Suggested Audit Procedures

1. Obtain and review the allocation letter(s) and contracts or agreements between the auditee and the State agency and, if applicable, between the auditee and its subrecipients, to identify approved activities, restrictions, and special conditions.
2. Review approved budgets and/or spend plans, if required by the State agency or allocation letter, to determine whether planned activities align with authorized program objectives and allowable uses of funds.
3. Select a sample of expenditures or program activities and:
4. Trace the expenditures to the approved budget or spend plan, if applicable;
5. Determine whether the activities or costs support approved activities identified in the allocation letter and contract; and
6. Verify that expenditures are consistent with the approved purpose of the award.
7. Inquire of management regarding procedures in place to ensure expenditures and activities remain consistent with approved contracts, budgets, and spend plans.
8. For auditees that pass funds to subrecipients, review a sample of subrecipient budgets or spend plans, if required, and determine whether the auditee performed a review to ensure subrecipient activities were allowable under the program.

B. ALLOWABLE COSTS/COSTS 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 and in 2 CFR, Part 200 Subpart E – Cost Principles.)

Audit Objective

- Determine that costs charged to the program are reasonable, necessary, and allowable under federal cost principles and allocation restrictions.

Suggested Audit Procedures

1. Test a sample of expenditures for allowability, allocability, and reasonableness.
2. Review supporting documentation for selected costs.
3. Determine whether costs comply with allocation letter and contract restrictions.

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C. CASH MANAGEMENT

These funds are reimbursed based on the contracted funds:

1. Funds are paid through submission of the Financial Status Report, Consumer Assistance Log, Outreach Log and receipts/supportive documentation monthly per the approved PATH budget and budget narrative, match budget narrative and Veteran budget narrative if applicable. Reporting of the services delivered to eligible recipients is submitted quarterly.
2. Funds are settled on a reimbursement basis by expenditures.
3. PATH funds that are paid to the PATH Providers cannot have more than 20% of those expenditures on housing. Verify this from submission of PATH program expenditures that are submitted monthly.

The DHHS Controller's Office is responsible for submitting a SF-425 Financial Status Report to the Federal Grants Management Officer for documentation of federal funds expended, according to the DHHS Cash Management Policy.

E. ELIGIBILITY

Services are provided based on the following criteria:

1. Individual has a serious mental illness or co-occurring serious mental illness and substance use disorder.
2. Individuals experiencing homelessness, who are homeless or at imminent risk of homelessness. Priority is given to Veterans.

L. REPORTING

1. Contracted PATH Provider submits the Financial Status Report, PATH Consumer Assistance Log, PATH Outreach Log, Outcome report and supportive documentation/receipts for review.
2. Contracted PATH Provider submits supportive documentation/receipts for costs meeting the match requirement.

M. SUBRECIPIENT MONITORING

Requirement:

The subrecipient must monitor any sub-subrecipients receiving funding to ensure compliance with program requirements, proper use of funds, and accurate reporting. Documentation of monitoring activities must be maintained in accordance with 2 CFR 200.331(d) and program policies.

Audit Objective

- Determine whether the subrecipient:
 - Properly identifies all sub-subrecipients receiving program funds.
 - Monitors the sub-subrecipients to ensure compliance with program requirements, including financial and programmatic reporting.
 - Maintains adequate documentation of monitoring activities, findings, and any corrective actions.

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Suggested Audit Procedures

1. Obtain a list of all sub-subrecipients funded by the organization during the audit period and verify completeness.
2. Review funding agreements or contracts with sub-subrecipients to ensure they:
 - a. Specify award amount, period of performance, and allowable activities.
 - b. Include required certifications or attestations of compliance with program requirements.
3. Inspect budgets, spend plans, and financial reports submitted by sub-subrecipients to ensure proper tracking of allocated funds.
4. Examine monitoring documentation maintained by the subrecipient, including:
 - a. Site visit reports or desk review notes.
 - b. Correspondence documenting follow-up on compliance findings or corrective actions.
 - c. Evidence that monitoring activities are performed regularly in accordance with policy.
5. Cross-check sub-subrecipient expenditures against the subrecipient's reimbursement requests to verify that all disbursements are properly supported and accounted for.
6. Confirm retention of monitoring records in accordance with program and record retention requirements.

N. SPECIAL TESTS AND PROVISIONS

Compliance Requirement

Audit Objectives

1. To ensure compliance with the DHHS and DMH/DD/SUS records retention schedules and policies.
2. 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

1. Verify that records related to this fund source are in compliance with the DHHS-DMH/DD/SUS record retention schedules and policies.
2. Review contract/grant agreement, identify any special requirements; and
3. Verify if the requirements were met.
4. Verify that the Conflict-of-Interest declaration is signed and that there are no overdue tax debts at the federal, State or local level as required below.