

93.234-1

**TRAUMATIC BRAIN INJURY STATE DEMONSTRATION
GRANT PROGRAM**

State Project/Program: TRAUMATIC BRAIN INJURY SERVICES

Federal Authorization: REHABILITATION ACT OF 1973, AS AMENDED, TITLE VII,
CHAPTER 1, PART B.

State Authorization: NCGS § 122C-3(12a) (b)

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

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Address Confirmation Letters To

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’ 2024-2026).”

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.

This compliance supplement must be used in conjunction with the OMB 2026 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.

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I. PROGRAM OBJECTIVES

To provide funding to design programs and services:

- (1) To support and assist families in accessing the continuum of care and to provide educational programs on brain injury prevention, intervention and care.
- (2) To support residential programs across the State that are specifically designed to serve individuals with Traumatic Brain Injury (TBI) and (ii) support requests from individuals for residential supports, home modifications, transportation, and other requests deemed necessary by the consumer's local management entity/managed care organization.

II. PROGRAM PROCEDURES

The local management entity/managed care organization (LME/MCO) will identify individuals as consumers in need of assistance from TBI support services. Once identified, individuals have access to program funds.

The funds are used as a provider of the last resort above and beyond what other funding sources may cover. These funds are also available when an individual is not eligible for any other funding source.

If additional program needs are identified, LME/MCOs, and other agencies and providers of service may request to develop programs to meet specific needs.

These funds are also used for funding other traumatic brain injury-related initiatives to improve the State and local service systems in identifying and increasing support and service to individuals with traumatic brain injury.

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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.”

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	N	N	N	N	N	Y	Y	Y

A. ACTIVITIES ALLOWED OR UNALLOWED

Funding can be used for individuals as described in statute NCGS § 122C-3(12a)(b). These are individuals with a severe, chronic disability of a person that satisfies all of the following:

- Is attributable to a mental or physical impairment or combination of mental and physical impairments.
- Is manifested before the person attains age 22, unless the disability is caused by a traumatic brain injury, in which case the disability may be manifested after attaining age 22.

Audit Objective

- Determine that expenditures were incurred for allowable activities consistent with 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.

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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/COST PRINCIPLES

Costs are to assist individuals with traumatic brain injury to receive the necessary support to remain in their communities. These individuals, once identified by the local management entity/managed care organization (LME/MCO) as consumers in need of assistance, are eligible for services.

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.

C. CASH MANAGEMENT

Requirement

1. Funds are disbursed on a reimbursement basis, except as otherwise approved in writing by DMH.
2. Payments must be requested only after costs are incurred.
3. Subrecipients must submit proper supporting documentation to receive reimbursement.

Audit Objective

- Ensure subrecipients request reimbursement only for expenditures actually incurred and appropriately documented.

Suggested Audit Procedures

1. Trace reimbursement requests to supporting invoices and payroll.

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2. Verify expenditures were properly approved before reimbursement.
3. Inspect FSRs submitted to DMH for accuracy and timeliness.
4. Confirm that no advance payments were made without proper authorization.

E. ELIGIBILITY

Individuals are eligible based on the following criteria: If the individual has a severe, chronic disability that satisfies all of the following:

- Is attributable to a mental or physical impairment or combination of mental and physical impairments.
- Is manifested before the person attains age 22, unless the disability is caused by a traumatic brain injury, in which case the disability may be manifested after attaining age 22.

L. REPORTING

Progress and Financial Reports

- LME-MCO will provide quarterly progress reports.
- LME-MCO must provide monthly and final financial status reports.

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.

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.

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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

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. All grantees are required to comply with the NC Department of Health and Human Services and DMH/DD/SUS 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.
2. Review contract/grant agreement to identify any special requirements; and
3. Verify that the Conflict-of-Interest declaration is signed AND that there are not overdue tax debts at the federal, state or local level as required below.

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 effective July 1, 2007. These requirements include the submission of a 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 bodies. 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

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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 should 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 subgrantee accountable for the legal and appropriate expenditure of those State grant funds.