

93.243-2

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES  
PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE**

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**State Project/Program: NORTH CAROLINA STATE OPIOID RESPONSE (SOR) GRANT**

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**US DEPARTMENT OF HEALTH AND HUMAN SERVICES  
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION**

**Federal Authorization:** Further Consolidated Appropriations Act, 2024,  
Division D, Title II, [Public Law 118-47] and section 1003 of the 21st  
Century Cures Act  
[Public Law 114-255] (42 USC 290ee-3 note), as amended.

**State Authorization:**

**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 DHHS 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)”.

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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.

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 or “Part 7 when supplement is not when not included on compliance list. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

**Program Purpose**

The purpose of this program is to address the overdose crisis, driven primarily by illicitly manufactured fentanyl, by providing resources to states and territories for increasing access to U.S. Food and Drug Administration (FDA)-approved medications for the treatment of opioid use disorder (MOUD), and for supporting the continuum of prevention, harm reduction, treatment, and recovery support services for opioid use disorder (OUD) and other concurrent substance use disorders. The State Opioid Response (SOR) program also supports the continuum of care for stimulant misuse and use disorders, including those involving cocaine and methamphetamine.

**Program Objectives**

The primary purpose of the proposed project is to continue addressing the opioid crisis in North Carolina, aligning with the Division of Mental Health, Developmental Disabilities, and Substance Use Services’ Strategic Plan, and the North Carolina Substance Use and Opioid Action Plan 3.0. SOR funding efforts will focus on activities that can realistically be accomplished within the grant timeframe, including access to evidence-based prevention, treatment, recovery supports, and measurement of program impact.

1. Increase access to U.S. Food and Drug Administration (FDA)-approved medications for the treatment of opioid use disorder (MOUD)
2. Support the continuum of prevention, harm reduction, treatment, and recovery support services for OUD and other concurrent substance use disorders
3. Support the continuum of prevention, harm reduction, treatment, and recovery support services cocaine and methamphetamine.

**Implementation Approach**

- (A) Implement service delivery models that enable the full spectrum of treatment and recovery support services. The project will utilize medication assisted treatment/medication for opioid use disorder (MAT/MOUD), clinical and recovery services, as well as support for all participants of this grant. The focus is on individuals with an OUD.
- (B) Provide treatment transition and coverage for patients reentering communities from criminal justice settings or other rehabilitative settings. In collaboration with Department of Public Safety, the proposed project plans to provide FDA-approved medications, as well as clinical and recovery supports at specific reentry facilities.

- (C) Implement community recovery support services such as peer support, recovery coaches, and recovery housing. Provide continued funding for certified peer supports specialists who function as mentors, coaches and motivators and assist in engaging and maintaining patients in care. North Carolina has traditionally utilized state and block grant funds for recovery supported housing and has long partnered with Oxford House on MAT-friendly homes. We will augment current funding to enable the availability of recovery supported housing that is MAT-friendly for individuals in care under this grant. Participants will be housed only in facilities that meet federal and state standards and are appropriate to the needs of the participant. An additional, related component, also funded by this grant, will be the continuation of two reentry coordinators employed by Oxford House.
  
- (D) Increase Harm Reduction Resources through Implementing the Naloxone Distribution and Saturation Plan. To reduce opioid overdose deaths by increasing overdose education and naloxone distribution among communities with high overdose rates and to those at highest risk of experiencing overdose, including individuals leaving incarceration, people who use drugs, and their family members there is a three-stage approach. First, engagement of partners. Second, conduct a landscape analysis. Lastly, update the distribution plan and execute purchases. Important to the implementation is guidance through the monthly meetings with individuals with lived experience. Purchase and distribution of Fentanyl Test Strips (FTS) is included in the Naloxone Distribution and Saturation Plan to increase the opportunities to reduce overdoses and save lives.
  
- (E) Implement harm reduction services. Focus on strengthening tailored outreach and building relationships with historically marginalized drug-using communities that have not traditionally accessed harm reduction, overdose prevention, and treatment services.
  
- (F) Implement prevention and education services. The proposal continues to work with Community Impact NC on a statewide 'Lock Your Meds' campaign, medication drop/lock box and medication disposal distribution with a new focus on Native American (Cherokee and Lumbee) and Veterans populations as well as continuing work with Partners Aligned Toward Health focusing on prescribers in the western part of the state to reduce the use of prescription opioids for pain management in older adults by offering alternative pain management approaches promoted by the National Institutes of Health.

**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	N	N	N	Y	N	N	Y	Y	N

**A. ACTIVITIES ALLOWED OR UNALLOWED**

**State Activities**

The purpose of this grant is to address the opioid use crisis by carrying out initiatives that supplement activities pertaining to opioids undertaken by the North Carolina Department of Health and Human Services, the State agency responsible for administering the Substance Use Prevention, Treatment and Recovery Services Block Grant under subpart II of part B of title XIX of the Public Health Service Act (42 U.S.C. 300x–21 et seq.).

**SAMHA Activities** - Recipients and sub-awardees **must** use SAMHSA funds primarily to support direct services. This includes the following activities:

Implement service delivery models that enable the full spectrum of treatment and recovery support services that facilitate positive treatment outcomes and long-term recovery from opioid and stimulant use disorders. Models for evidence based treatment include, but are not limited to:

- Hub and spoke/center of excellence models in which patients with OUD and stimulant use disorders are stabilized in a specialized treatment setting focused on the care and treatment of OUD and stimulants, and associated conditions such as mental illness, physical illness, including infectious diseases, and other substances use disorders. Once stabilization has occurred, they are transferred to community-based providers, including primary care practitioners.
- Treatment in SAMHSA-certified OTPs.
- Addiction specialty care programs that either directly provide or support use of MOUD in addition to psychosocial services such as drug counseling,

psychoeducation, toxicology testing, individual, group, and/or family therapy, vocational/educational resources, case management, and recovery support services, including community-based services that provide peer supports, address housing needs and issues of families (e.g., reunification of children who may be in foster care while a parent[s] receive treatment); this may include outpatient, intensive outpatient, or partial hospital levels of care.

- Non-specialty settings, such as emergency departments, urgent care centers, and, in some cases, pharmacies that also support appropriate MOUD and recovery support services.
- Inpatient/residential programs that provide intensive treatment services to those meeting medical necessity criteria and which offer MOUD provided the care continuum includes a connection to MOUD in the community once individuals are discharged from the inpatient/residential program.
- Primary care or other clinical practice settings, including certified community behavioral health clinics, where MOUD is provided and linkages to psychosocial services and recovery support services centered on patient needs related to the provision of comprehensive treatment of OUD.
- Programs that address the multi-faceted and complex needs of individuals with stimulant use disorder (e.g., polysubstance use, psychosis, violence, cooccurring stimulant use and mental disorders).
- Low barrier MOUD treatment programs that provide medications for treatment and other supportive services but do so without any preconditions to access. Low barrier models of care provide person-centered care and make minimal requirements of patients, thus removing or reducing barriers to treatment and meeting the individual where they are.
- Innovative telehealth strategies in rural and underserved areas to increase the capacity of communities to support OUD/stimulant use disorder prevention, treatment, and recovery.
  - Care coordination and case management services, as appropriate, to ensure the provision of the full spectrum of treatment and recovery support services.
- Support the full continuum of prevention, harm reduction, treatment, and recovery support services for transitional aged youth and young adults (ages 16–25)

Implement recovery support services, including but not limited to:

- Recovery coaching,
- Vocational training,
- Employment support,
- Transportation,
- Childcare,
- Linkages to legal services,\*
- Recovery Community Organizations,
- Temporary housing supports (i.e., application fees, deposits, rental assistance, utility deposits, and utility assistance),
- Hygiene kits,
- Dental kits to promote oral health for individuals with OUD enrolled in treatment with buprenorphine (i.e., dental kits are limited to items such as toothpaste, toothbrush, dental floss, non-alcohol-containing mouthwash, and educational information related to accessing dental care), and
- Recovery Housing.

***\*Recipients may not pay for legal services with grant funds.***

### **Audit Objective**

- Determine that expenditures were incurred for allowable activities consistent with grant guidelines 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/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 NC Administrative Code at 09 NCAC 03M.0201 and in 2 CFR, Part 200 Subpart E – Cost Principles.)

Certain expenditures are considered non-allowable and are not included in the cost allocation. Fixed assets and moveable assets costing \$5,000 or more must be reported on the cost finding as assets. (Moveable assets costing less than \$5,000 may be directly expensed.)

Funds must be expended or earned in accordance with the Performance Agreement between the Division of MH/DD/SUS and the Local Management Entity-Managed Care Organization (LME/MCO), including amendments via individual allocation letters.

**SPECIAL CONDITIONS:**

1. The award of these funds shall not be used by a county or LME/MCO as a basis to supplant any portion of a county's commitment of local funds to the area authority or LME/MCO.
2. If these funds shall be used to support a new service for which a license and/or accreditation is required, such licensure/accreditation shall be completed prior to the delivery of services.
3. If these funds shall be used for a new service which does not have an established reimbursement rate, a new Service Objective Form must be submitted and approved by the Division before any payments are made.

4. The funds provided shall not be used to supplant Federal or non-Federal funds for services or activities which promote the purposes of the grant or funding.
5. The funds provided shall not be utilized to supplement any reimbursement for services or staff activities provided through the NC Medicaid Program.
6. The funds provided shall not be utilized to supplement any reimbursement for services or staff activities supported through the Division's payment of other UCR or non-UCR funds, without the prior written approval of the DMH/DD/SAS Business/Budget Director and the Chief of Addictions and Management Operations.
7. The funds provided shall be fully utilized, monitored, and settled in compliance with the conditions of the current Contract Agreement between the LME/MCO and DMH/DD/SAS, with the full adherence of the LME/MCO and its sub-recipient contractors to all applicable State and federal laws, rules, regulations, policies, guidelines, standards, agreements, protocols, plans, and communications.
8. Funds shall be used in accordance with HHS Grant Policy Statements.
9. Federal funds shall not be paid in advance to an LME/MCO, contractor, or any other entity. Any exceptions to the required timely reporting of actual federal funds expended shall be approved in writing by the DMH Business/Budget Director and the Chief of Addictions and Management Operations Section.
10. Funds shall be used in accordance with cost principles describing allowable and unallowable expenditures for nonprofit organizations in accordance with OMB Circular A-122.
11. Agencies or organizations receiving federal funds are required to receive prior written approval from the Chief of the Addictions and Management Operations Section regarding the use of evidence-based program nominal incentives, including the specification of the type(s) and equivalent dollar value(s) of any such nominal incentives offered, and the manner of utilization of any such approved incentives for clients, recipients, students, or other persons. "Nominal incentives" are restricted to those incentives of no more than twenty-five dollars (\$25.00) in value, per recipient, per event. Programs are strictly prohibited from utilizing any incentive items that could potentially be converted to cash, or that could be used for the purchase of any age-restricted product, such as tobacco, alcohol, drugs, weapons, lottery tickets or other inappropriate products or materials. Incentives may not be offered to staff, interns, contractors, consultants, board members, consultants, consultants, volunteers, or any other individuals who are not enrolled as recipients in the program of behavioral health services.
12. Federal funds shall not be utilized for law enforcement activities.
13. No part of any federal funding shall be used for publicity or propaganda purposes, for the preparation, distribution, or use of any kit, pamphlet, booklet, publication, radio, television, or video presentation designed to support or defeat legislation pending before Congress or any State legislature, except in presentation to the Congress or any state legislative body itself.
14. No part of any federal funding shall be used to pay the salary or expenses of any grant or contract recipient, or agent acting for such recipient, related to any activity designed to influence legislation or appropriations pending before Congress or any state legislature.

15. LME/MCOs are prohibited from withholding or deducting any portion of allocated federal funds for the support of any LME/MCO activity or function, including, but not limited to, administration, overhead, or indirect expenses. All allocated funds are required to be fully contracted by the LME/MCO for approved expenditure by eligible non-profit subrecipient organizations.
16. Funds cannot be used to pay for housing other than residential substance use disorder services, such as group living, halfway house or other supportive living service codes approved for the ASOUD benefit plan.
17. Funds can be used to offset co-pays and deductibles if the costs are specific to addressing an individual's opioid use.
18. Private for-profit OTPs (opioid treatment programs) and OBOTs (office-based opioid treatment practices) are permitted to receive SOR funds, if these activities are done through a contract mechanism.
19. Any payback of funds provided to the LME/MCO pursuant to this allocation and determined to be owed by the LME/MCO as a result of the funding review and settlement process conducted by DMH/DD/SAS for each fiscal year, must be paid within 60 days after the date of LME/MCO's receipt of the non-Medicaid funding audit report memorandum (financial settlement memorandum) from DMH/DD/SAS. If not paid timely, DMH/DD/SAS will take action to recover any such payback amount due from the LME/MCO. The LME/MCO will be provided prior written notice of the process to recoup any payback fund owed and not timely paid by the LME/MCO and any appeal rights to contest the payback amount due, in the financial settlement memorandum from DMH/DD/SAS.
20. NC DHHS has an approved cost allocation plan which exempts the State from the indirect cost rate requirement for Federal awards.
21. NC DHHS does not allocate pass-through funds identified as Research and Development.
22. SOR Grant funds are prohibited from being used to satisfy any requirement for the expenditure of non-Federal funds as a condition of receipt of Federal funds. (i.e., Federal funds may not be used to satisfy any conditions for any state, local or other funding match requirement).
23. The Level I salary of the U.S. Office of Personnel Management's Federal Executive Salary Schedule is found in the [Federal Salary Schedules](#).
24. SOR Grant funds may not pay for any lease beyond the project period.
25. SOR Grant funds may not provide residential or outpatient treatment services when the facility has not yet been acquired, approved, and met all requirements for human habitation and services provision. (Expansion or enhancement of existing residential services is permissible.)
26. SOR Grant funds may not provide detoxification services unless it is part of the transition to MAT with extended-release naltrexone.
27. SOR Grant funds may not support non-evidence-based treatment approaches.
28. Private for-profit OTPs (opioid treatment programs) and OBOTs (office-based opioid treatment practices) are permitted to receive SOR funds, if these activities are done through a contract mechanism.

**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. Verify compliance with administrative cost limitations.
3. Review supporting documentation for selected costs.
4. 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.
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.

**H. PERIOD OF PERFORMANCE**

**Requirement**

Funds awarded may be used only for allowable costs and activities incurred during the approved period of performance specified in the allocation letter or contract.

The period of performance varies by contract or allocation. Costs are considered incurred when the underlying goods or services are received and the related obligation is recorded, in accordance with applicable accounting policies.

Expenditures may not be charged to the program if they:

1. Are incurred before the start date or after the end date of the approved funding period.
2. Relate to obligations or activities outside the scope of the approved period.
3. Represent advance payments or prepayments for services to be performed outside the approved period of performance; or

4. Are otherwise inconsistent with the timing requirements specified in the allocation letter or contract.
5. If allocation letters or contracts allow for carryforward, extensions, or adjustments to the period of performance, such changes must be formally approved in writing by the State agency.

**Audit Objective**

- Verify all costs charged to the program fall within the allowed period.

**Suggested Audit Procedures**

1. Obtain and review the allocation letter(s) and contracts or agreements to identify the approved period of performance for the program.
2. Select a sample of expenditures charged to the program and:
3. Verify that the expenditure dates fall within the approved period of performance; and
4. Determine that the underlying goods or services were received during the approved funding period.
5. Review supporting documentation (e.g., invoices, payroll records, service delivery documentation) to confirm that costs were incurred within the approved period.
6. Inquire of management whether any extensions, carryforwards, or modifications to the period of performance were granted and, if so, review written approval from the State agency.
7. For reimbursement-based funding, determine whether expenditures submitted for reimbursement were incurred during the approved period prior to reimbursement.
8. For grantees that pass funds to subrecipients, review a sample of subrecipient expenditures to determine whether the grantee performed procedures to ensure subrecipient costs were incurred within the approved period of performance.

**L. REPORTING**

**Financial Reports:**

For federal funds allocated outside of UCR, approved expenditures shall be reported through the routine submission of monthly Financial Status Reports (FSRs). Any exceptions to the required timely reporting of federal funds expended shall be approved in writing by the DMH/DD/SUS Assistant Director of Budget and Finance and the Section Chief of Addictions and Management Operations.

Grantees must provide monthly and final Financial Status Reports (FSRs).

**Program Reports:**

SOR grantees must provide reports to minimally include the following information:

1. As per requirements from SAMHSA, all providers receiving these funds for the provision of medication assisted treatment and recovery supports will be required to administer the Government Performance and Measurement Act (GPRA) performance tool and report a series of data elements that will enable SAMHSA to determine the impact of the program on opioid use, and opioid-related morbidity and mortality and stimulant use, as applicable. Grantees will be required to report client-level data on elements including but not limited to diagnosis, demographic characteristics, substance use, services received, types of MAT received; length of stay in treatment; employment status, criminal justice involvement, and housing. Additional data

- elements may also be required upon determination by SAMHSA of the feasibility of expanding the current GPRA tools. Examples of the type of data collection tools required can be found here: <https://www.samhsa.gov/grants/gpra-measurement-tools/csat-gpra/csat-gpra-discretionary-services>. Data will be collected through in-person or virtual interviews using this tool at three data collection points: intake to services, six months post intake, and at discharge. Recipients will be expected to do a GPRA interview on all clients funded through this SOR grant.
2. NCTOPPS data must be collected at the standard, defined time periods.

## **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**

6. 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:
  - Specify award amount, period of performance, and allowable activities.
  - 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:
  - Site visit reports or desk review notes.
  - Correspondence documenting follow-up on compliance findings or corrective actions.
  - Evidence that monitoring activities are performed regularly in accordance with policy.

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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.