LGC
Reviewed
in accordance to
G.S. 159-34(a)

APRIL 2025

93.958	**BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES (MHBG)**
93.778	**MEDICAL ASSISTANCE PROGRAM**
State Project/Program:	**NORTH CAROLINA -PSYCHIATRY ACCESS LINE (NC-PAL) STATEWIDE EXPANSION**

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Federal Authorization: **Public Health Service Act, Title XIX, Part B, Subpart I and III, as amended,**
P.L. 102-321; 42 USC 300X
Medicaid State Plan approved under Title XIX of the Social Security Act. Authorized under section 6008 of the Families First Coronavirus Response Act (FFCRA) of 2020, as amended by section 5131 of subtitle D of title V of division FF of the Consolidated Appropriations Act, 2023 (CAA, 2023) (P.L. 17-328), enacted December 29, 2022. Until March 31, 2023, section 6008 of the FFCRA provided a temporary increase of 6.2 percentage points in the federal medical assistance percentage (FMAP) determined under section 1905(b) of the Act for each state that met conditions specified in section 6008 of the FFCRA (as that section was worded prior to the changes made by the CAA, 2023).
Public Health Service Act, Title III, Part B, Sec. 317L¬1, as amended by the 21st Century Cures Act (2016)

State Authorization: **NC General Statutes 122C; Mental Health, Developmental Disabilities, and Substance Abuse Act 1985**
NC General Assembly Session Law 2023-134 House Bill 259 Part IX-E Health Benefits North Carolina-Psychiatry Access Line Section 9E.19B
N. C. Department of Health and Human Services
Division of Child and Family Well-Being

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Address Confirmation Letters To:

SFY 2025 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 2024-2025." 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 2023-2025).

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 State Compliance Supplement must be used in conjunction with the OMB 2025 Compliance Supplement which is scheduled to be issued in May 2025. 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 North Carolina Psychiatry Access Line (NC-PAL) is a free telephone consultation and education program helping health care providers address the behavioral health needs of pediatric and perinatal patients. Behavioral Health Consultants (BHCs) respond to questions about behavioral health and local resources. They can also connect providers to on-call psychiatrists.

This program supports primary care and generalist psychiatric providers around diagnosis and treating pediatric behavioral health disorders as well to support additional settings to clinical offices, including DSS offices, Child Development Service Agencies, and child residential providers, among others. The program is based on the Massachusetts Child Psychiatry Access Project (MC-PAPP) model. The program provides education, prevention, early intervention, treatment and resiliency and recovery supports to children and youth experiencing serious emotional disturbance (SED) and adults living with a serious mental illness (SMI). Children with SED and adults with SMI are defined as having a diagnosable mental health condition and having functional impairment that substantially interferes with their lives because of that condition. SED and SMI affect many receiving cares in primary care settings and specialty care settings including emergency departments (EDs), residential treatment settings, and many children who are in the care of DSS.

The purpose of the contract with Duke University is to increase the capacity of the North Carolina Psychiatry Access Line. The contract will support the development, maintenance, and expansion of programs. This will enhance NC-PAL's ability to provide consultation and training to primary care providers, specialty care providers, educators, program staff, community-based organizations and facilities that care for individuals with SED/SMI in the timely identification, diagnosis, management, treatment, and referral of these individuals. In addition, NC-PAL will provide consultation related to specific populations that may or may not have SED/SMI such as young children and individuals with intellectual and developmental disabilities. This program covers services for all 100 counties in North Carolina.

Below are the NC-PAL services:

1. Child Psychiatry Educational Consultation and Outreach to Clinical Providers
2. Child Psychiatry Consultation with and Without Observation and Education with DSS Sites
3. Perinatal Psychiatry Consultation and Outreach to Clinical Providers
4. Early Childhood Consultation with and Without Observation and Education with Practices and Child Development Service Agencies
5. Intellectual/Developmental Disability Consultation
6. Education
7. Program Administration, Data Tracking and Evaluation

II. PROGRAM PROCEDURES

The NC General Assembly has appropriate recurring funds to the Department of Health and Human Services (The Department or NC DHHS) through the Division of Health Benefits. The Department also adds Mental Health Block Grant funds from the Substance Abuse and Mental Health Services Administration (SAMHSA) and Maternal and Child Health Federal Consolidated Program funds from Health Resources and Services Administration (HRSA), to support the sustainment, expansion, and data sharing of the programs and services provided by the North Carolina-Psychiatry Access Line (NC-PAL).

The Department establishes financial assistance contracts with the Department of Psychiatry and Behavioral Sciences at Duke University. These contracts are managed through the DHHS, Division of Child and Family Well-Being (DCFW). Additionally, there is a Memorandum of Agreement established between DHHS, Division of Health Benefits (DHB) and DCFW regarding the administrative activities required of the two Divisions to support the program.

The MA outlines the following obligations and responsibilities of the two Divisions:

DCFW Obligations and Responsibilities

1. Deliver the quarterly Accounting Report for all expenditures which details how DCFW is allocating Medicaid, other federal funding and match for the NC-PAL program and the amounts paid by DCFW to providers for services rendered through to DHB through the Business Intelligence Data Platform (BIDP).
2. Deliver Quality reporting to be submitted annually and must adhere to a DHB and DCFW approved evaluation design.

DHB Responsibilities:

1. Review reports and perform quality evaluations to determine compliance with the requirements of this MOA.
2. Ensure that appropriate processes are in place for ongoing communications and exchanges between DHB and DCFW in accordance with this MOA.

DHB provides funding to DCFW in accordance with a fee schedule set based on the appropriation, allocation, and availability of funds to DHB.

DHB generates internal monthly invoices to distribute prospective monthly payments through a bi-weekly Office of Controller (OOC) check write. All DHB generated NC-PAL invoices and payments are subject to DHB OOC 10-day processing SLA requirements. All prospective monthly payments to DCFW equal to the amounts for their applicable period listed in the established fee schedule.

Session Law 2024-134 (H.B. 259) allocates $5,386,350 of the Community Mental Health Services Block Grant to the to the DHHS, Division of Child and Family Well-Being (DCFW). These funds are intended to provide services and support for children and youth with serious emotional disturbance. A portion of these funds is used to support the NC-PAL program.

Payment Provisions: Duke University submits to the DCFW Contract Administrator a monthly Contract Reimbursement Request (CRR) for services rendered the previous month by the 10th of each month and, upon approval by DCFW, receive payment within 30 days. Monthly payment shall be made based on actual expenditures made in accordance with the approved budget on file with both parties and reported on the monthly expenditure report submitted by Duke University. All payments are contingent upon fund availability.

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements (Types) that are applicable to the federal program. These Types are either determined by the federal agency or the State Agency may have added the Type. This is noted by "Y." If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is discussed in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, this is indicated by "N."

If the Type is applicable, the auditor must determine if the Type has a direct and material effect on the federal program for the auditee. The auditor must use the OMB 2025 Compliance Supplement, Part 3 and Part 4 (if an OMB supplement is issued) in addition to this State supplement to perform the audit

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	Y	Y	Y	Y	N	Y	Y	Y

A. Activities Allowed or Unallowed

Grantees are to complete activities as noted in their contract addenda/scope of work. Each scope of work is different based upon the needs of the specific area served. See individual contract scopes of work for more information.

Allowable Activities:

a) Services provided with MHBG funds shall be provided only through appropriate, qualified community programs.
b) Outpatient services, including specialized outpatient services for children and residents of the LME/MCO catchment areas who have been discharged from inpatient treatment at a mental health facility.
c) 24-hours-a-day emergency care services.

d) Screening for patients being considered for admission to State mental health facilities to determine the appropriateness of such admission (42 USC 300x-2(b) and (c)).

e) The activities of this grant are consistent with the State Plan and are specified in the contract (see program procedures section above). These activities include evaluating the programs and services delivered under these contracts, and educational/training activities related to providing services under the MHBG State Plan.

f) First Episode Psychosis services include assertive engagement, case management, individual and family psychoeducation and therapy, medication management, crisis intervention, supportive employment and education and peer support, community outreach and education, clinical consultation, technical assistance, database development and management and fidelity monitoring.

Unallowable Activities:

The funds for services or assistance allocated or under contract are not to be used to:

a) Provide inpatient hospital services. The Division ensures compliance with inpatient service prohibition by not reimbursing inpatient service with MHBG funds through NC Tracks.

b) Make cash payments to intended recipients of health services.

c) Purchase or improve land, purchase, construct or permanently improve (other than minor remodeling) any building or other facility or purchase major medical equipment – unless the State has obtained a waiver from the Secretary of HHS.

d) Satisfy any requirement for the expenditure of non-Federal funds as a condition for the receipt of Federal funds.

e) Provide financial assistance to any entity other than a public or non-profit entity.

Audit Objectives

a. Determine whether funds were expended only for allowable activities,

Suggested Audit Procedures:

a. Review contract requirements and determine activities which are allowable for reimbursement.
b. Sample monthly billings to the DCFW to verify that the activities billed for relate directly to the allowable activities to be reimbursed under the terms of the Contract.

B. Allowable Costs/Cost Principles

As a State agency of the North Carolina DHHS, DCFW has adopted federal allowable cost principles in 2 CFR Part 200, Subpart E for the determination of allowable costs. 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 which requires expenditures to adhere to cost principles outlined 2 CFR Part 200. Audit Objectives

Determine whether funds expended were allowable and in accordance with the applicable cost principles.

Suggested Audit Procedures

a. Review contract requirements and determine types of activities which are allowable for reimbursement under the terms of the contract.

b. Sample monthly billings to DCFW to verify that the costs billed to DCFW were accurate and relate directly to the allowable activities to be reimbursed under the terms of the contract.

C. Cash Management

This requirement does not apply at the local level.

A. Eligibility

NC-PAL is designed for health care providers with questions about the behavioral health needs of pediatric and perinatal patients. Any primary care provider, nurse, psychiatric nurse, can call and ask questions regarding any child of any population. There is no identified age range.

This program does not provide eligibility standards for clients who are supported by the providers who use this service.

B. Equipment and Real Property Management

Equipment Management
This requirement refers to tangible property that has a useful life of more than one year and costs $10,000 or more. Such equipment may only be purchased per the conditions of the approved contract or grant agreement. Shall the contract be terminated, any equipment purchased under this program shall be returned to the Division.

Real Property Management
Not applicable at local level.

Audit Objectives

a. Determine whether the entity maintains proper records for equipment and adequately safeguards and maintains equipment.

Suggested Audit Procedures

a. Obtain the entity's policies and procedures for equipment management and ascertain if they comply with the State's policies and procedures.
b. Select a sample of equipment transactions and test for compliance with the State's policies and procedures for management and disposition of equipment.

C. Matching, Level of Effort, Earmarking

These requirements do not apply to the local level. Match required for at least one of the federal funding sources (i.e. the Maternal and Child Health Federal Consolidated Program) is met at the state level through the Contractor and/or state funding.

D. Period of Performance

This requirement does not apply at the local level

I. Procurement and Suspension and Debarment

At the beginning of the contracting process, the Contractor signs a set of assurances and certification ensuring that their program complies with certain certifications required by federal laws and regulations including the above.

J, Program Income

This requirement does not apply at the local level

L. Reporting

Financial assistance contracts funded by federal pass-through funds are also subject to both state and federal reporting requirements.

The Contractor provides work plan progress quarterly reports. Monthly Contract Request Reimbursement (CRR) reporting expenditures are also provided by the 10th day of the month following the expenditure.

Audit Objectives

a. Determine whether required reports include all activities of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Suggested Audit Procedures

a. Review applicable laws, regulations, and the provisions of the contract for reporting requirements.
b. Verify that Contractor has provided quarterly progress reports related to performance and outcomes and Financial Status Reports (FSRs) showing a statement of expenditures monthly.
c. Verify that Contractor has provided a final year-end report.
d. Ascertain if the financial reports were prepared in accordance with the required accounting basis.
e. For Performance and special reports, verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.

M. Subrecipient Monitoring

Subrecipient monitoring is required if the agency disburses or transfers any State funds to other organizations except for the purchase of goods and services. The grantee shall require such organizations to file with its similar reports and statements as required by G. S. §143C-6-22 and 6-23. If the agency disburses or transfers any pass-through federal funds received from the State to other organizations, the agency shall require such organizations to comply with the applicable requirements of 2 CFR Part 200.331. Accordingly, the agency is responsible for monitoring programmatic and fiscal compliance of subcontractors based on the guidance provided in this compliance supplement and the audit procedures outlined in the Supplement as well as monitoring compliance with specific stipulations, conditions, and performance measures in the contract.

Audit Objectives

a. Determine whether the pass-through entity properly identified State award information and compliance requirements to the subrecipient and approved only allowable activities in the award documents.

b. Determine whether the pass-through entity monitored subrecipient activities to provide reasonable assurance that the subrecipient administers State awards in compliance with State requirements.
c. Determine whether the pass-through entity ensured required audits were performed, issued a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and ensures that the subrecipient takes timely and appropriate corrective action on all audit findings.
d. Determine whether in cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity took appropriate action using sanctions.
e. Determine whether the pass-through entity evaluates the impact of subrecipient activities on the pass-through entity.

Suggested Audit Procedures

a. Gain an understanding of the pass-through entity's subrecipient procedures through a review of the pass-through entity's subrecipient monitoring policies and procedures (e.g., annual monitoring plan) and discussions with staff. This should include an understanding of the scope, frequency, and timeliness of monitoring activities and the number, size, and complexity of awards to subrecipients.
b. Review the pass-through entity's documentation of during-the-award monitoring to ascertain if the pass-through entity's monitoring provided reasonable assurance that subrecipients used State awards for authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements, and achieved performance goals.
c. Review the pass-through entity's follow-up to ensure corrective action on deficiencies noted in during-the-award monitoring.
d. Verify that in cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity took appropriate action using sanctions.
e. Verify that the effects of subrecipient noncompliance are properly reflected in the pass-through entity's records.

N. Special Tests and Provisions

Audit Objectives

a. To ensure compliance with the DHHS and DCFW records retention schedules and policies.
b. 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

a. Verify that records related to these fund sources follow DHHS-DCFW record retention schedules and policies.
b. Review contract/grant agreement, identify any special requirements and verify that the requirements were met.
c. Verify that the Conflict-of-Interest declaration is signed AND that there are no overdue tax debts at the federal, state, or local level.