

93.959-2

**BLOCK GRANTS FOR PREVENTION AND TREATMENT OF
SUBSTANCE USE**

State Project/Program: SUBSTANCE USE PREVENTION

**U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
SUBSTANCE USE AND MENTAL HEALTH SERVICES ADMINISTRATION**

Federal Authorization: Section 516 of the Public Health Service Act
Public Health Service Act, Title XIX, Part B, Subpart II, as amended,
Public Law 102-321; 42 U.S.C. 300x; and 45 CFR Part 96

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.

SUBSTANCE USE PREVENTION

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.

I. PROGRAM OBJECTIVES

Substance Use Primary Prevention

Primary substance use prevention aims to prevent and/or delay alcohol and other substance use among youth and decrease substance misuse in people of all ages throughout the lifespan to promote healthy communities. The terminology of universal, selective, and indicated (Institute of Medicine (IOM) model) is used for this designation.

Universal

A Universal prevention strategy addresses the entire population to prevent or delay the use of alcohol, tobacco, and other drugs.

Selective

Selective prevention strategies target subsets of the total population that are deemed to be at risk for substance misuse by virtue of their membership in a particular population segment – for example, children of adult alcoholics, school dropouts, or students who are failing academically.

Indicated

Indicated prevention strategies prevent the onset of substance use in individuals who do not meet DSM-V criteria for addiction, but who are showing early danger signs, such as falling grades and consumption of alcohol and other drugs. The mission of indicated prevention is to identify individuals who are exhibiting early signs of substance misuse and other problem behaviors associated with substance misuse and to target them with specialized programs.

II. PROGRAM PROCEDURES

Substance Use Primary Prevention

1. **Information Dissemination:** (Maximum of 12% of time)

This strategy is characterized by one-way communication from the source to the audience, with limited contact between the two. Examples include:

- a. Clearinghouse/information resource center(s);
- b. Resource directories.
- c. Media campaigns.
- d. Brochures.
- e. Radio/TV public service announcements.
- f. Speaking engagements.
- g. Health fairs and health promotion, e.g., conferences, meetings, seminars; and
- h. Information lines/Hotlines.

2. **Education:** (Maximum of 30% of total time of which at least 60% is spent with universal audiences, a maximum of 35% is spent with selective audiences and a maximum of 5%

SUBSTANCE USE PREVENTION

is spent with indicated audiences)

This strategy involves two-way communication and is distinguished from the Information Dissemination strategy by the fact that there is more interaction between the educator/facilitator and the participants. Examples include:

- a. Ongoing classroom and/or small group sessions (all ages).
- b. Parenting and family management classes.
- c. Peer leader/helper programs.
- d. Education programs for youth groups.
- e. Mentors; and
- f. Preschool ATOD (Alcohol, Tobacco, and Other Drug [use]) prevention programs.

3. Alternatives: (Maximum of 3% of time)

This strategy provides activities that exclude alcohol, tobacco and other drug use through the provision of constructive and healthy activities. Examples include:

- a. Drug free dances and parties.
- b. Youth/adult leadership activities.
- c. Community drop-in centers.
- d. Community service activities.
- e. Outward Bound.
- f. Other Recreation activities.

4. Problem Identification and Referral: (Maximum of 4% of time)

This strategy aims at the identification of those who have indulged in illegal use of alcohol, tobacco or other drugs to assess if their behavior can be reversed through education. This strategy does not include any activity designed to determine if a person needs treatment. Examples include:

- a. Employee Assistance Programs.
- b. Student Assistance Programs.
- c. Driving-while-intoxicated Education programs

5. Community-Based Processes: (Together with Environmental Strategies includes at least 50% of time)

This strategy aims to enhance the ability of the community to more effectively provide substance use prevention services. Activities in this strategy include organizing, planning, enhancing efficiency and effectiveness of services implementation, coalition building and networking. Examples include:

- a. Community and volunteer training, e.g., neighborhood action training, training of key people in the system (impactor training), server training
- b. Systematic planning.
- c. Multi-agency coordination and collaboration/coalitions
- d. Accessing services and funding; and
- e. Community team building.

6. Environmental: (Together with Community Based Processes includes at least 50% of time)

This strategy establishes or changes community standards, codes and attitudes, written and unwritten, thereby influencing the incidence and prevalence of the abuse of alcohol, tobacco and other drugs used in the general population. Examples include:

- a. Establishment and/or review of alcohol, tobacco, and drug use policies in schools.

SUBSTANCE USE PREVENTION

- b. Guidance and technical assistance to communities on ATOD policy enforcement
 - c. Modifying alcohol and tobacco advertising practice.
 - d. Communication Campaigns to change social norms
 - e. Communication Campaigns to increase support for prevention (e.g., policy development and/or enforcement)
7. Synar Amendment Activities: This strategy ensures local community implementation of Synar Amendment activities towards Reducing Youth Access to Tobacco Products by providing a minimum of 48 hours per six-month reporting period per LME/MCO directly towards the following:
- 1. Community Collaboration-
 - a. Identification of Community Partners: Identify and determine the level of interest and involvement of community partners who share the goal of reducing youth access to tobacco products.
 - b. Community Leadership: Took the lead in pulling together community partners and local retailers to develop strategies to reduce youth access in your service areas.
 - c. Community Education: Provide information on youth access (i.e., laws, penalties) to policy makers, community leaders, youth and civic groups to educate and actively involve them in efforts to reduce youth access to tobacco products. **NOTE: Environmental scans (ES) ARE NOT allowable activities. Do not report the hours.**
 - 2. Merchant Education-
 - a. Identification of Tobacco and Vape Retail Outlets: Identify the number and location of all tobacco retail outlets including over the counter and vending machines in the area(s) served using ECCO retail list.
 - b. Merchant Education: Contact tobacco retail outlets in your area(s) to ensure that they have received specific information (i.e., Merchant Education Materials) on their responsibilities and youth access laws.
 - c. Community Youth Groups Partnership: Partner with local youth/groups to visit tobacco retail outlets in your area(s) to provide information and materials (i.e., postcards, handouts and window decal)) on youth access law(s).
 - 3. Law Enforcement Related
 - a. Promote Local Law Enforcement: Contact officers from your local police or sheriffs' departments to promote increased enforcement of youth access laws.
 - b. Assist in implementation of Tobacco Compliance Checks and Retailer Training: Assist local law enforcement/ALE officers to conduct compliance checks and retailer training by participating in any of the following tasks: (Note: SUPTRS funds may not be used for actual enforcement activities.)
 - i. Development of comprehensive list of retail tobacco outlets

SUBSTANCE USE PREVENTION

- ii. Provision of incentives for clerks who don't sell tobacco products to minors during enforcement operations.
- iii. Assisting in coordination and recruitment of store employees to participate in retailer training conducted by law enforcement officers. Retailers cited for violations of the youth access to tobacco law(s) will be recruited to attend the training.

4. Media and Public Relations

- a. Collaborate with community partners to create media to increase awareness of youth access to tobacco laws and publicize compliance inspections results.
- b. Collaborated with community/youth organizations to conduct a Merchant Pledge Campaign and publicized results to recognize merchants and clerks who have pledged not to sell tobacco products to minors

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, Embarking	Period of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	N	N	Y	Y	N	N	Y	Y	N

Crosscutting Requirements

The DHHS/Division of Mental Health, Developmental Disabilities and Substance Use Services (DMH/DD/SUS) mandates that all the testing included within the crosscutting section be performed by the local auditors. Please refer to that section, which is identified as "93.959-2" for those mandated requirements.

A. ACTIVITIES ALLOWED OR UNALLOWED

Substance Use Primary Prevention

Programs should include activities and services provided in a variety of settings that address specific risk factors and that may be broken down by age, race/ethnicity, gender, and other characteristics of the population being served. (SAMHSA, 45 CFR Part 96, March 31, 1993).

Unallowed activities in SUPTRS primary prevention programs are any activities that are provided to clients who have a diagnosis of substance use, use or dependence.

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.
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 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 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 report as assets. (Moveable assets costing less than \$5,000 may be directly expensed.)

For the Substance Use Prevention, Treatment and Recovery Services Block Grant, the following apply except as indicated:

SUBSTANCE USE PREVENTION

Funds must be expended or earned in accordance with the Performance Agreement between the Division of Mental Health, Developmental Disabilities and Substance Use Services (DMHDDSUS) and the LME/MCO, including amendments via individual allocation letters.

Funds designated for substance use may be used for planning, establishing, maintaining, coordinating and evaluating projects for the development of more effective prevention and treatment programs and activities to deal with substance use (42 U.S.C. 300x-3(a)(1) 1989 Revision).

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.
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.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

MATCHING: This requirement does not apply at the local level.

Level of Effort: Block grant funds allocated shall be used to supplement and increase the level of State, local and other non-federal funds and shall, in no event, supplant such State, local and other non-federal funds. If block grant funds are reduced, the LME/MCO may reduce its participation in a proportionate manner.

Earmarking: Each LME/MCO shall designate and expend no less than 20% (twenty percent) of the LME/MCO's total SUPTRS funding* for the provision of substance use primary prevention services and shall maintain adequate fiscal and programmatic records

SUBSTANCE USE PREVENTION

of such expenditures for SUPTRS reporting purposes. (*this amount excludes any SUPTRS Cross Area Service Program funds designated for special populations).

H. PERIOD OF PERFORMANCE

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.

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:

- Are incurred before the start date or after the end date of the approved funding period.
- Relate to obligations or activities outside the scope of the approved period.
- Represent advance payments or prepayments for services to be performed outside the approved period of performance; or
- Are otherwise inconsistent with the timing requirements specified in the allocation letter or contract.
- 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 auditees that pass funds to subrecipients, review a sample of subrecipient expenditures to determine whether the auditee performed procedures to ensure subrecipient costs were incurred within the approved period of performance.

L. REPORTING

Substance Use Primary Prevention Programs

Each LME/MCO is required to semi-annually submit to the Division the “Local Management Entities/Managed Care Organization Report of SUPTRS 20% Set-Aside Funds for Substance Use Primary Prevention Programs” to provide an accounting of the expenditure of funds for Substance Use Primary Prevention Programs in an amount equal to or greater than 20% of the total SUPTRS funds allocated to the LME/MCO. This reporting is done by the LME/MCOs via the Semi-Annual and Year-End compliance reports.

These funds are disbursed on a reimbursement basis. 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. Financial Status Reports (FSR) will be submitted by the 10th of the month. Quarterly reports on the deliverables in the contract are also required.

Progress and Financial Reports (Contract Reporting):

- Grantees must provide semi-annual and annual progress reports. The final progress report must summarize information from the semi-annual reports, describe the accomplishments of the project, and describe next steps for implementing plans developed during the grant period.
- Grantees must provide quarterly and final Financial Status Reports (FSRs).

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.

SUBSTANCE USE PREVENTION

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.