

CRISIS AND INPATIENT SERVICES

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: S.L.2008-107 (House Bill 2436), Part X, Section 10.15 (l) (m); S.L. 2009-451 (Senate Bill 202), Part X, Section 10.12(b); S.L. 2014 (Senate Bill 744), Section 12F.5. Session Law 2015-241, Section 12F.8

**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)”.

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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.

CRISIS AND INPATIENT SERVICES

I. PROGRAM OBJECTIVES

The objective of the Crisis and Patient Services program is to strengthen North Carolina's behavioral health crisis care continuum by expanding access to timely, community-based crisis intervention, stabilization, and prevention services. The program is administered by the North Carolina Department of Health and Human Services (NCDHHS), Division of Mental Health, Developmental Disabilities and Substance Use Services (DMH/DD/SUS).

Beginning in December 2020, NCDHHS implemented the Crisis Solutions Initiative (CSI) to identify and implement evidence-informed strategies for crisis care across the continuum of prevention, intervention, response, and stabilization. Program activities are intended to reduce avoidable emergency department utilization, inpatient psychiatric admissions, and involvement with the criminal justice system by ensuring individuals experiencing behavioral health crises receive appropriate services in the least restrictive setting.

Funding appropriated by the North Carolina General Assembly supports the development and expansion of community-based crisis response services, including Behavioral Health Urgent Care Centers, Facility-Based Crisis Centers, and Community Paramedicine Behavioral Health Crisis Response pilots. These services are designed to serve children, adolescents, and adults and to provide alternatives to emergency department visits and inpatient hospitalization.

The program also includes funding for North Carolina Systemic, Therapeutic Assessment, Resources and Treatment (NC START), an evidence-based, community-based model of crisis prevention and intervention services for individuals ages 6 through 20 with intellectual and developmental disabilities who experience mental health or complex behavioral health crises. NC START emphasizes early identification of individuals at risk, crisis planning and prevention, and coordinated community response to reduce the unnecessary use of emergency and inpatient psychiatric services.

II. PROGRAM PROCEDURES

The NC Department of Health and Human Services (NCDHHS) administers the Crisis Solutions Initiative (CSI) and NC START programs using State appropriations only, with no federal funds passed to subrecipients. Local Management Entities / Managed Care Organizations (LME/MCOs) act as subrecipients, contracting with local providers to deliver community-based crisis services and NC START services for individuals aged 6–20 with intellectual and developmental disabilities. Providers apply through standard application forms available via LME/MCOs and submit documentation demonstrating program eligibility, capacity, and qualifications. Providers attest to compliance with program rules, allowable uses of funds, reporting requirements, and, for NC START, adherence to model fidelity standards. Funds are disbursed through reimbursements or performance-based payments administered by the LME/MCO. NCDHHS communicates program requirements via contracts, guidance documents, and policy manuals, including additional NC START-specific guidance, and monitors subrecipient compliance through reporting, site visits, and audits. Program funds may only be used for approved crisis services, Behavioral Health Urgent Care Centers, Facility-Based Crisis Centers, Community Paramedicine pilots, and NC START-eligible services; funds may not be used for unrelated services, capital expenditures not approved, or activities outside the program scope. Manuals and guidance materials are available for auditor reference. Key acronyms include CSI (Crisis Solutions Initiative), NC START (North Carolina Systemic, Therapeutic Assessment, Resources and Treatment), and LME/MCO (Local Management Entity / Managed Care Organization).

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements identified by the State Agency, noted by “Y” that are that are subject to the audit for the State program. The auditor must determine if the Type noted by “Y” has a direct and material effect on the State program for the auditee.

CC	1	2	3	4	5	6	7	8	9	10	12	13	14
Cross Cutting Requirements	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Conflict of Interest	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	N	Y	Y	N	N	N	N	N	Y	N	Y

Crosscutting Requirements

The DHHS/Division of Mental Health, Developmental Disabilities and Substance Abuse 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 “DMH-0” for those mandated requirements.

1. ACTIVITIES ALLOWED OR UNALLOWED

There is documented evidence submitted to the DMH/DD/SUS that the pilot EMS agencies are collecting the data required for reimbursement of service events.

For NC START, there is written evidence that these funds shall be used to develop and implement NC START services according to the required components of the model. At a minimum there must be three crisis/clinical teams; one team per region of the state and twelve respite beds; four per region (2 planned/2 crisis).

Audit Objectives

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

Suggested Audit Procedures:

- a. Crisis services funds are disbursed on a unit cost reimbursement (UCR) and Non-UCR basis. Three-way contract funds are located in 1464 536996001. Sample local documentation on individual client record to verify that clients were enrolled in the Common Name Data System (CNDS), the Consumer Data Warehouse (CDW) and an approved NCTracks benefit plan and that services were provided.
- b. Verify that expenditures are in accordance with any restrictions noted on the allocation letter and that any reports requested on the allocation letter have been submitted to the Division. In reference to those funds ending in ‘010’ these expenditures must be in accordance with the state approved plan submitted by the LME/MCO.

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- c. Review contract requirements and determine activities which are allowable for reimbursement.
- d. Sample monthly billings to the DMH/DD/SUS to verify that the activities billed for relate directly to the allowable activities to be reimbursed under the terms of the contract.
- e. For NC START:
 - Determine whether the host LME/MCO monitored the contract with the provider of NC START services including review of billing for specific NC START activities.
 - Determine whether the host LME/MCO reviewed the NC START contract with providers to ensure adherence to the terms of the contract.

2. 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 in 2 CFR, Part 200 Subpart E – Cost Principles.

Audit Objectives

- a. 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 that are allowable for reimbursement under the terms of the contract.
- b. Sample monthly billings to the DMH/DD/SUS to verify that the costs billed to the DMH/DD/SUS were accurate and relate directly to the allowable activities to be reimbursed under the terms of the contract.

4. CONFLICT OF INTEREST

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 signed 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. 143-6-23(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 body. 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 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 shall be filed before the disbursing State agency may disburse the grant funds.

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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 sub-grantee accountable for the legal and appropriate expenditure of those State grant funds.

Audit Objectives

- a. Determine whether the entity has adequate policies and procedures regarding the disclosure of possible conflicts of interest.

Suggested Audit Procedures

- a. Ascertain that the grantee has a conflict-of-interest policy.
- b. Verify through Board minutes that the policy was adopted before the grantee received and disbursed State funds.

5. ELIGIBILITY

Adults and children (age 3 and older) who have completed a Screening/Triage/Referral Interview and have received an “Emergent” triage determination, or who are currently enrolled in an MH/DD/SA benefit plan and who are in need of crisis or emergency services beyond the capacity of the designated First Responder provider are eligible.

People with Intellectual/Developmental Disabilities (I/DD) who are at least 6 years of age and who experience crises due to mental health or complex behavioral health issues are eligible for NC START services.

Audit Objectives

- a. Determine whether required eligibility determinations were made, (including obtaining any required documentation/verifications), that individual program participants or groups of participants (including area of service delivery) were determined to be eligible, and that only eligible individuals or groups of individuals (including area of service delivery) participated in the program.
- b. Determine whether subawards were made only to eligible subrecipients.
- c. Determine whether amounts provided to or on behalf of eligible were calculated in accordance with program requirements.

Suggested Audit Procedures

- a. Select a sample of client records for individuals served under the terms of the contract;
- b. Review client records for documentation that allowed services were provided to individuals with any age/disability.
- c. Review of NC START quarterly reporting requirements for documentation that allowed services were provided only to individuals with I/DD who experience crises due to mental health or complex behavioral health issues.

12. REPORTING

For Community Crisis initiative funds, reference reporting requirements and report due dates in the allocation letters.

Per G. S. §122C-147.1(d2), LME/MCOs should implement a system to track funds expended on a Non-UCR basis for each disability and for each age/disability category and shall identify the specific services purchased with these funds via the Non-UCR reimbursement report to the Division.

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Quarterly reports on NC START activities will be due by the 20th of the month following the end of the quarter, unless otherwise approved by the DMH/DD/SUS staff.

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 a final year-end report.
- c. Ascertain if the financial reports were prepared in accordance with the required accounting basis.
- d. 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.
- e. Obtain written documentation from management that the reports provided to the auditor are true copies of the reports submitted to the Division.
- f. Review NC START quarterly reports to ensure that activities/components of the model are provided.

14. SPECIAL TESTS AND PROVISIONS

Audit Objectives

- a. To ensure compliance with the NC DHHS and DMH/DD/SUS 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 this fund source are in compliance with N. C. DHHS-DMH/DD/SUS record retention schedules and policies.