
DSS-0 CROSSCUTTING REQUIREMENTS

**N. C. Department of Health and Human Services
Division of Social Services**

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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.

I. Program Objectives

This document specifies the compliance requirements that must be considered in an organization-wide audit of a county department of social services. It includes consideration of all federal grants received by the county departments of social services via the State Division of Social Services (DSS), as well as consideration of State funds received by the county departments through the Division of Social Services.

This document also includes the compliance requirements for Child Support Enforcement Programs that are administered by local agencies other than the county department of social services. Local Child Support Enforcement Programs may be administered by the county department of social services, or another local agency designated by the County Commissioners.

This document also includes the compliance requirements for programs administered through a contractual agreement with nongovernmental subrecipients and the NC DSS. This pertains to programs that require an audit in accordance with OMB Uniform Guidance and are funded by the State Division of Social Services.

II. Program Procedures

The procedures described in this compliance audit guide are to be used by local auditors to test the compliance aspects of administrative cost and purchased services reporting. Auditors' judgment will be necessary to determine if the suggested audit procedures are sufficient to achieve the stated audit objective and whether additional or alternative audit procedures are needed.

The specific compliance requirements and suggested audit procedures for each program in Sections B and C have been provided by the department or agency that administers the program. Auditors must read the statute, policy manuals and/or Code of Federal Regulations to obtain a complete understanding of the compliance requirements.

The requirements are as of the publication date of this revision of the Compliance Supplement. Specific requirements may change periodically, and auditors should be alert to this possibility through their contacts with the cognizant agency, the auditee organization and by other means.

Some compliance requirements are applicable only to the county department of social services (or other local agency administering the Child Support Enforcement Program); and some are applicable only to non-governmental subrecipients.

III. COMPLIANCE REQUIREMENTS

B, 2. ALLOWABLE COSTS/COST PRINCIPLES

For costs to be allowable for purposes of reimbursement, they must be determined to be allowable in accordance with Federal and State policy (see the Division of Social Services Fiscal Manual, Reference Section IIA (Fiscal Manual in process of being updated). The DSS Fiscal Manual may be found at <https://policies.ncdhhs.gov/departmental/policies-manuals/section-ii-budget-and-finance/dss-fiscal-manual/>.

G, 7. MATCHING, LEVEL OF EFFORT, EARMARKING

While some programs are funded with one hundred percent Federal/State funds, those with less than one hundred percent Federal/State funding require a local matching share. A county must budget local funds in order to secure the required local matching share when Federal/State financial participation is less than one hundred percent. Details pertaining to this requirement can be found in the individual Supplements, depending on the Program being audited.

In addition, some funds are received upfront and earmarked for reinvestment in particular programs. Two such examples are the Child Support Incentive and Adoption Promotion funds. These earmarked funds must be rolled over (as unexpended) to future fiscal years.

L, 12. REPORTING

Procedures for evaluating fiscal reporting requirements for social services programs should include review of the Division's County reimbursement form DSS-1571, the budget estimate package, Services Information System Manual and the DSS Fiscal Manual (which contains instructions for completion of the DSS-1571, information on the proper claiming of costs and other fiscal policies). A review of the county's budget will be

necessary in order to properly examine many of the items discussed in this section. Also, any monitoring reports completed by State program and fiscal staff should be reviewed. The auditor should select a sample of expenditures claimed for reimbursement under a program to determine if those expenditures were, in fact, allowable expenditures for that program.

Financial Reporting

1. The DSS-1571 must be submitted and balanced to the Department of Health and Human Services Office of the Controller by the fifteenth calendar day of the month unless an exception is made by the DHHS Controllers Office, (or the first workday after if the fifteenth is a non-business day).
2. The county must comply with proper record retention schedules issued by the N. C. /8* epartment of Cultural Resources, Division of Archives and History “Records Retention and Disposition Schedule” and the DHHS Office of the Controller at:

[Local Government Agencies | NC Archives](#)

[NC DHHS Office of the Controller](#) scroll and click Records Retention

NOTE: The most restrictive rule of the two rules should be used.

Suggested Audit Procedures

- Ascertain if the DSS-1571 was submitted and balanced to the DHHS Office of the Controller by the fifteenth calendar day of the month (or the next business day if the fifteenth is a non-business day). Obtain copy of the transmittal balance report to verify submission and balance status (transmittal can state the 16th if transmitted in the later part of the day on the 15th or if the 15th is a non-business day, use that day’s report).
- Verify the Statement of Administrative Cost Certification form for Indirect Cost, the Parts I, II and IV. The Indirect Cost amount must match the amount on the County’s submitted Indirect Cost Plan (Schedule A and roll forward). The form must be signed by the DSS Director and County Manager (or designee) and submitted by email or other appropriate method to the DHHS County Administration Unit.
- Verify that the county has a system in place for tracking earmarked funds, such as Child Support Incentive. At a minimum, the county should:
 - Have a method for identifying and tracking received payments for such funds
 - Have a method for identifying and tracking expenditures reported to such funds
 - Have a method for reconciling payments received and expenditures, in order to track the balance of such funds
 - A procedure to roll over unspent earmarked funds to future fiscal years. Such funds cannot be absorbed into the county’s General Fund

- Ascertain if the county is complying with the current record retention schedule issued by the NC Department of Cultural Resources and the DHHS Office of the Controller.
- a. DSS-1571, PART I

Compliance Requirements – Information reported for reimbursement on the DSS-1571 must agree with the county general ledger. The following requirements must also be met in conjunction with the reporting of costs for reimbursement:

1. The board of county commissioners of any county may establish and maintain a personnel system for all employees of the county subject to its jurisdiction, which system and any substantial changes to the system, shall be approved by the State Personnel Commission as substantially equivalent to the standards established under State Statute 126 for employees of local departments of social services, local health departments, area mental health programs, and local emergency management programs. If approved by the State Personnel Commission, the employees covered by the county system shall be exempt from all provisions of this Chapter except Article 6.
 2. Salaries for all county DSS employees must be reported on the DSS-1571.
 3. All fringe benefits must be claimed at the authorized rate and reported on the Part I, with the exception of retiree benefits.
 4. County DSS employees which provides direct client services during the month must maintain day sheets in accordance with the DSS Services Information System Policy, which can be found at: <https://policies.ncdhhs.gov/divisional-n-z/social-services/services-information-system-sis/sis-policies-manuals/>
 5. Contract workers performing direct client services should complete a daysheet and be reported on the Part I in order to accurately allocate overhead for supervision and support. The rules regarding reporting of contract workers can be found in the DSS Fiscal manual, section III, page A-24.
- a. Such services may only be claimed on the Part II if the county has contracted out supervision for said program as well, and DSS is only responsible for evaluating the performance of the contract. Direct services may be reported on the Part IV if performed by a licensed professional (such as a mental or medical professional), whom DSS has no expertise to supervise.

Suggested Audit Procedures

Review the procedures for preparing the DSS-1571 and evaluate whether a coordinated effort was made by the county DSS and the finance officer to ensure that all costs have been considered and reports are in agreement with the general ledgers.

CROSSCUTTING REQUIREMENTS – DSS

Note: NC FAST is NOT to be considered a replacement of the DSS-4263 (daysheet). NC FAST can be used, for example, to determine if NCFast case activity was performed on a specific case on a specific date. It cannot be used to determine if an amount of time recorded in Daysheets is “reasonable,” because case actions may be performed both inside and outside of NCFast.

- Ascertain if salaries are being paid at the approved rate in accordance with the county pay plan.
- Review the county payroll and determine if all county DSS employees are reported on the DSS-1571; determine if the salaries reported on the DSS-1571 agree with actual salaries paid as documented by payroll records.
- Review the fringe benefits reported on the DSS-1571 and determine if they are at the authorized rates; determine if the benefits reported on the DSS-1571 agree with actual salaries paid as documented by payroll records.
- Verify that daysheets account for worker (both employee and contractor) time as required in the DSS Services Information System User’s Manual, this includes:
 - The program codes and activity codes are used in accordance with the SIS manual, Appendix B
 - The daysheet entries are supported by documentation in case record files
 - The county’s daysheets are uploaded to NCDHHS by the 5th of the following month (or alternate date, see DHR SYA CALENDAR for due dates) without error. See DHR SYA CTY DAYSHEET BATCH ERRORS. The report should show 0 errors and have a date after the 1st and before the due date.
 - That daysheet summaries are transferred to the DSS-1571 accurately to an eligible fund source.
 - That Daysheet entries requiring client ID’s are tied to active client ID’s (either SIS ID’s or CNDS ID’s) and the correct client ID for the service has been selected.
 - Note: certain SIS Codes for direct client services do not require a client ID. Workers who activities are reportable under a single SIS Code which does not require a client ID may be reported in daily blocks of time under the applicable SIS Code, provided the worker performs no other direct client services, and the county has a reliable method for documenting and retrieving the names or other identifiers of individuals served in relation to specific entries on the DSS-4263. Child Support Staff are not required to complete day sheets unless a county requires it. NC FAST is not to be used to track a worker’s time; Note: The DSS-4263 (daysheet) is not intended to be used as or to replace the County’s official employee time and attendance records.
- Verify that prior month corrections are made in accordance with the DSS Fiscal Manual and that the month/year for which the correction was made has been noted.

b. DSS-1571, PART II

1) CHARGING OF COSTS – GENERAL

Compliance Requirements – Costs can only be directly charged to a program if those expenditures were for items or services that exclusively benefited that program. If the item is a fixed asset that is directly charged, it must be used exclusively for the intended purpose for its entire useful life. Each type of cost must be handled consistently (allocated or directly charged). Expenditures must be properly classified as to the type of expenditure. If costs are reported for which reimbursement is not allowed, such costs may be properly entered in the non-reimbursable column(s). Specific requirements relating to allowable/unallowable costs are found in the DSS Fiscal Manual, Section II. Specific requirements relating to reporting of costs on the DSS-1571 report are found in the DSS Fiscal Manual, Section III Developing Costs on the DSS 1571. Specific requirements relating to reporting the cost of items, equipment and/or services which directly benefit a specific case/client are found in the Services Information Systems Manual, Appendix B – Service Codes and Definitions, and Appendix C – Program Code Definitions.

Suggested Audit Procedures – Ascertain and identify costs that have been allocated and/or directly charged to specific program areas.

- Verify that requests to expense or depreciate equipment with a single unit cost over \$5,000 have the required written approval of the DHHS Office of Controller.
- Verify that items such as equipment and vehicles directly charged to specific program areas, regardless of cost, have written approval from the DHHS Office of the Controller.
- Verify that depreciation costs are supported by depreciation schedules and are tracked each reporting period.
- For items, equipment, and/or services direct charged to a fund source:
 - Obtain available records and determine if items, equipment and/or services directly charged to a program were and are used solely by staff in that programs.
 - Ensure that costs that are direct charged for a program are treated consistently. For example: if equipment for Medicaid staff is direct charged to Medicaid, but equipment for other agency staff is treated as a general agency expense, Medicaid will be charged twice. The inconsistent treatment of costs has created an overcharge to the Medicaid program.
- Obtain and review records to determine if purchases attributable to a specific case/client reported on the Part II met reporting eligibility criteria within the Services Information Systems manual.
- Sample fixed assets purchased within the last 5 years that were either disposed of or transferred to another agency or changed to another use. If the asset is not beyond its useful life (as defined in IRS regulations, unless otherwise documented), check to determine if it was originally charged directly to a particular program. If it was directly

charged, then determine that the original program was reimbursed for the asset's remaining useful life (based on sale, transfer, or change dates). If the item was cost allocated and was disposed of or transferred to another agency before expiration of its useful life, check to determine if the proper adjustment was made on the DSS-1571 to repay the correct proportion of State and Federal reimbursement.

- Verify that costs reported are allowable in accordance with Section II of the DSS Fiscal Manual.
- Verify that costs are properly reported on the DSS-1571 report as detailed in Section III of the DSS Fiscal Manual.
- Verify that any costs from other county departments were not included in the county's Indirect Cost Plan.
- Verify that costs charged to a given program were allowable costs for that program, as indicated in the individual compliance supplement for the program.
- Verify that Federal or State funds have not been used for modifications to local case management systems in relation to interfacing with or utilizing the NC FAST System. (Refer to the Dear County Director of Social Services letter dated September 15, 2008 PM-REM 05-2008.)
- Verify that all costs reported were paid and/or recorded as an expenditure on the county's general ledger prior to being reported for reimbursement. Claims should always be based on actual expenditures, and not on budgeted or estimated amounts.

2) PROFESSIONAL SERVICES

Compliance Requirements – Professional services can include a variety of administrative support functions that an agency might purchase, including program-related services purchased from an expert or consultant such as translation, interpretation or the services of an attorney. Whichever types of services are purchased, the following requirements must be met if the costs are to be reported on the DSS-1571, Part II as administrative support for the agency: See Fiscal Manual.

- Determine if the services have been identified as being services to the agency in the furtherance of its social services programs, and not services to clients. Direct client services, which include case work such as eligibility determination and redetermination, are services to clients.
- The services must be in conformity with a written contract which specifies terms and conditions, has been properly executed, and is on file with both parties prior to requesting reimbursement.

Attorney Services

- a) The costs of legal services required in the administration of the grant programs are allowable. The cost of legal services provided by the county attorney, as a part of his/her official duties (legal advisor to the county commissioner) is unallowable. Legal expenses for the prosecution of claims against the federal government are unallowable.

- b) Regardless of whether the attorney is a staff attorney or whether the attorney's services are purchased, there must be consistency in charging/allocating the associated costs. The county must either direct charge all costs of legal services or allocate all costs
- c) Child Support attorney costs must be supported by billing and or documentation which includes IV-D case name, amount of time spent in service, date of service, and allowable activity.
- d) Attorney Services Contracts and Allowable Costs

Legal Attorney Services – These are defined as the activities engaged in by an attorney in the actual provision of legal services to the agency. The hourly rate which must be inclusive of the attorney's time as well as of any adjunctive expenses routinely incurred by an attorney in the public practice of law. Such adjunctive expenses might include photocopying, postage, telephone bills, legal secretary expenses, etc.

Expenses incurred by the attorney which are necessary expenditures in connection with the provision of a specific service are allowable (e.g., filing fees, sheriff fees).

Administrative Attorney Services – These are defined as the activities engaged in by an attorney outside the realm of legal services as defined above. Specifically, this category would include attendance at professional meetings, seminars, and other approved activities as specified in the contract. A rate of up to \$55 per hour may be negotiated for these services, not to exceed \$440 per day.

- a. Travel and Subsistence – Payments are allowable in addition to the hourly rates delineated for legal attorney services and administrative attorney services, up to a maximum of the same rates that are applicable to the county DSS employees. These costs must be included in the agreement as a budget addendum. However, an attorney may not be paid an hourly rate for time spent traveling.

Agencies may also hire an attorney on a retainer basis, provided that the fees reported for reimbursement are adjusted annually (by June 30th) so as to not exceed the hourly rates indicated [above] for the hours actually worked. Child Support attorneys may not be hired on retainer per federal regulations requiring reimbursement for ACTUAL TIME spent on a case based on the contracted hourly rate.

Suggested Audit Procedures – Verify that all professional fees, including attorney fees, are adequately documented, within allowable limits, and reported correctly for reimbursement. Verify that the hourly charge for attorney fees includes adjunctive expenses mentioned above-legal secretary expenses, photocopying, etc. and that these expenses are not billed separately.

Compliance Requirement – An annual reconciliation and adjustment, if necessary, is made between actual hours worked and amounts paid do not exceed allowable amounts. Child Support Attorney cannot be hired on retainer.

Suggested Audit Procedures – Verify that reconciliation was made and adjustments were made, if necessary, and no attorneys in Child Support have been hired on retainer.

3) TRAVEL EXPENDITURES

Compliance Requirement – A county’s travel expenditures must be within allowable limits in accordance with a county wide travel plan (in the absence of a county wide travel plan, State rates apply).

Suggested Audit Procedure – Verify that travel expenditures are claimed within allowable limits and are properly documented. Verify that expenses for staff travel are charged based on the employee’s area of work. See DSS Fiscal Manual, section III.

4) BOARD MEMBER EXPENDITURES

Compliance Requirement – Members of the county Board of Social Services may receive a per diem in such amount as shall be established by the county board of commissioners. Reimbursement for subsistence and travel shall be in accordance with a policy set by the board of commissioners and recorded in the official minutes of the Board of Commissioners.

Suggested Audit Procedure – Verify that Board Members’ expenditures are adequately documented and within allowable per diem amounts (as established by the county board of commissioners).

5) DSS-3538 WORKSHEET ON OVERHEAD COST FOR BENEFITING IN-HOME AIDE WORKERS

Compliance Requirements – This form is used for counties to compute overhead cost if the county operates an In-Home Aide program which is an off-site program and does not benefit from all overhead cost as does an on-site program. The computation of charges for this cost to the in-home aide program is based on the program’s share of the local department’s full-time equivalencies (FTE) expressed as a percentage of the total and applied to the total overhead cost determined by the local department as benefiting the In-Home Aide Program. (Reference Fiscal Manual Section III, III A-11) FTE information is calculated from day sheets, which are completed by the In-Home Aide personnel.

Suggested Audit Procedures

- Verify that the FTE’s entered on the Form 3538 are correct by each major program area. Equivalencies on Form 3538 should match the day sheets.
- Verify that FTE’s for the in-home aide program are computed correctly.
- Verify that the amounts entered in Column II beginning with Cost of Space and ending with Board Member Expense are those amounts reported on the DSS-1571, Part II.
- Verify that amounts entered under Indirect Cost are 1/12 of the annual amount of the local department’s county-wide cost allocation plan or that the correct single rate indirect cost percentage and base is used if applicable.

- Verify that the amounts that are shown in Column III are correct, that all items that should be carried from Column II were carried over, and that computations made from totals of Column III are correct.
 - Verify that amount of overhead reported is entered correctly on the DSS-1571, Part II and that appropriate funding code is used.
- c. DSS-1571, PART IV, PURCHASE OF SERVICE

Compliance Requirements – The DSS-1571, Part IV is submitted by counties to the DHHS Office of the Controller to cover the provision of purchased services. Contractors submit the Part IV (or an invoice that contains all necessary information) to the county monthly in time for the county to use that information to complete a DSS-1571, Part IV. The Part IV is submitted together with the regular county submission of the DSS-1571. The form must be completed in accordance with the instructions in the Fiscal Manual. The DSS 5027 Client Entry form, which authorizes the purchase service, is completed by the caseworker, and maintained in the client’s record. Information and instructions for completion of the DSS 5027 is located in the DSS Services Information System (SIS) User’s Manual. Information regarding the allowance of purchased services can also be found in Appendix B of the SIS User’s Manual and whether to claim via the DSS-1571 Part II or Part IV.

Suggested Audit Procedures

- Verify that a contract or purchase order exists, as appropriate, for all purchased services reported on form DSS-1571.
- Verify that the costs reported are within the allowable limits of the purchase contract.
- Verify, as applicable to the particular service being contracted, that every contract contains General Contract language, Terms and Conditions, Scope of Work, and certifications as required by Uniform Guidance, state statute or federal requirements. It is also acceptable for the entire contract to be notarized.
- Verify that each contract, where applicable, contains Certification Regarding Environmental Tobacco Smoke, Certification Regarding Lobbying, Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion-Lower Tier Covered Transactions, HIPAA Business Associate Addendum or Government Associates Addendum, Certification Regarding Transportation, Certain Reporting and Auditing Requirements, and IRS Federal Tax Exemption (if applicable). In order to determine whether any of these items need to be attached to the contract, refer to contract guidance located at:
<https://www.ncdhhs.gov/divisions/social-services/county-contract-information>
- Verify that any imposed fees and cost sharing revenue are reported on the DSS-1571, Part IV for applicable entries. Determine that fees collected represent recorded funds received, such as in a receipt book. Reported fees do not require a contract.

- Verify that the Fund I.D. column, is completed which is the indicator of what funding is being requested for the service.
- Verify that documentation exists to support all services reported on Form DSS-1571, Part IV including the other recipient data reflected on the form.
- Obtain and review records to determine if purchases attributable to a specific case/client reported on the Part IV met allowable cost criteria within the Services Information Systems manual.

Compliance Requirements – In-home aide services should be reported for reimbursement on the DSS-1571 in accordance with the instructions in the Fiscal Manual. In-Home Aide workers must have their activities documented by appropriate time records.

Suggested Audit Procedures

- Verify that In-Home Aide workers have approved and properly completed time records.

N, 14. SPECIAL TESTS AND PROVISIONS

1. Contract Procedures Applicable to all Social Services programs

Compliance Requirement – The Division of Social Services or a county department of social services must have a written contract in place for all services, elements or components of a service provided by an agency, individual, etc. and reimbursed by the county department of social services utilizing federal and/or State funds administered through the Division of Social Services. The county department of social services may purchase any service or component of a service except for those that are specifically prohibited by policy or law. A maximum reimbursement must be specified in the contract by amount and source of fund. The effective period of the contract must be stated. The contract must be signed and dated by authorized representatives of each party.

Any service purchased by a County DSS must have a contract unless a purchased service is covered in a specific program which does not require use of the updated contract guidance and has Federal and/or State funding. Examples include but not limited to Crisis Intervention Program (CIP), LIEAP(Day Care and Foster Care Board Payments.

Guidance is posted at: <https://www.ncdhhs.gov/divisions/social-services/county-contract-information>, Effective July 1, 2007, the following replaces Chapter 143-6.2: Chapter 143C-6-23, which is posted at: https://www.ncleg.gov/EnactedLegislation/Statutes/HTML/BySection/Chapter_143c/GS_143c-6-23.html.

Any organization that receives Federal or State financial assistance from a State agency is called a “subrecipient”. Counties, as subrecipients of the State, must

develop monitoring procedures to ensure that funds are appropriately spent by any subrecipients with whom they may contract to provide services.

County Department of Social Services can use the documents and instructions as guidance when entering into a contract as a subrecipient of the NC DSS. It is permissible for a county to use their own wording, but they must include the content in the forms listed. These forms are located at: <https://www.ncdhhs.gov/divisions/social-services/county-contract-information> .

Suggested Audit Procedures

- Sample written contracts with contractors and determine if the contract provisions set forth in <https://www.ncdhhs.gov/divisions/social-services/county-contract-information> have been included in each contract as required.
- Verify that the contractor adhered to all terms of the contract as specified in the contract documents.
- Verify that any changes are supported by properly executed contract amendments and/or budget amendments as outlined in guidance of contract document Item XIV Contract Amendment located on the web site.
- Verify that the termination of any contract was made in accordance with policy and contract provisions.
- Verify that a correct and complete Scope of Work is included as a part of the contract.
- Verify the basis on which the negotiated rate specified in the contract was established.

2. Internal Control for Information Systems

Compliance Requirement

The State of North Carolina's information and information systems are valuable assets that must be protected. Each information asset must be evaluated and classified with protective controls assigned that are commensurate to its established value. Appropriate security measures, including policies and procedures, must be in place to protect all information assets from accidental or unauthorized use, theft, modification, destruction, and to prevent the unauthorized disclosure of restricted information. These measures must ensure the confidentiality (as applicable), integrity, and availability of information assets. Each County DSS Agency, through its management, is required to protect and secure the information assets under its control. These basic information protection requirements include but are not limited to:

- Identifying information assets and maintaining a current inventory of information assets.
- Compliance with applicable federal and state laws, such as the Health Insurance Portability and Accountability Act of 1996 (HIPAA).
- Assessing the vulnerability and risk associated with information assets.

- Determining the value of information assets to the organization and the business processes they support.
- Providing the level of information protection for information assets that is appropriate to their vulnerability, risk level and organizational value.
- Maintaining a disaster recovery plan and process.
- Compliance with the policies, standards and architecture adopted by the State Chief Information Officer (State CIO) as well as the Department CIO.
- At the agency level, information and the supporting information technology infrastructure identified by management as important to the state's operations and/or restricted by law must be protected by appropriate policies and procedures and security measures.

These standards apply to the entire Division of Social Services, including County Departments of Social Services and Child Support Enforcement Offices. Counties are required to follow those procedures that relate directly to their administration of the State and Federal programs supervised by the State DSS and the Division of Health Benefits (DHB).

Suggested Audit Procedures

▪ Computer Security

Determine that physical access to terminals or personal computers that are connected to the State mainframe is controlled. Terminals and personal computers should be located in an area of restricted access or that can be locked to discourage unauthorized access. Users should log off each time the terminal or personal computer is left unattended.

Obtain a list of persons authorized to use terminals and personal computers including their designated roles. Based on the assigned roles, verify that access to State systems correlates to the designated roles. Review of eIRAAF, OLV security roles and other performance management documents should be referenced.

Each County DSS Agency is to designate a security officer who is responsible for completion, submission and maintenance of each employee's eIRAAF and other system access documentation.

User passwords should be protected from being discovered by unauthorized personnel. Determine that procedures for communicating passwords to authorized personnel are adequate to protect the secrecy of passwords.

Determine that procedures exist for the timely deletion of terminated employees' passwords and system access. Review documentation supporting conduct of County Security Reviews for individual systems access and RACF ID administration as required by policy.

▪ Data Input

Review the procedures for verifying input.

Determine the control over the source documents and identify controls in place to ensure that all have been keyed.

Determine if the information that is keyed generates a turn-around document.

If turnaround document is generated, compare information to the input document on sample basis. (Source document is the data collection instrument for many DWE costs.)

Compare batch totals generated by the computer to control logs, if applicable.

Determine the procedures that exist over documents that have to be corrected and resubmitted due to errors detected by the system.

- **Output Controls**

Ascertain that output reports are reviewed for completeness and form.

Document the procedures for reconciling output to control totals. Output reconciliations should be performed by someone independent of the input process.

On a sample basis, test the reconciliation.

Document the controls that are used in the event that a recipient check is returned to the county. This is usually a result of (a) replacement checks and (b) Post Office returns.

On a sample basis, trace payment amounts on the check register to the amount determined by eligibility specialist at the time of application. (This does not apply to the Low-Income Energy Assistance program, as the eligibility amounts are determined by the computer.)

Determine control over county issued checks.

3. Indirect Costs

Compliance Requirement – A prepared County Central Service Cost Allocation Plan (Indirect Cost Plan) must be on file for the current year. For information pertaining to the actual preparation of a County Central Service Cost Allocation Plan, counties should refer to 2 CFR Appendix V to Subpart F of Part 200. Only those indirect costs applicable to programs benefiting the local DSS or local agency can appropriately be included in the County Central Service Cost Allocation Plan. Also, contractors budgeting indirect costs should have their plans reviewed.

Suggested Audit Procedures

- Verify that there is a prepared plan on file for the current year and plans for contractors have been approved by their cognizant federal agency.
- Verify that the local DSS has submitted a certification of an County Central Service Cost Allocation Plan to the Office of the Controller as required by the DSS Fiscal Manual. Current year plan is due by April 15th or first workday thereafter if the 15th falls on a weekend.
- Verify that indirect cost amounts are reported on the DSS-1571 accurately according to the amounts and codes indicated in the Indirect Cost Plan, and also that 1/12 of the total indirect cost amount is noted on the Statement of Administrative Costs.

- For those cost pools from which distributions are made to social services, verify the following:
 - a. A description of services provided must be included. Verify costs included in the pool to be distributed are identified and have a rational basis, supported by evidence.
 - b. Verify that the allocation basis is adequately described.
 - c. Verify the capital expenditures, general government expenses, pass-through funds, and other applicable credits and other unallowable cost as defined by Uniform Guidance excluded from the base as well as the pool to be distributed.
 - d. Verify the county plan contains the methodology used to calculate the billing rates for directly charged central services for any directly charged central services.
 - e. Verify all benefiting county departments are included in the distribution base.
 - f. Verify the basis for allocation of each cost pool reasonably relates to the benefits received by each department.
 - g. Verify the county adjusted costs billed at fixed rates reflect the actual allowable costs as defined by OMB Circular A-87 at least annually.
 - h. For cost of space, verify all directly billed costs claimed by DSS have been deducted from cost allocated to DSS.
 - i. If direct services provided by other county departments have been billed and reported on the 1571, verify they are reflected as “Direct Billed” and reduce the amount allocated to DSS within the plan.

4. Prior Approval Requirements for Computer Equipment and/or Services

Compliance Requirements – Acquisitions of computer equipment (hardware and software) and services are governed by federal regulations of the Department of Health and Human Services (USDHHS) and the Department of Agriculture, Food and Nutrition Service (USDA). These acquisitions are also made under the requirements of a Division of Social Services (DSS) Administrative Letter. Prior written approval must be obtained from the North Carolina Department of Health and Human Services (NCDHHS) and the federal government (if USDHHS and/or USDA will be participating in any of the costs) in any of the following circumstances:

- a. The total acquisition cost is \$5 million or greater (45 CFR 95.611, 7 CFR 277.18(c)). For county equipment acquisitions, this threshold is based on annual total costs for the State Fiscal Year.
- b. The total acquisition cost is \$1 million or greater and is acquired non-competitively from non-governmental sources (45 CFR 95.611, 7 CFR 277.18(c)). For county equipment acquisitions, this threshold is based on annual total costs for the State Fiscal Year.
- c. Federal financial participation (FFP) is being requested at an enhanced rate, regardless of the acquisition cost (45 CFR 95.611, 7 CFR 277.18(c)).
- d. If an acquisition does not require DHHS and federal approval under the three circumstances above, DHHS prior written approval is required, regardless of

acquisition cost, if the project includes any of the following: development of software; custom modification of purchased software; purchase of specialized human services software other than off-the-shelf software commercially available to the public for general business or personal use.

DHHS and/or federal approval is obtained by submitting an Advance Planning Document (APD) to the Division of Social Services (45 CFR 95.611, 7 CFR 277.18(c).

Competitively acquired data processing equipment and services used to meet county needs, costing \$5,000,000 or *more* per acquisition needs prior approval.

Prior approval is not required for certain types of acquisitions and FFP is available at the regular rates if the acquisition does not require prior written approval by DHHS and/or the federal government as described above. A Computer Equipment Acquisition Plan must be filed with the Division of Social Services prior to the reimbursement of equipment. Acquisitions in this category are:

- a. Terminals, personal computers, personal computer printers or workstations up to the level of one such device per worker.
- b. System printers up to one per three workers or one per floor or one per site, whichever is greater.
- c. Local area networks or minicomputers when necessary to maximize the benefit of such devices and other devices as required to connect to the State network.
- d. Off-the-shelf software commercially available to the public for general business or personal use.

Acquisitions by County DSS Agencies of computer equipment and services from commercial sources that are acquired primarily to support public assistance programs are subject to the prior written DHHS and federal approval requirements. Computer equipment and services are considered to be primarily acquired to support public assistance and service programs when these programs may reasonably be expected to either be billed for more than fifty percent (50%) of the total charges made to all users of computer equipment and services during the time period covered by the service agreement or directly charged for the total cost of the purchase or lease of computer equipment or services (45 CFR 95.605).

Suggested Audit Procedures

- Determine the total costs of each acquisition of computer equipment or services and the total for the fiscal year.
- Verify that an Automated Data Processing (ADP) or Computer Equipment Acquisition Plan has been prepared and submitted to the Division of Social Services for each acquisition.
- Verify that written approval memoranda are on file and that these approvals were received prior to the acquisition of computer equipment or services when required under the above guidelines.
- Verify that the actual purchase amounts did not exceed the amounts listed on the approved plan.
- Verify that the ADP or Computer Equipment Acquisition Plan was filed with the Division of Social Services prior to the reimbursement by examining the confirmation of receipt memorandum that is sent to the county by the Division.

Verify that the amount listed on this memorandum agrees with the total amount listed on the county copy of the Plan.

Enterprise Program Integrity (EPI)

Effective May 1, 2000, the Enterprise Program Integrity Control System (EPICS) was implemented statewide to track and collect overpayments in the AFDC/TANF, Food Stamps, and Medicaid programs. During 2018 NC FAST replaced EPICS with EPI. EPI is still intended to not only allow investigators to resolve incidents of fraud and overpayment more quickly, but also increase recoupment. Claims for overpayments in the Work First, Food and Nutrition Services Program (Food Stamps) and Medicaid Programs are to be entered and tracked in the EPI system by all counties. When an AFDC/TANF overpayment occurred because of county error (County Responsible Overpayments (CROPs)), the claim must be keyed into NC FAST for EPI. The EPI system will automatically close the claim and the adjustment is then made. The CROP is collected by the DHHS OoC through an Electronic Funds Transfer (EFT) from county funds. The county must enter adequate documentation to substantiate the overpayment for all cases into NC FAST for EPI .

Compliance Requirement: Counties must acquire adequate case documentation to substantiate the claim entry into EPI. This information includes, but is not limited to the dates of the overpayment period, documentary evidence to substantiate that an overpayment occurred, such as wage stubs or verification from an employer, other income verification and household composition verification, and the budgets used to compute the amount of the overpayment.

Audit Objective: Determine whether the correct information was entered into NC FAST for Program Integrity when the claim was established and that sufficient back up documentation exists to support the claim.

Suggested Audit Procedure

Sample cases where an overpayment is documented for a claim entered into EPI and determine if sufficient documentation exists.

- Using the Fraud Investigator’s documentation, ensure that overpayment cases identified were entered into EPI and sufficient documentation exists to support the claim.