

North Carolina Department of Health and Human Services

Raleigh, North Carolina

Statewide Federal Compliance Audit Procedures For the Year Ended June 30, 2023

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A Department of the
State of North Carolina



Table of Contents

	Page
Auditor's Transmittal.....	1
Findings, Recommendations, and Views of Responsible Officials of the Auditee	4
Ordering Information	14

Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



North Carolina Office of the State Auditor

Jessica N. Holmes, J.D., State Auditor

Auditor's Transmittal

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Kody H. Kinsley, Secretary
North Carolina Department of Health and Human Services

As part of our audit of the State of North Carolina's compliance with the types of requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs, we have completed certain audit procedures at the North Carolina Department of Health and Human Services (Department) for the year ended June 30, 2023.

We conducted our audit of federal compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our audit objective was to express an opinion on the State of North Carolina's compliance for each of its major federal programs. However, the audit results described below are in relation to our audit scope at the Department and not to the State of North Carolina as a whole. The State Auditor expresses an opinion on the State of North Carolina's compliance with requirements applicable to its major federal programs in the State's *Single Audit Report*.

Our federal compliance audit scope at the Department included the following:

- SNAP Cluster (ALN 10.551, 10.561)
- Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027)
- Rehabilitation Services Vocational Rehabilitation Grants to States (ALN 84.126)
- Low Income Household Water Assistance Program (ALN 93.499)
- Foster Care Title IV-E (ALN 93.658)
- Adoption Assistance (ALN 93.659)
- Children's Health Insurance Program (ALN 93.767)
- Medicaid Cluster (ALN 93.775, 93.777, 93.778)
- Opioid STR (ALN 93.788)
- Block Grants for Prevention and Treatment of Substance Abuse (ALN 93.959)

Our audit was performed by authority of Chapter 147, Article 5A of the North Carolina General Statutes.

Compliance

The results of our audit procedures at the North Carolina Department of Health and Human Services disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and which are described in findings 2, 4, 5, 7 and 9 in the Findings, Recommendations, and Views of Responsible Officials of the Auditee section.

Internal Control Over Compliance

In planning and performing our audit of federal compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. Therefore, material weaknesses may exist that have not been identified. However, as discussed in the Findings, Recommendations, and Views of Responsible Officials of the Auditee section, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies. The deficiencies described in findings 7 and 9 are considered to be material weaknesses in internal control over compliance. Furthermore, the deficiencies described in findings 1, 2, 3, 4, 5, 6, and 8 are considered to be significant deficiencies in internal control over compliance.

North Carolina Department of Health and Human Services' Response to Findings

The Department's responses to the findings identified in our audit are included in the Findings, Recommendations, and Views of Responsible Officials of the Auditee section of this transmittal. The Department's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Purpose of This Transmittal

The purpose of this transmittal is solely to describe the scope of our testing of internal control over compliance and testing of compliance and the results of that testing at the Department

based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

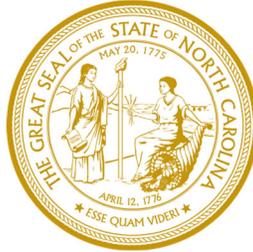
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

March 18, 2024



Findings, Recommendations, and Views of Responsible Officials of the Auditee

Matters Related to Federal Compliance Audit Objectives

ALN 93.499 - Low Income Household Water Assistance Program

1. FFATA Reporting Not Completed

The Department of Health and Human Services (Department) did not complete the Federal Funding Accountability and Transparency Act (FFATA) reporting for the Low Income Household Water Assistance Program (LIHWAP).

Auditors reviewed all 85 subawards totaling \$16.8 million that were required to be reported to the FFATA Subaward Reporting System (FSRS) during the audit period and found that none were reported as required.

The FFATA was enacted to help reduce wasteful spending in government by empowering every American citizen with the ability to hold the government accountable for each spending decision. When subaward information is not reported to the FSRS, citizens do not have complete and accurate information about how federal funds are being used in their communities.

According to Department management, FFATA reporting for LIHWAP was not completed during the audit period because unfilled vacancies reduced the number of staff available to carry out the FFATA reporting requirements.

The FFATA¹ requires direct recipients of grants or cooperative agreements to report first-tier subawards of \$30,000 or more to the FSRS.

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; Assistance Listing Number (title): 93.499 (Low Income Household Water Assistance Program); Federal Award Identification Number (award period): 2101NCLWC6 (May 28, 2021 - September 30, 2023).

Recommendation: Department management should prioritize the development of a contingency plan to ensure FFATA reporting is completed during periods of staff shortages.

Views of Responsible Officials of the Auditee: Management agrees with the finding. While there are still vacant positions, some Business Operations Budget roles were filled. We will ensure compliance with the FFATA reporting requirement as we progress through transitional and crucial core operations.

ALN 93.658 - Foster Care Title IV-E

2. Foster Care Funding Used Incorrectly

The Department of Health and Human Services (Department) incorrectly used Foster Care Title IV-E (Foster Care) funds to reimburse counties. During the audit period, the Department reimbursed counties approximately \$28.8 million to cover the costs of care for 5,834 beneficiaries.

Auditors reviewed the \$28.8 million in Foster Care reimbursement payments and found

¹ 2 CFR 170 Appendix A.

that the Division of Social Services² (DSS) used Foster Care funds to reimburse a county for a beneficiary that was also receiving Supplemental Security Income (SSI). The Title IV-E State plan does not allow a beneficiary that is receiving SSI to also receive Title IV-E Foster Care funding. Payments totaling \$35,504 (\$26,050 federal share) were reimbursed to the county for the beneficiary.

As a result, there is an increased cost to the Foster Care program for both the State and the federal government. In addition, the Department may be required to pay \$26,050 (federal share) back to the federal government.

According to Department management, the error occurred because of inaccurate application of established eligibility policies by the county DSS staff.

Federal regulations³ require the Department to have an approved Title IV-E State plan in order to be eligible to receive federal funding for the Foster Care program. Per the Title IV-E State plan, when a child is eligible for both Foster Care and SSI, the county DSS office may choose to use either Foster Care or SSI to fund the child's cost of care. Information regarding the benefits available under each program should be carefully considered by the county DSS so that an informed decision can be made in the child's best interest.

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; Assistance Listing Number (title): 93.658 (Foster Care Title IV-E); Federal Award Identification Number (award period): 2301NCFOST (October 1, 2022 - September 30, 2023).

Recommendation: Department management should analyze the error to specifically identify why the error occurred and develop additional training or establish other procedures to prevent future errors from occurring.

In addition, Department management should determine if the Foster Care funds should be recouped.

Views of Responsible Officials of the Auditee: Management agrees with the finding and auditor's recommendation. The Division of Social Services implemented measures to prevent future non-compliance in Title IV-E Foster Care eligibility and recouped the funds.

3. Errors in FFATA Reporting

The Department of Health and Human Services (Department) did not submit complete and timely subaward information for subrecipients of the Foster Care Title IV-E (Foster Care) Program to the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS).

Auditors reviewed all 329 subawards totaling \$88.5 million that were required to be reported to the FSRS during the audit period and found the following errors:

- 246 subawards totaling \$65.2 million were not reported at all.

² The Division of Social Services is the division within the Department that is responsible for administering the Foster Care program.

³ 45 CFR 1356.20.

- 83 subawards totaling \$23.3 million were reported 134 days late.

The FFATA was enacted to help reduce wasteful spending in government by empowering every American citizen with the ability to hold the government accountable for each spending decision. When subaward information is not reported to the FSRS, citizens do not have complete and accurate information about how federal funds are being used in their communities.

According to Department management, the required FFATA reporting for the Foster Care program was not completed because of turnover in the Division of Social Services⁴ Business Operations Section.

The FFATA⁵ requires direct recipients of grants or cooperative agreements to report first-tier subawards of \$30,000 or more to the FSRS no later than the end of the month following the month in which the obligation was made.

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; Assistance Listing Number (title): 93.658 (Foster Care Title IV-E); Federal Award Identification Numbers (award periods): 2201NCFOST (October 1, 2021 - September 30, 2022) and 2301NCFOST (October 1, 2022 - September 30, 2023).

Recommendation: Department management should prioritize the development of a contingency plan to ensure that FFATA reporting is completed when employee turnover occurs.

Views of Responsible Officials of the Auditee: Management agrees with the finding. Management will implement plans to ensure compliance with the FFATA reporting requirement as we progress through transitional and crucial core operations.

ALN 93.659 - Adoption Assistance

4. Deficiencies in the Adoption Assistance Eligibility Determination Process

The Department of Health and Human Services (Department) made Adoption Assistance Title IV-E (Adoption Assistance) benefit payments to adoptive parents based on inaccurate eligibility determinations. During the audit period, approximately 13,500 beneficiaries received \$72.3 million in Adoption Assistance benefits.

The task of determining eligibility for the Adoption Assistance program has been delegated to the county departments of social services (DSS).⁶ However, the Department was responsible for ensuring compliance with the eligibility requirements.

Auditors redetermined eligibility for a sample of 93 beneficiaries that had benefits totaling \$611,796 paid to adoptive parents on their behalf during the audit period and found one (1.01%) beneficiary that did not meet the program's special needs eligibility requirements.

While evaluating the eligibility error, auditors also identified a sibling of the beneficiary that received Adoption Assistance benefits. After reviewing the sibling's case file, auditors

⁴ The Division of Social Services is the division within the Department that is responsible for administering the Foster Care program.

⁵ 2 CFR 170 Appendix A.

⁶ North Carolina General Statute §108A-25(a).

determined that the sibling also did not meet the program's special needs eligibility requirements.

Payments totaling \$12,336 (\$9,042 federal share) were paid to adoptive parents on behalf of these ineligible beneficiaries.

As a result, there is an increased cost to the Adoption Assistance program for both the State and the federal government. Even though the tests identified only \$12,336 (\$9,042 federal share) that was paid on behalf of ineligible beneficiaries, if tests were extended to the entire population, questioned costs could be greater than \$25,000⁷ and the Department may be required to pay the federal share back to the federal government.

According to Department management, the errors occurred because of inaccurate application of established eligibility policies by the county DSS staff. The county DSS staff utilize the Child Placement and Payment System (CPPS) to input data and make eligibility determinations; however, the Department is responsible for establishing the eligibility determination policies, maintaining CPPS, and facilitating training.

Federal regulations⁸ provide adoption assistance to adoptive parents for a child with special needs. Special needs means that there is a specific factor or condition, such as ethnic background, age, or membership in a minority or sibling group, or the presence of factors such as medical conditions or physical, mental, or emotional handicaps.

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; Assistance Listing Number (title): 93.659 (Adoption Assistance); Federal Award Identification Numbers (award periods): 2201NCADPT (October 1, 2021 - September 30, 2022) and 2301NCADTP (October 1, 2022 - September 30, 2023).

Recommendation: Department management should analyze each error to specifically identify why the errors occurred and develop additional training or establish other procedures to prevent future errors from occurring.

In addition, Department management should determine if the Adoption Assistance funds should be recouped.

Views of Responsible Officials of the Auditee: Management agrees with the finding and auditor's recommendation. The Division of Social Services implemented measures to prevent future non-compliance in Title IV-E Adoption Assistance eligibility and recouped the funds.

ALN 93.778 - Medical Assistance Program

5. Deficiencies in the Medicaid Eligibility Determination Process

The Department of Health and Human Services (Department) made Medical Assistance Program (Medicaid) payments to providers based on inaccurate and inadequately documented eligibility determinations. During the audit period, approximately 2.3 million beneficiaries received \$18.6 billion in Medicaid benefits.

⁷ 2 CFR 200.516(a)(3) requires auditors to report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program.

⁸ 42 U.S. Code 673(c)(2)(B)(i).

The task of determining eligibility for the Medicaid program has been delegated to the county departments of social services (DSS).⁹ However, the Department was responsible for ensuring compliance with the eligibility requirements.

Auditors redetermined eligibility for a sample of 111 beneficiaries¹⁰ that had benefits totaling \$34 million paid on their behalf during the audit period. Auditors found two (1.8%) beneficiaries that were ineligible because they moved out of state and continued to receive benefits they were not entitled to receive. Payments totaling \$7,982 (federal share \$5,894) were paid on behalf of these beneficiaries.

In addition to the eligibility errors noted above, auditors also identified 38 beneficiaries whose case files were either missing required eligibility documentation, such as self-employment verification, or inaccurate calculations and household composition were used. However, when auditors redetermined eligibility using the correct information, the beneficiaries were found to be eligible.

As a result, there is an increased cost to the Medicaid Program for both the state and federal government. The program is jointly financed by these two governments and is administered by the state. Even though the tests only identified \$7,982 (federal share \$5,894) that was paid on behalf of ineligible beneficiaries, if tests were extended to the entire population, questioned costs¹¹ could be greater than \$25,000.

Although \$7,982 (\$5,894 federal share) resulted from the errors identified, the amount of Medicaid funds paid on behalf of ineligible beneficiaries is likely greater. Self-attestation by applicants is accepted for certain elements of the Modified Adjusted Gross Income (MAGI) methodology of determining eligibility¹² and further verification or documentation is not required. Auditors tested participant eligibility using the documentation contained in the case files, which includes self-attested data that could not be verified by the auditors.

According to Department management, the errors occurred because of inaccurate application of established eligibility policies by the county DSS staff. The county DSS staff utilize NC FAST¹³ to input data and make eligibility determinations; however, the Department is responsible for establishing the eligibility determination policies, maintaining NC FAST, and facilitating training.

Federal regulations¹⁴ require that the Department, or its designee, determine eligibility for all individuals applying for or receiving benefits in accordance with eligibility requirements defined in the approved state plan.

⁹ North Carolina General Statute 108A-25(b).

¹⁰ The 111 items that were redetermined included 18 items that were deemed individually important. These items were removed from the population and tested 100%. The other 93 items were selected from the remaining population.

¹¹ 2 CFR.200.516(a)(3) requires auditors to report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program.

¹² Approximately \$7.5 billion, or 41%, of total Medicaid payments were for beneficiaries whose eligibility was determined using the MAGI methodology.

¹³ The North Carolina Families Accessing Services Through Technology (NC FAST) is the eligibility system used in the Medicaid Program.

¹⁴ 42 CFR 431.10(b)(3).

Further, federal regulations¹⁵ require that documentation be obtained as needed to determine if a beneficiary meets specific income standards and documentation must be maintained to support eligibility determinations.

This finding was previously reported in the 2022 Statewide Single Audit as finding number 2022-023.

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; Assistance Listing Number (title): 93.778 (Medical Assistance Program (Medicaid; Title XIX)); Federal Award Identification Numbers (award periods): 2205NC5MAP (October 1, 2021 - September 30, 2022) and 2305NC5MAP (October 1, 2022 - September 30, 2023).

Recommendation: Department management should analyze each error to specifically identify why the errors occurred and develop additional training or establish other procedures as necessary to prevent future errors from occurring.

Views of Responsible Officials of the Auditee: The Department agrees with this finding. As required by the North Carolina Legislature, the Department has delegated the administration of Medicaid eligibility determinations to the 100 local county offices of the Division of Social Services (DSS). The Department provides the North Carolina Families Accessing Services Through Technology (NC FAST) the system, issues eligibility policies, facilitates training and provides technical support to the county DSS offices to enable their administration of eligibility determinations. Using Centers for Medicare & Medicaid Services' (CMS) Payment Error Rate Measurement PERM standards as a model, the Department set an acceptable error rate of 3.2% for the accuracy of county eligibility determinations. The Department monitors the accuracy of each county's eligibility determinations and implements accuracy improvement plans, as necessary. As part of the monitoring process, the Department engages with the counties to determine if adjustments are needed to the policy, training facilitation or the NC FAST system. The Department reviewed the errors identified in the audit and will take appropriate steps to correct the improper eligibility determinations.

ALN 93.788 - Opioid STR

6. FFATA Reporting Not Completed

The Department of Health and Human Services (Department) did not complete the Federal Funding Accountability and Transparency Act (FFATA) reporting for the State Opioid Response (Opioid) grant program to the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS).

Auditors reviewed all 30 subawards totaling \$35.9 million that were required to be reported to the FSRS during the audit period and found that none were reported as required.

The FFATA was enacted to help reduce wasteful spending in government by empowering every American citizen with the ability to hold the government accountable for each spending decision. When subaward information is not reported to the FSRS, citizens do

¹⁵ 42 CFR 435.

not have complete and accurate information about how federal funds are being used in their communities.

According to Department management, the Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS) did not complete the FFATA reporting due to essential staff turnover across the Division.

The FFATA¹⁶ requires direct recipients of grants or cooperative agreements to report first-tier subawards of \$30,000 or more to the FSRS.

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; Assistance Listing Number (title): 93.788 (Opioid STR); Federal Award Identification Numbers (award periods): H79TI083312 (September 30, 2021 - September 29, 2023) and H79TI085757 (September 30, 2022 - September 29, 2023).

Recommendation: Department management should establish a contingency plan to ensure FFATA reporting is completed when employee turnover occurs.

Views of Responsible Officials of the Auditee: Management agrees with this finding and recommendation. The Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMHDDSUS) Business and Finance Office did not have the necessary staff adequately trained in FFATA reporting during SFY23 which led to reports not being completed. The Division hired a new Business Allocation Manager in July 2023 to oversee the FFATA reporting process and new policies and procedures were developed. DMHDDSUS will review and revise the FFATA reporting process to include a contingency plan for staff turnover.

7. Inadequate Subrecipient Monitoring

The Department of Health and Human Services (Department) did not adequately monitor \$39.1 million in federal funds passed to subrecipients to address the opioid abuse crisis.

Auditors reviewed the monitoring procedures over all nine subrecipients that received State Opioid Response (Opioid) funds during the period. The Department's monitoring procedures required reviews over both fiscal and program areas for all subrecipients. However, auditors found that no reviews were completed for eight (89%) subrecipients that received \$38.9 million in Opioid funds.

Inadequate monitoring increases the risk that federal funds may not be used in accordance with the federal requirements, which may reduce the funding available for opioid treatment and prevention services.

According to Department management, the Department implemented a pause in monitoring due to the coronavirus pandemic; however, management did not get approval from the federal oversight agency.

Federal regulations¹⁷ require the Department to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

¹⁶ 2 CFR 170 Appendix A.

¹⁷ 2 CFR 200.332(d).

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; Assistance Listing Number (title): 93.788 (Opioid STR); Federal Award Identification Numbers (award periods): H79TI083312 (September 30, 2021 - September 29, 2023) and H79TI085757 (September 30, 2022 - September 29, 2023).

Recommendation: Department management should obtain federal oversight agency approval to deviate from required processes and procedures.

In addition, Department management should dedicate resources to:

- Review and revise monitoring procedures as necessary in response to the operations impacted by the pandemic to ensure funds are used in accordance with federal requirements.
- Follow-up on revised monitoring procedures to ensure corrective action is taken.

Views of Responsible Officials of the Auditee: Management agrees with the finding and recommendation. The eight subrecipients were not monitored because the Division of Mental Health, Developmental Disabilities, and Substance Use Services prioritized support of the Department's ongoing response to the global COVID-19 pandemic (e.g., outreach, prevention, testing, vaccination). This resulted in a pause in monitoring of subrecipients. The Division is in the final stages of updating and strengthening its subrecipient monitoring policy and process. Those updates will include, among other things, requesting federal approval prior to deviating from required processes and procedures. The Division will ensure appropriate monitoring during times of business interruption, such as a public health emergency, or periods of high staff vacancies.

ALN 93.959 - Block Grants for Prevention and Treatment of Substance Abuse

8. Errors in FFATA Reporting

The Department of Health and Human Services (Department) did not submit complete, accurate, and timely subaward information for subrecipients of the Federal Funding Accountability and Transparency Act (FFATA) reporting for the Substance Abuse Block Grant (SABG) to the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS).

Auditors reviewed all 113 subawards totaling \$77.5 million that were required to be reported to the FSRS during the audit period and found the following errors:

- 105 subawards totaling \$76.3 million were not reported at all.
- 3 subawards totaling \$167.1 thousand were reported 6 to 40 days late.

In addition, auditors found that the Department reported \$13.6 million in subaward expenditures that did not agree to supporting documentation.

The FFATA was enacted to help reduce wasteful spending in government by empowering every American citizen with the ability to hold the government accountable for each spending decision. When subaward information is not reported to the FSRS, citizens do not have complete and accurate information about how federal funds are being used in their communities.

According to Department management, the Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS) did not complete the FFATA reporting due to essential staff turnover across the Division.

The FFATA¹⁸ requires direct recipients of grants or cooperative agreements to report first-tier subawards of \$30,000 or more to the FSRS no later than the end of the month following the month in which the obligation was made.

This finding was previously reported in the 2022 Statewide Single Audit as finding number 2022-026.

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; Assistance Listing Number (title): 93.959 (Block Grants for Prevention and Treatment of Substance Abuse); Federal Award Identification Numbers (award periods): B08TI083468 (October 1, 2020 - September 30, 2022), B08TI083540 (March 15, 2021 - March 14, 2024), B08TI083959 (September 1, 2021 - September 30, 2025), B08TI084599 (September 1, 2021 - September 30, 2025), B08TI084663 (October 1, 2021 - September 30, 2023), and B08TI085825 (October 1, 2022 - September 30, 2024).

Recommendation: Department management should prioritize the development of a contingency plan to ensure FFATA reporting is completed when employee turnover occurs.

In addition, Department management should monitor the contingency plan to ensure corrective action is taken.

Views of Responsible Officials of the Auditee: Management agrees with this finding and recommendation. The Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMHDDSUS) Business and Finance Office did not have the necessary staff adequately trained in FFATA reporting during SFY23 which led to reporting errors and reports not being completed. The Division hired a new Business Allocation Manager in July 2023 to oversee the FFATA reporting process and new policies and procedures were developed. DMHDDSUS will review and revise the FFATA reporting process to include a contingency plan for staff turnover.

9. Inadequate Subrecipient Monitoring

The Department of Health and Human Services (Department) did not adequately monitor \$59.6 million in federal funds passed to subrecipients for providing treatment and prevention services for substance abuse.

Auditors reviewed the monitoring procedures over all 36 subrecipients that received substance abuse block grant (SABG) funds during the period. The Department's monitoring procedures required reviews over both fiscal and program areas for all subrecipients. However, auditors found that no reviews were completed for 34 (94%) subrecipients that received \$58.6 million in SABG funds.

¹⁸ 2 CFR 170 Appendix A.

Inadequate monitoring increases the risk that federal funds may not be used in accordance with the federal requirements, which may reduce the funding available for substance abuse treatment and prevention services.

According to Department management, the Department implemented a pause in monitoring due to the coronavirus pandemic; however, management did not get approval from the federal oversight agency.

Federal regulations¹⁹ require the Department to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

This finding was previously reported in the 2022 Statewide Single Audit as finding number 2022-027.

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; Assistance Listing Number (title): 93.959 (Block Grants for Prevention and Treatment of Substance Abuse); Federal Award Identification Numbers (award periods): B08TI083468 (October 1, 2020 - September 30, 2022), B08TI084663 (October 1, 2021 - September 30, 2023), B08TI083959 (September 1, 2021 - September 30, 2025), B08TI084599 (September 1, 2021 - September 30, 2025), B08TI083540 (March 15, 2021 - March 14, 2024) and B08TI085825 (October 1, 2022 - September 30, 2024).

Recommendation: Department management should obtain federal oversight agency approval to deviate from required processes and procedures.

In addition, Department management should dedicate resources to:

- Review and revise monitoring procedures as necessary in response to the operations impacted by the pandemic to ensure funds are used in accordance with federal requirements.
- Follow-up on revised monitoring procedures to ensure corrective action is taken.

Views of Responsible Officials of the Auditee: Management agrees with the finding and recommendation. The thirty-six subrecipients were not monitored because the Division of Mental Health, Developmental Disabilities, and Substance Use Services prioritized support of the Department's ongoing response to the global COVID-19 pandemic (e.g., outreach, prevention, testing, vaccination). This resulted in a pause in monitoring of subrecipients. The Division is in the final stages of updating and strengthening its subrecipient monitoring policy and process. Those updates will include, among other things, requesting federal approval prior to deviating from required processes and procedures. The Division will ensure appropriate monitoring during times of business interruption, such as a public health emergency, or periods of high staff vacancies.

¹⁹ 2 CFR 200.332(d).

Ordering Information

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919-807-7666



This audit required 10,376 hours at an approximate cost of \$1,411,136, plus specialist costs of \$51,925.