



North Carolina Department of Health and Human Services
Division of Social Services

2401 Mail Service Center • Raleigh, North Carolina 27699-2401
Courier # 56-20-25 Fax 919-334-1018

Beverly Eaves Perdue, Governor
Albert A. Delia, Acting Secretary

Sherry S. Bradsher, Director
(919) 733-3055

October 10, 2012

Ms. Marsha Werner
Social Services Block Grant Program Manager
Office of Community Services
U.S. Department of Health and Human Services
5th Floor, West
370 L'Enfant Promenade, SW
Washington, D.C. 20447

Dear Ms. Werner:

Enclosed are five copies of the Social Services Block Grant pre-expenditure report for North Carolina. The report covers State Fiscal Year 2013, which runs from 7/1/12 to 6/30/13.

The State SSBG official receiving the SSBG Grant Award is:

Albert Delia
101 Blair Drive
Adams Building
2001 Mail Service Center
Raleigh, NC 27699-2001
Telephone: 919-733-4534
Fax: 919-715-4645
Email: Al.Delia@dhhs.nc.gov

The SSBG program contact person is:

Hank Bowers
325 N. Salisbury Street
2415 Mail Service Center
Raleigh, NC 27699-2415
Telephone: 919-334-1012
Fax: 919-334-1052
Email: Hank.Bowers@dhhs.nc.gov

If you have any questions regarding this report, please contact me at 919-334-1012 or at Hank.Bowers@dhhs.nc.gov.

Sincerely,

A handwritten signature in cursive script that reads "Hank Bowers".

Hank Bowers, Chief
Performance Management/Reporting & Evaluation
Management Section

HB/tr

Enclosures

NORTH CAROLINA
Social Services Block Grant
Pre-Expenditure Report
Fiscal Year 2013

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I. State/Federal Fiscal Year covered in Pre-Expenditure Plan

Specify the fiscal year, including start and end dates, of the pre-expenditure plan.

Fiscal Year (*select one*):

State

Federal

Dates (*provide start and end date of fiscal year*):

Start Date: 07/01/12

End Date: 06/30/13

II. Letter of Transmittal

Provide a letter of transmittal that includes contact information for the SSBG contact person and the State SSBG official receiving the SSBG Grant Award.

Letter attached.

III. Public Inspection

Provide a description of how the State made the current pre-expenditure report available for public inspection and comment. Also provide documentation of public hearing (e.g., copies of public hearing notices, letters, newspaper articles, etc.) in Appendix A.

North Carolina made the current pre-expenditure report available for public inspection and comment by issuing a press release announcing the publication of the draft report and inviting public comment on any aspect of the report prior to finalizing the report. The press release announced the availability of the pre-expenditure report on the Department's website and area offices, and provided contact information and a deadline for the public to offer input. A copy of the press release is provided in Appendix A.

IV. Narrative

A. Administrative Operations

1. State Administrative Agency

Outline the mission and responsibilities, as well as the goal and objectives, of the agency designated to administer the State's SSBG program.

Agency Designated to Administer SSBG Program:
North Carolina Department of Health and Human Services (DHHS)

Mission of Agency:

The mission of DHHS is "to collaborate with our partners to protect the health and safety of all North Carolinians and provide essential human services."

Agency Responsibilities:

North Carolina DHHS is responsible for ensuring the health, safety, and well being of all North Carolinians, providing the human service needs for fragile populations like the mentally ill, deaf, blind, and developmentally disabled, and helping poor North Carolinians achieve economic independence. DHHS touches the lives of virtually every North Carolinian from birth to old age – prenatal programs, child development programs, and rest home regulations. DHHS is responsible for providing employment-related services, medical assistance, child welfare and adult community care services, treatment and programs for youth at risk. DHHS also administers programs of vocational rehabilitation, independent living rehabilitation, and disability determination.

Agency Goals and Objectives:

The following are the goals and objectives of DHHS:

- Goal 1: Manage resources that provide an elevated level of effective and efficient delivery of services and programs to North Carolinians.
- Goal 2: Expand understanding and use of information to enhance the health and safety of North Carolinians.
- Goal 3: Offer outreach and services to individuals and families identified as being at risk of compromised health and safety.
- Goal 4: Provide services to individuals and families experiencing health and safety needs.
- Goal 5: Provide services and protection to individuals and families experiencing serious health and safety needs who are not, at least temporarily, able to assist themselves.

2. State Offices/Departments

Identify the State entities allocated SSBG funds and provide a brief description of the services supported by each of the entities.

SSBG funds are allocated to the following State entities:

Entities & Services Supported:

Division of Social Services (DSS): Adoption Services; Child Protective Services; Family Support Services; Foster Care Services for Children; Family Planning Services, Independent Living Services (for Youth), Special Services for Youth at Risk. DSS provides training, technical assistance, and consultation to the local staff who work in programs for families and children including Child Welfare, Family Support, Work First, Child Support, and Food and Nutrition Services.

Division of Aging and Adult Services (DAAS): Adult Protective Services; Counseling Services; Day Care Services for Adults; Guardianship Services; Case Management and Counseling; Health-Related Services; Home-Based Services, Home-Delivered Meals; Housing Services; Transportation Services; and Foster Care Services for Adults. DAAS provides services such as completing an initial screening and assessment, counseling, assisting in the process for completing necessary financial applications and medical evaluations, helping to locate and secure placement in a suitable level of care, assisting in the transition from one location to another, providing counseling and other services to help the individual adjust to the new setting and maintain placement, also includes assisting individuals, when requested, to return to more independent settings in the community or relocate in more appropriate settings when new levels of care are needed. DAAS also provides services including in-home aid, adult day services, home repair and home health care.

Division of Child Development and Early Education (DCDEE): Administration of Day Care Services for Children. Day Care Services for Children provides financial assistance to eligible families through county departments of social services to help pay for child care. Subsidy assistance for child care is available to support parents' employment and/or education, child developmental needs, child protective services and child welfare services. DCD also regulates child care facilities.

Division of Vocational Rehabilitation (DVR): Education and Training Services; Special Services – Disabled. Provides services to assist consumers with financial and physical needs attain necessary adaptive equipment on a first come, first serve basis. The Community-Based Supports (CBS) component provides individuals with mental retardation and other developmental disabilities training in areas such as toileting, feeding, transferring, vocational orientation, adult living skills, community inclusion, and adaptive skills. DVR is responsible for determining eligibility for services provided through contracts with Easter Seals UCP North Carolina.

Division of Public Health (DPH): Tobacco Cessation and Prevent Blindness programs. The Tobacco Cessation program provides services to citizens about evidence-based ways to quit smoking, reducing the toll of tobacco use on NC communities and promoting tobacco-free living. The Prevent Blindness North Carolina program is designed to preserve sight through screening, publications, safety, education, and information and referrals to reach people before blindness strikes.

Division of Mental Health, Mental Health, Developmental Disability and Substance Abuse Services: Administration of Special Services – Disabled; and Substance Abuse Services. Provides for administration of services to support individuals living with mental illness and their families. These services include the necessary prevention, intervention, treatment, and supportive services to live successfully in communities of their choice. DMH also provides medically monitored detoxification, crisis stabilization, and short term treatment to prepare adults with substance abuse and co-occurring disorders for ongoing community-based recovery services. DMH also provides services to individuals with developmental disabilities.

Division of Services for the Blind (DSB): Counseling Services; Home-Based Services; and Special Services - Disabled. DSB provides services statewide through staff in seven DSB District Offices and Social Workers for the Blind located in all North Carolina counties. Services include Independent Living Services which assist persons of all ages who are blind or visually impaired to develop skills that enable them to independently manage their activities of daily living. Services also include the Accessible Electronic Information for Blind and Disabled Persons' program, which provides timely information to blind and disabled persons using high speed computers and telecommunications technology.

Division of Central Management and Support: Amyotrophic Lateral Sclerosis (ALS) Association, Jim "Catfish" Hunter Chapter, to be used to provide patient care and community services to persons with ALS and their families.

Division of Health Service Regulation (DHSR): Administration. Adult Care Facility Star Ratings; Adult Care Home Violations and Penalties; Licensure for Adult Care Homes and Mental Health facilities. This Division oversees medical, mental health, and adult care facilities, emergency medical services, and local jails. They monitor to ensure people receiving care in these facilities are safe and receive appropriate care.

DISTRIBUTION OF NORTH CAROLINA'S SOCIAL SERVICES BLOCK GRANT FUNDS

For purposes of the Social Services Block Grant Plan, it is estimated that North Carolina will receive \$57,769,173 in federal SSBG funding for State Fiscal Year 2012-13. An additional \$10,488,001 from the Temporary Assistance for Needy Families (TANF) Block Grant will be transferred to SSBG for a total available amount of \$68,257,174. The distribution of funds to the various Department of Health and Human Services Divisions and the Grant-in-Aid providers is as follows:

Local Program Expenditures	
Divisions of Social Services and Aging and Adult Services	
County Departments of Social Services (Transfer from	
01. TANF \$4,148,001)	\$30,452,068
02. Child Protective Services (Transfer from TANF)	5,040,000
03. State In-Home Services Fund	2,101,113
04. Adult Protective Services	1,346,047
05. State Adult Day Care Fund	2,155,301
Child Protective Services/CPS Investigative Services- Child Medical Evaluation Program (Carousel Center for	
06. Abused Children \$134,592)	744,047
07. Special Children Adoption Incentive Fund	500,000
Child Protective Services-Child Welfare Training for	
08. Counties (Transfer from TANF)	1,300,000
09. Home and Community Care Block Grant (HCCBG)	1,834,077
10. Maternity Homes	925,085
11. Child Advocacy Centers	375,000
12. Work First – Boys and Girls Clubs	2,452,500
13. Food Banks	1,000,000
14. Child Care Subsidy	2,598,319
15. Guardianship	4,356,604
16. UNC Cares Contract	247,920
16A.Foster Care Services	1,497,138
Division of Public Health	
16B.Tobacco Cessation	2,728,000
18. Prevent Blindness	150,000
Division of Vocational Rehabilitation	
Vocational Rehabilitation Services – Easter Seal	
19. Society/UCP Community Health Program	188,263
Division of Central Management and Support	
19A.ALS Association Jim "Catfish" Hunter Chapter	400,000
DHHS Program Expenditures	
Division of Services for the Blind	
20. Independent Living Program	3,633,077
Accessible Electronic Information for Blind and	
21. Disabled Persons	75,000
Division of Health Service Regulation	
22. Adult Care Licensure Program	411,897
23. Mental Health Licensure and Certification Program	205,668
DHHS Administration	
24. Division of Aging and Adult Services	624,454
25. Division of Social Services	604,311
26. Office of the Secretary/Controller's Office	138,058

27. Division of Child Development	15,000
Division of Mental Health, Developmental Disabilities, 28. and Substance Abuse Services	29,665
29. Division of Health Service Regulation	128,562
 TOTAL SOCIAL SERVICES BLOCK GRANT	 \$68,257,174

If the Congress of the United States decreases the federal fund availability for the Social Services Block Grant as described above, the Department of Health and Human Services shall reduce the State administration amount(s) by at least the percentage of the reduction in federal funds. After determining the reduction in the State administration, the remaining reductions shall be allocated proportionately across the program and activity appropriations identified above. In allocating a decrease in the federal fund availability, the Department shall not eliminate the funding for a program or activity as allocated by the NC General Assembly unless it is related to the State administration.

B. Fiscal Operations

1. Criteria for Distribution

Describe the State's criteria for allocation of SSBG funds to State entities.

In allocating funds to State entities, DHHS considers funds available through SSBG, TANF transfer, and other funding sources. Funds are then allocated in such a way as to sustain community-based services aimed at protecting vulnerable adults and children and supporting the services for youth at risk.

2. Planning Process for Use and Distribution of Funds:

Describe the planning process for determining the State's use and distribution of SSBG funds.

North Carolina DHHS sets program and budget priorities by reviewing the program and budget plans for administration. DHHS personnel also consult with and gather input from stakeholders and community partners. This information is used to make decisions about how to allocate resources to meet the goals and objective specified by DHHS.

3. Financial Operations System:

Describe the State's process of assigning costs (e.g., cost allocation plan) and method of calculating costs (e.g., Random Moment in Time).

North Carolina uses a cost allocation plan to assign costs and calculates costs using the 100% Time Reporting method.

C. Program Operations

1. SSBG Statutory Goals the State Plans to Achieve

Indicate which of the statutory goals the State plans to achieve, and provide a description of how services funded by the SSBG will be directed at one or more of these goals.

SSBG Statutory Goals:

- 1. Achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency
- 2. Achieving or maintaining self-sufficiency, including reduction or prevention of dependency

- 3. Preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating or reuniting families
- 4. Preventing or reducing in appropriate institutional care by providing for community-based care, home-based care or other forms of less intensive care
- 5. Securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions

How Services Funded by the SSBG will be directed at these goals:

SSBG funds will be used to support all these goals by providing services to children, youth, and adults that will help individuals achieve and maintain self-sufficiency, prevent or remedy neglect, abuse and exploitation, prevent or reduce inappropriate institutional care, and direct individuals to institutional care when appropriate.

2. Characteristics of Individuals to be Served

Describe the characteristics of individuals to be served, including: definitions of child, adult, and family; eligibility criteria; and income guidelines.

Definitions

- Child: A person who is less than 18 years of age
- Adult: An individual who has reached the age of majority, age 18 in North Carolina, or who has been emancipated by a court order.
- Family: One or more parents and children related by blood, marriage, or adoption, and residing in the same household; or a parent substitute, such as a related caregiver or legal guardian, who has responsibility for the 24-hour care and supervision of a child.

Eligibility Criteria & Income Guidelines:

There are three *primary* eligibility categories defined by the State through which individuals may be eligible to receive Social Services Block Grant-funded services. The first eligibility category defined by the State is based on an individual's status in terms of two major income maintenance programs - the Temporary Assistance for Needy Families (TANF) and the Supplemental Security Income (SSI) programs. The second category is based on the income status and size of the income unit.¹ In the third category, services may be provided "Without Regard to Income," based solely on an individual's need, although for some services the recipient may be asked (but not required) to share in the cost of providing the service. A fourth eligibility category results

from the transfer of a percentage of the State's allocation of TANF (Temporary Assistance for Needy Families) funding to the Social Services Block Grant. Adhering to federal eligibility requirements for persons receiving assistance through the TANF program, these funds will be used only for programs and services to children and their families whose incomes are at or below 200% of the Federal Poverty Level, applicable to family size. The four eligibility categories are described as follows:

Income Maintenance Status

Individuals considered eligible as income maintenance recipients are:

- Current recipients of Temporary Assistance to Needy Families, known as Work First Family Assistance (WFFA) in North Carolina;
- Persons whose needs are taken into account in determining the needs of WFFA recipients;
- Applicants for or current recipients of Supplemental Security Income (SSI) benefits;
- Persons who receive regular Optional State Supplementation payments from the State, known in North Carolina as State/County Special Assistance for Adults, to supplement SSI benefits;
- Children for whom adoption assistance payments or foster care maintenance payments are made under provisions of Public Law 96-272, and are thus considered WFFA recipients.

All these income maintenance recipients are categorically eligible for services. For services such as child care, in which various federal and state funding sources have been blended to maximize funding and streamline service delivery to families, policies specific to that program shall apply. An individual applying for child care services is no longer considered income eligible on the basis of income maintenance status. Although income received from an income maintenance payment such as WFFA or SSI may continue after these individuals are employed, it is not included in the amount of family's income used to determine eligibility for child care services. Income from employment and other sources available to the family is counted toward determining eligibility.

Income Status (Income Eligible Clients)

Eligibility for certain services requires consideration of the income unit's monthly gross income. These services include 1) Child Care Services, 2) In-Home Aide Services for the Blind, 3) Voluntary Sterilization (funded under SSBG as an optional resource item of Health Support Services) and 4) Transportation Services.

¹ Unless otherwise excepted, the following are defined as separate income units for purposes of determining eligibility and cost sharing contributions: biological or adoptive parents and their minor children; a minor parent and his or her children; each adult, whether related or unrelated, other than spouses; children living with adults other than their biological or adoptive parents; and minors who are emancipated through a court proceeding.

The maximum income eligibility limit for subsidized Child Care Services is 75% of North Carolina's State median income, adjusted biennially. Families *who qualify on the basis of income eligibility* pay fees based on their income, family size, and the amount of time child care is needed each month.

For the other services listed above, the State has adopted application of the Federal Poverty Level for use in determining eligibility based on the number of individuals in an income unit. In-Home Services for the Blind is the only one of the services listed above that is available to individuals in income units earning up to 100% of the of the State's established income which is 150% of the Federal Poverty Level. Voluntary Sterilization is an option for individuals in income units earning up to 80% of the Federal Poverty Level. Only those who earn less than 60% of the Federal Poverty Level for their family or income unit are eligible for *all* services, including Transportation, offered through the Social Services Block Grant.

The provision of services "Without Regard to Income" is based solely on the individual's need for the service; however for some services, clients are requested to voluntarily contribute to the cost of services provided. Services supported by the Social Services Block Grant and made available on a "Without Regard to Income" basis may include, depending on each year's allocation:

- Adjustment Services for the Blind and Visually Impaired
- Adoption Services
- Adult Placement Services
- Community Living Services
- Day Care Services for Adults
- Child Care Services
(Service is available without regard to income only when needed to support child protective services, child welfare services and for children receiving foster care services.)
- Children and Adults Needing Mental Health, Developmental Disability and/or Substance Abuse Services
- Delinquency Prevention Services
- Employment and Training Support Services

¹ (cont'd.) marriage or participation in the armed services. For Family Planning Services, "family" will be defined in accordance with federal regulation, 10A NCAC 71R .0908 for Family Planning Services. For Nutrition Services, "family" will be defined in accordance with 10A NCAC 71R .0913.

- Family Planning Services
- Family Preservation Services
- Family Support Services
- Foster Care Services for Adults
- Foster Care Services for Children
- Health Support Services (excluding the optional voluntary sterilization component)
- Home Health Services (includes Skilled Nursing, Physical Therapy, Speech Therapy, Occupational Therapy, Medical Social Services, and Nutrition Care)
- Housing and Home Improvement Services
- Individual and Family Adjustment Services
- In-Home Aide Services
- Intensive Family Preservation Services
- Personal and Family Counseling
- Preparation and Delivery of Meals
- Problem Pregnancy Services
- Protective Services for Adults (including all appropriate services)
- Protective Services for Children (including all appropriate services)
- Residential Treatment for the Emotionally Disturbed
- Respite Care Services
- Transportation Services Provided by the NC Commission of Indian Affairs
- Youth Services

TANF Funds Transferred to the Social Services Block Grant

Federal regulations allow certain TANF monies to be transferred into the Social Services Block Grant. However, welfare reform law stipulates that any TANF funds transferred to SSBG must be used for families with incomes no

higher than 200% of the Federal poverty guidelines. Following this requirement, Social Services Block Grant funds transferred from TANF will only be used for the provision of programs and services to children and their families or income units who earn less than or up to 200% of the Federal Poverty Level, applicable to the size of the family/income unit served.

TANF-to-SSBG funds will be used to support Adoption Services, Foster Care Services for Children, and Other Child Welfare Services where income for families or income units receiving the services does not exceed 200% of the Federal Poverty Level. Activities funded under these service categories include Non-residential Diagnostic and Treatment Services, Recruitment, Assessment and Training of Adoptive and Foster Parents; Adoption Assistance and Post-Adoption Case Management; Case Planning and Case Management, Preparation for and Participation in Judicial Determinations, and other services to youth in foster care or former foster care recipients. For State Fiscal Year 2013 funds transferred from TANF to SSBG will also be used to support training for child welfare services and to maintain the level of expenditures for Child Protective Services workers.

Consumer Contribution

Individuals determined eligible to receive services subject to the consumer contribution policy shall be informed of the requirement that all such recipients are given the opportunity to contribute to the cost of services provided, based on their gross family income and desire to voluntarily contribute. Income, size of income unit, cost of services, and other factors that affect ability to contribute may be taken into account. Services are not terminated if the individual decides not to contribute. The following is a list of services for which consumer contribution is applicable.

- Adult Day Care and Day Health Services
- Housing and Home Improvement Services (Renovations or Repair and Furnishings or Appliance Purchases only)
- In-Home Aide Services
- Personal and Family Counseling
- Preparation & Delivery of Meals

When any of the above services are provided to adults or children as part of a Protective Services Plan, these individuals will be excluded from consumer contributions, up to a maximum of 12 months. Consumer contributions do not apply to children in foster care, children who have been approved to receive adoption assistance, persons receiving Work First assistance, or federally administered Supplemental Security Income (SSI) applicants or recipients.

Fees

Individuals determined eligible to receive services subject to fees must be informed of the requirement that all such recipients are requested to share in the cost of services provided, based on their ability to pay. Income, size of income unit, cost of services, and other factors that affect ability to pay may be taken into account. The following is the service for which fees are applicable.

Child Care Services

Families who are eligible for child care services based on their countable income are charged a parent fee based on their income and family size. The fee is paid directly to the child care provider. Families who are eligible for child care services without regard to income when needed to support child protective services, child welfare services, or when children are receiving foster care services are not charged a parent fee.

Under North Carolina's social services program, any service available through the county department of social services where the individual lives, when provided in conjunction with Protective Services for Children or Adults, will be provided without cost sharing and without regard to income during the first twelve months after Protective Services for Children or Adults is initiated, or until the case is closed, if it remains open for less than a year.

3. **Types of Activities to be Supported**

Describe the types of activities to be provided using SSBG funds. Organize the services by the Uniform Definition of Services and the corresponding State service title. Also provide method of delivery (i.e., public, private, or both) and the geographic area/location where services will be provided.

Adoption Services are those services or activities provided to assist in bringing about the adoption of a child. Component services and activities may include, but are not limited to, counseling the biological parent(s), recruitment of adoptive homes, and pre- and post- placement training and/or counseling.

- SSBG Statutory Goal(s) Supported: 3, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Statewide

Case Management Services are services or activities for the arrangement, coordination, and monitoring of services to meet the needs of individuals and families. Component services and activities may include individual service plan development; counseling; monitoring, developing, securing, and coordinating services; monitoring and evaluating client progress; and assuring that clients' rights are protected.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 4, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Statewide

Home-Delivered Meals (Preparation and Delivery of Meals) are those services or activities designed to prepare and deliver one or more meals a day to an individual's residence in order to prevent institutionalization, malnutrition, and feelings of isolation. Component services or activities may include the cost of personnel, equipment, and food; assessment of nutritional and dietary needs; nutritional education and counseling; socialization services; and information and referral.

- SSBG Statutory Goal(s) Supported: 1, 2, 4
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Optional service based on individual county need and available resources.

Counseling Services (Personal and Family Counseling) are those services or activities that apply therapeutic processes to personal, family, situational, or occupational problems in order to bring about a positive resolution of the problem or improved individual or family functioning or circumstances. Problem areas may include family and marital relationships, parent-child problems, or drug abuse.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 4, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Optional service based on individual county need and available resources.

Day Care Services for Adults are those services or activities provided to adults who require care and supervision in a protective setting for a portion of a 24-hour day. Component services or activities may include opportunity for social interaction, companionship and self-education; health support or assistance in obtaining health services; counseling; recreation and general leisure time activities; meals; personal care services; plan development; and transportation.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 4, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Optional service based on individual county need and available resources.

Day Care Services for Children (Child Care Services) (including infants, pre-schoolers, and school age children) administration of services or activities provided in a setting that meets applicable standards of state and local law, in a center or in a home, for a portion of a 24-hour day. Component services or activities may include a comprehensive and coordinated set of appropriate developmental activities for children, recreation, meals and snacks, transportation, health support services, social service counseling for parents, plan development, and licensing and monitoring of child care homes and facilities.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 4
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Statewide

Employment Services (Employment and Training Support Services) are those services or activities provided to assist

individuals in securing employment or acquiring or learning skills that promote opportunities for employment. Component services or activities may include employment screening, assessment, or testing; structured job skills and job seeking skills; specialized therapy (occupational, speech, physical); special training and tutoring, including literacy training and pre-vocational training; provision of books, supplies and instructional material; counseling, transportation; and referral to community resources.

- SSBG Statutory Goal(s) Supported: 1, 2
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Optional service based on individual county need and available resources.

Family Planning Services are those educational, comprehensive medical or social services or activities which enable individuals, including minors, to determine freely the number and spacing of their children and to select the means by which this may be achieved. These services and activities include a broad range of acceptable and effective methods and services to limit or enhance fertility, including contraceptive methods (including natural family planning and abstinence), and the management of infertility (including referral to adoption). Specific component services and activities may include preconceptional counseling, education, and general reproductive health care, including diagnosis and treatment of infections which threaten reproductive capability. Family planning services do not include pregnancy care (including obstetric or prenatal care).

- SSBG Statutory Goal(s) Supported: 1, 2
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Statewide

Foster Care Services for Adults are those services or activities that assess the need and arrange for the substitute care and alternate living situation of adults in a setting suitable to the individual's needs. Individuals may need such services because of social, physical or mental disabilities, or as a consequence of abuse or neglect. Care may be provided in a community-based setting, or such services may arrange for institutionalization when necessary. Component services or activities include assessment of the individual's needs; case planning and case management to assure that the individual receives proper care in the placement; counseling to help with personal problems and adjusting to new situations; assistance in obtaining other necessary supportive services;

determining, through periodic reviews, the continued appropriateness of and need for placement; and recruitment and licensing of foster care homes and facilities.

- SSBG Statutory Goal(s) Supported: 1, 2
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Statewide

Foster Care Services for Children are those services or activities associated with the provision of an alternative family life experience for abused, neglected or dependent children, between birth and the age of majority, on the basis of a court commitment or a voluntary placement agreement signed by the parent or guardian. Services may be provided to children in foster family homes, foster homes of relatives, group homes, emergency shelters, residential facilities, child care institutions, pre-adoptive homes or supervised independent living situation. Component services or activities may include assessment of the child's needs; case planning and case management to assure that the child receives proper care in the placement; medical care as an integral but subordinate part of the service; counseling of the child, the child's parents, and the foster parents; referral and assistance in obtaining other necessary supportive services; periodical reviews to determine the continued appropriateness and need for placement; and recruitment and licensing of foster homes and child care institutions.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Statewide

Health Related (Health Support Services) and Home Health Services are those in-home or out-of-home services or activities designed to assist individuals and families to attain and maintain a favorable condition of health. Component services and activities may include providing an analysis or assessment of an individual's health problems and the development of a treatment plan; assisting individuals to identify and understand their health needs; assisting individuals to locate, provide or secure, and utilize appropriate medical treatment, preventive medical care, and health maintenance services, including in-home health services and emergency medical services; and providing follow-up services as needed.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 5

- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Health Support Services – Statewide; Home Health Services are optional services based on individual county need and available resources.

Home Based Services (In-Home Aide Services & In-Home Aide Services for the Blind) are those in-home services or activities provided to individuals or families to assist with household or personal care activities that improve or maintain adequate family well-being. These services may be provided for reasons of illness, incapacity, frailty, absence of a caretaker relative, or to prevent abuse and neglect of a child or adult. Major service components include homemaker services, chore services, home maintenance services, and household management services. Component services or activities may include protective supervision of adults and/or children to help prevent abuse, temporary non-medical personal care, house-cleaning, essential shopping, simple household repairs, yard maintenance, teaching of homemaking skills, training in self-help and self-care skills, assistance with meal planning and preparation, sanitation, budgeting, and general household management.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 4, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Statewide

Housing Services (Housing and Home Improvement Services) are those services or activities designed to assist individuals or families in locating, obtaining, or retaining suitable housing. Component services or activities may include tenant counseling; helping individuals and families to identify and correct substandard housing conditions on behalf of individuals and families who are unable to protect their own interests; and assisting individuals and families to understand leases, secure utilities, make moving arrangements and minor renovations.

- SSBG Statutory Goal(s) Supported: 1, 2, 3
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Optional service based on individual county need and available resources.

Independent and Transitional Living Services (Individual and Family Adjustment Services and Community Living Services, Youth Services) are those services and activities designed to help

older youth in foster care or homeless youth make the transition to independent living, or to help adults make the transition from an institution, or from homelessness, to independent living. Component services or activities may include educational and employment assistance, training in daily living skills, and housing assistance. Specific component services and activities may include supervised practice living and post-foster care services.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Individual and Family Adjustment Services – Statewide; Community Living Services and Youth Services are optional services based on individual county need and available resources.

Pregnancy and Parenting Services (Problem Pregnancy Services) are those services or activities for married or unmarried adolescent parents and their families designed to assist young parents in coping with the social, emotional, and economic problems related to pregnancy and in planning for the future. Component services or activities may include securing necessary health care and living arrangements; obtaining legal services; and providing counseling, child care education, and training in and development of parenting skills.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 4
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Optional service based on individual county need and available resources.

Prevention and Intervention Services (Respite Care, Transportation Services, Family Support Services) are those services or activities designed to provide early identification and/or timely intervention to support families and prevent or ameliorate the consequences of, abuse, neglect, or family violence, or to assist in making arrangement for alternate placements or living arrangements where necessary. Such services may also be provided to prevent the removal of a child or adult from the home. Component services and activities may include investigation; assessment and/or evaluation of the extent of the problem; counseling, including mental health counseling or therapy as needed; developmental and parenting skills training; respite care; and other services including supervision, case management, and transportation.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 4, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Optional service based on individual county need and available resources.

Protective Services for Adults (including Adult Placement Services) are those services or activities designed to prevent or remedy abuse, neglect or exploitation of adults who are unable to protect their own interests. Examples of situations that may require protective services are injury due to maltreatment or family violence; lack of adequate food, clothing or shelter; lack of essential medical treatment or rehabilitation services; and lack of necessary financial or other resources. Component services or activities may include investigation; immediate intervention; emergency medical services; emergency shelter; developing case plans; initiation of legal action (if needed); counseling for the individual and the family; assessment/evaluation of family circumstances; arranging alternative or improved living arrangements; preparing for foster placement, if needed; and case management and referral to service providers.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 4, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Statewide

Protective Services for Children are those services or activities designed to prevent or remedy abuse, neglect, or exploitation of children who may be harmed through physical or mental injury, sexual abuse or exploitation, and negligent treatment or maltreatment, including failure to be provided with adequate food, clothing, shelter, or medical care. Component services or activities may include immediate investigation and intervention; emergency medical services; emergency shelter; developing case plans; initiation of legal action (if needed); counseling for the child and the family; assessment/evaluation of family circumstances; arranging alternative living arrangement; preparing for foster placement, if needed; and case management and referral to service providers.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 4, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Statewide

Special Services for Persons With Developmental or Physical Disabilities, or Persons With Visual or Auditory Impairments (Adjustment Services for the Blind and Visually Impaired) -

Special services for persons with developmental or physical disabilities, or persons with visual or auditory impairments, are services or activities to maximize the potential of persons with disabilities, help alleviate the effects of physical, mental or emotional disabilities, and to enable these persons to live in the least restrictive environment possible. Component services or activities may include personal and family counseling; respite care; family support; recreation; transportation; aid to assist with independent functioning in the community; and training in mobility, communication skills, the use of special aids and appliances, and self-sufficiency skills. Residential and medical services may be included only as an integral, but subordinate, part of the services.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 4, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Statewide

Special Services for Youth (Delinquency Prevention Services)

involved in or at risk of involvement with criminal activity are those services or activities for youth who are, or who may become, involved with the juvenile justice system and their families. Component services or activities are designed to enhance family functioning and/or modify the youth's behavior with the goal of developing socially appropriate behavior and may include counseling, intervention therapy, and residential and medical services if included as an integral but subordinate part of the service.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Optional service based on individual county need and available resources.

Substance Abuse Services (Children and Adults Needing Mental Health, Developmental Disability and/or Substance Abuse Services)

administration of services or activities that are primarily designed to deter, reduce, or eliminate substance abuse or chemical dependence. Except for initial detoxification services, medical and residential services may be included but only as an integral but subordinate part of the service. Component substance abuse services or activities may include a comprehensive range of personal and family counseling methods, methadone treatment for opiate abusers,

or detoxification treatment for alcohol abusers. Services may be provided in alternative living arrangements such as institutional settings and community-based halfway houses.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 4, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Optional service based on individual county need and available resources.

Transportation Services are services or activities that provide or arrange for the travel, including travel costs, of individuals in order to access services, or obtain medical care or employment. Component services or activities may include special travel arrangements such as special modes of transportation and personnel to accompany or assist individuals or families to utilize transportation.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 4
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Optional service based on individual county need and available resources.

Other Services include Evaluation Activities for Child Welfare Services, Individual and Family Adjustment Paraprofessional Services and Intake. Individual and Family Adjustment Paraprofessional Services include:

- Supervising visits between parent and child;
- Supervising children (while parents attend therapy, parenting classes, etc.) in absence of caregiver;
- Teaching, coaching, modeling parenting skills, home management skills, communication skills with resources to parents and caretakers and placement providers;
- Teaching, coaching, modeling advocacy skills (especially as related to housing, school system, services agencies);
- Supporting case management of neglected, abused, dependent, delinquent children;
- Transporting/supervising/providing in loco parentis to children going to doctor visits, schools;
- Communicating information between service providers and case managers/placement providers; and
- Testifying in court related to specific assigned duties and client interaction (supervised visits, school visits, etc.).

Services Intake activities include receiving requests for services; exploring with the client his request in terms of the services available; taking applications; and such elements of case management as establishing eligibility for services, initiating the Service Client Information Record and certifying clients for purchased services.

- SSBG Statutory Goal(s) Supported: 1, 2, 3, 4, 5
- Method of Provision: Public and Private (direct delivery and purchase of service)
- Geographic Area: Statewide

V. Pre-Expenditure Reporting Form

Attach completed pre-expenditure reporting form in Microsoft Excel (available on the SSBG website, <http://www.acf.hhs.gov/programs/ocs/ssbg/> under "Guidance, Policies and Procedures").

See attached.

Part A. Estimated Expenditures and Proposed Provision Method

OMB NO.: 0970-0234

EXPIRATION DATE: 06/30/2014

STATE: North Carolina	FISCAL YEAR: (SFY) 2013	REPORT PERIOD: 07/2011 to 06/2012
Contact Person: Hank Bowers	Phone Number: 919-334-1012	
Title: Chief, Performance Management	E-Mail Address: Hank.Bowers@dhs.nc.gov	
Agency: NC DHHS Division of Social Services	Submission Date: October 8, 2012	

Service Supported with SSBG Expenditures	SSBG Expenditures		Expenditures of All Other Federal, State and Local funds**	Total Expenditures	Provision Method	
	SSBG Allocation	Funds transferred into SSBG*			Public	Private
1 Adoption Services	743,907	575,045	7,306,892	8,625,845	x	x
2 Case Management	5,822,642	0	1,468,903	7,291,545	x	x
3 Congregate Meals	0	0	0	0		
4 Counseling Services	1,184,714	321	20,424,565	21,609,599	x	x
5 Day Care-Adults	698,326	0	15,319	713,645	x	x
6 Day Care-Children	2,491,570	0	394,864,662	397,356,232	x	x
7 Education and Training Services	72,620	0	23,415	96,035		x
8 Employment Services	0	0	0	0		
9 Family Planning Services	2,834	0	32,616,374	32,619,208	x	
10 Foster Care Services-Adults	131,375	0	498	131,873	x	x
11 Foster Care Services-Children	4,267,764	6,073,095	78,500,685	88,841,544	x	x
12 Health-Related Services	4,324,356	0	14,753,704	19,078,060	x	x
13 Home-Based Services	2,567,642	0	29,493,093	32,060,735	x	x
14 Home-Delivered Meals	29,261	0	0	29,261	x	x
15 Housing Services	2,489	0	0	2,489	x	
16 Independent/Transitional Living Services	113,062	17,762	3,347,229	3,478,053	x	x
17 Information & Referral	0	0	0	0		
18 Legal Services	0	0	0	0		
19 Pregnancy & Parenting	951,110	0	2,584	953,694	x	x
20 Prevention & Intervention	26,538	14,151	2,171,487	2,212,176	x	
21 Protective Services-Adults	7,954,929	0	5,149,563	13,104,493	x	
22 Protective Services-Children	154,612	3,560,391	184,549,823	188,264,826	x	
23 Recreation Services	0	0	0	0		
24 Residential Treatment	0	0	0	0		
25 Special Services-Disabled	5,694,824	0	198,090,905	203,785,729	x	x
26 Special Services-Youth at Risk	2,458,110	0	1	2,458,110	x	x
27 Substance Abuse Services	0	0	34,050,982	34,050,982	x	
28 Transportation	651,214	0	8,320,090	8,971,305	x	x
29 Other Services***	14,053,990	0	13,442,325	27,496,315	x	x
30 SUM OF EXPENDITURES FOR SERVICES	54,397,889	10,240,766	1,028,593,097	1,093,231,751		
31 Administrative Costs	3,371,284	247,235				
32 SUM OF EXPENDITURES FOR SERVICES AND ADMINISTRATIVE COSTS	57,769,173	10,488,001				

* From which block grant(s) were these funds transferred? TANF

** Please list the sources of these funds: See Attachment

*** Please list other services: See Attachment

Part B. Estimated Recipients

OMB NO.: 0970-0234

EXPIRATION DATE: 06/30/2014

STATE: North Carolina
FISCAL YEAR: (SFY) 2013

Service Supported with SSBG Expenditures	Children	Adults			Total Adults	Total
		Adults Age 59 Years & Younger	Adults Age 60 Years & Older	Adults of Unknown Age		
1 Adoption Services	19,532	4,459	24	0	4,483	24,015
2 Case Management	6,833	2,761	2,310	0	5,070	11,903
3 Congregate Meals	0	0	0	0	0	0
4 Counseling Services	31,464	48,155	25,874	0	74,029	105,493
5 Day Care--Adults	0	304	968	0	1,272	1,272
6 Day Care--Children	124,076	0	0	0	0	124,076
7 Education and Training Services	0	0	0	0	0	0
8 Employment Services	0	0	0	0	0	0
9 Family Planning Services	4,697	17,136	40	0	17,176	21,873
10 Foster Care Services--Adults	0	96	353	0	449	449
11 Foster Care Services--Children	22,074	1,769	82	0	1,852	23,926
12 Health-Related Services	467	2,616	7,694	0	10,310	10,777
13 Home-Based Services	961	597	9,216	0	9,813	10,774
14 Home-Delivered Meals	1	114	945	0	1,060	1,060
15 Housing Services	31	235	128	0	363	393
16 Independent/Transitional Living Services	6,285	4,173	10	11,670	15,854	22,138
17 Information & Referral	0	0	0	0	0	0
18 Legal Services	0	0	0	0	0	0
19 Pregnancy & Parenting	9	174	0	0	174	183
20 Prevention & Intervention	7,393	1,826	54	0	1,881	9,274
21 Protective Services--Adults	0	8,468	15,848	0	24,316	24,316
22 Protective Services--Children	257,690	0	0	0	0	257,690
23 Recreation Services	0	0	0	0	0	0
24 Residential Treatment	0	0	0	0	0	0
25 Special Services--Disabled	52,037	193,304	30,817	0	224,121	276,157
26 Special Services--Youth at Risk	1	60	0	0	60	62
27 Substance Abuse Services	1,320	57,514	2,223	0	59,738	61,058
28 Transportation	11,222	13,155	4,948	0	18,103	29,325
29 Other Services***	4,649	4,656	1,455	0	6,111	10,760
30 SUM OF RECIPIENTS OF SERVICES	550,741	361,573	102,990	11,670	476,233	1,026,974

SOCIAL SERVICES BLOCK GRANT (SSBG) POST-EXPENDITURE REPORT

North Carolina Pre-Expenditure Report of Services Funded with SSBG, SFY 2013

** Please list the sources of these (other Federal, State and Local) funds:

Chafee Foster Care Independence Act (Title IV-E, Social Security Act)
 Child Care Development Block Grant (Sec. 418, Social Security Act)
 Client voluntary cost-sharing
 Community Mental Health Block Grant
 Federal Older Americans Act
 Local/County funds
 Provider match
 State Appropriations
 Substance Abuse Prevention and Treatment Block Grant
 TANF (Title IV-A, Social Security Act)
 Title IV-B1, Social Security Act
 Title IV-B2, Social Security Act
 Title IV-E, Social Security Act
 Title XIX, Social Security Act

Definition of "Other Services"

Individual and Family Adjustment Services - Representative Payee	Services offered to individuals for whom the DSS has been appointed the representative payee, including assurance of the appropriate use of income for the client's needs, and strengthening the client's basic skills in money management.
Individual and Family Adjustment Services - Paraprofessional Services	Services provided to families by paraprofessionals in support of the Case Plan. Examples of direct services are: supervising visits between parent and child; supervising children (while parents attend therapy, parenting classes, etc.) in absence of caregiver; teaching, coaching, and modeling parenting skills, home management skills, and communication skills (with resources to parents and caretakers and placement providers); teaching, coaching, modeling advocacy skills (especially as related to housing, school system, services agencies); supporting case management of neglected, abused, dependent, delinquent children; transporting/supervising/providing in loco parentis to children going to doctor visits or schools; communicating information between services providers and case managers/placement providers; and testifying in court related to specific assigned duties and client interaction (supervised visits, school visits, etc.)
Services Intake	The function of designated service staff who are assigned to handle the task of initiating clients into the service delivery system of the agency. Activities include receiving requests for services; exploring with the client his request in terms of the services available; taking applications; and such elements of case management as establishing eligibility for services, initiating the Service Client Information Record and certifying clients for purchased services. The extent to which Services Intake performs any of the above case management activities is an agency decision and is related to how broadly the agency wishes to define the intake function. Also included may be working with clients to apply eligibility criteria and determine eligibility for another agency's resources, e.g., crippled children, free school lunches. As a part of assessing with the client his request for help and the nature of his need, the designated intake staff may provide Information and Referral as a part of the tasks assigned to Intake.
Evaluation Activities for Child Welfare Programs	Collecting, analyzing, and reporting data related to specific performance measures when those activities are assigned to establish baselines and/or to evaluate the effectiveness of the child welfare delivery system.
Food Banks of NC	Purchase and distribution of food staples for emergency food assistance.

Notes: Expenditures for Other Services also include expenditures for "Unreported Services", that is, expenditures not tracked to specific services (due to reimbursement/coding issues.)

As of FFY 2010, Guardianship Services are reported under Protective Services categories.

As of FFY 2010, Individual and Family Adjustment Services are reported under Counseling Services.

VI. Appendices

Attach the following appendices:

Appendix A: Documentation of Public Hearing (REQUIRED)

Appendix B: Certifications (REQUIRED)

Appendix C: Proof of Audit (REQUIRED)

Appendix A: Documentation of Public Hearing (REQUIRED)

Attach documentation of public hearing, such as public hearing notices, letters, newspaper articles, etc.

See Attached.

Appendix B: Certifications (REQUIRED)

Attach signed copies of the following certifications (available on the SSBG website at <http://www.acf.hhs.gov/programs/ocs/ssbg/procedures/Certifications.htm>.)

1. Drug-Free Workplace Requirements
2. Environmental Tobacco Smoke
3. Lobbying
4. Debarment, Suspension and Other Responsibility Matters

Certifications attached.

Appendix C: Proof of Audit (REQUIRED)

Federal regulations state that: "Each State shall, not less often than every two years, audit its expenditures from amounts received (or transferred for use) under this title... Within 30 days following the completion of each audit, the State shall submit a copy of that audit to the legislature of the State and to the Secretary." (Sec. 2006 [42 U.S.C. 1397a, Sec. 2006]).

Provide a copy of the most recent audit or a description of the audit that specifies when the audit occurred and summarizes the results of the audit.

Proof of Audit attached.

VII. Additional Information (as needed)

Provide any additional information, as needed.

Public Notice

Public Invited to Offer Suggestions on Block Grants

RALEIGH—The public is invited to comment on the state's Social Services Block Grant plan. The N.C. Department of Health and Human Services (DHHS) creates this plan every year to outline how federal social services block grant funds will be administered.

From September 21 – October 5, 2012, the written plan is available on the web at:
www.ncdhhs.gov/dss/pubnotice/ssbg.htm and a hard copy is available from 8 a.m. to 5 p.m. at:

NC Division of Social Services Central Office
Albemarle Building
325 North Salisbury Street
Raleigh, NC

Federal block grant funds help pay for some of the programs and services states provide. States are given broad latitude under block grant funding to design and operate their own programs. However, the federal government places certain restrictions on what types of expenditures can be made from each block grant fund.

Citizens interested in commenting on the plan must submit written comments no later than **October 5, 2012**. Comments may be emailed to ssbg.comments@dhhs.nc.gov, faxed to (919) 334-1052, or mailed to:

Hank Bowers, Chief
Performance Management/Reporting & Evaluation Management Section
NC Division of Social Services
2415 Mail Service Center
Raleigh, NC 27699-2415

The Social Services Block Grant (SSBG) is the major source of federal funding for a wide variety of services such as adoption services, counseling services, adult day care and foster care services, protective services for adults, housing, and residential treatment services. Other uses of these funds include child care for child welfare cases, community-based services for elderly and disabled adults (such as in-home aide services and preparation of meals), mental health services, transportation, and other human services programs.

CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS

This certification is required by the regulations implementing the Drug-Free Workplace Act of 1988: 45 CFR Part 76, Subpart, F. Sections 76.630(c) and (d)(2) and 76.645(a)(1) and (b) provide that a Federal agency may designate a central receipt point for STATE-WIDE AND STATE AGENCY-WIDE certifications, and for notification of criminal drug convictions. For the Department of Health and Human Services, the central pint is: Division of Grants Management and Oversight, Office of Management and Acquisition, Department of Health and Human Services, Room 517-D, 200 Independence Avenue, SW Washington, DC 20201.

Certification Regarding Drug-Free Workplace Requirements (Instructions for Certification)

1. By signing and/or submitting this application or grant agreement, the grantee is providing the certification set out below.
2. The certification set out below is a material representation of fact upon which reliance is placed when the agency awards the grant. If it is later determined that the grantee knowingly rendered a false certification, or otherwise violates the requirements of the Drug-Free Workplace Act, the agency, in addition to any other remedies available to the Federal Government, may take action authorized under the Drug-Free Workplace Act.
3. For grantees other than individuals, Alternate I applies.
4. For grantees who are individuals, Alternate II applies.
5. Workplaces under grants, for grantees other than individuals, need not be identified on the certification. If known, they may be identified in the grant application. If the grantee does not identify the workplaces at the time of application, or upon award, if there is no application, the grantee must keep the identity of the workplace(s) on file in its office and make the information available for Federal inspection. Failure to identify all known workplaces constitutes a violation of the grantee's drug-free workplace requirements.
6. Workplace identifications must include the actual address of buildings (or parts of buildings) or other sites where work under the

grant takes place. Categorical descriptions may be used (e.g., all vehicles of a mass transit authority or State highway department while in operation, State employees in each local unemployment office, performers in concert halls or radio studios).

7. If the workplace identified to the agency changes during the performance of the grant, the grantee shall inform the agency of the change(s), if it previously identified the workplaces in question (see paragraph five).

8. Definitions of terms in the Nonprocurement Suspension and Debarment common rule and Drug-Free Workplace common rule apply to this certification. Grantees' attention is called, in particular, to the following definitions from these rules:

Controlled substance means a controlled substance in Schedules I through V of the Controlled Substances Act (21 U.S.C. 812) and as further defined by regulation (21 CFR 1308.11 through 1308.15);

Conviction means a finding of guilt (including a plea of nolo contendere) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State criminal drug statutes;

Criminal drug statute means a Federal or non-Federal criminal statute involving the manufacture, distribution, dispensing, use, or possession of any controlled substance;

Employee means the employee of a grantee directly engaged in the performance of work under a grant, including: (i) All direct charge employees; (ii) All indirect charge employees unless their impact or involvement is insignificant to the performance of the grant; and, (iii) Temporary personnel and consultants who are directly engaged in the performance of work under the grant and who are on the grantee's payroll. This definition does not include workers not on the payroll of the grantee (e.g., volunteers, even if used to meet a matching requirement; consultants or independent contractors not on the grantee's payroll; or employees of subrecipients or subcontractors in covered workplaces).

Certification Regarding Drug-Free Workplace Requirements
Alternate I. (Grantees Other Than Individuals)

The grantee certifies that it will or will continue to provide a drug-free workplace by:

- (a) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
- (b) Establishing an ongoing drug-free awareness program to inform employees about --
 - (1) The dangers of drug abuse in the workplace;
 - (2) The grantee's policy of maintaining a drug-free workplace;
 - (3) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
- c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (a);
- (d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will:
 - (1) Abide by the terms of the statement; and
 - (2) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;
- (e) Notifying the agency in writing, within ten calendar days after receiving notice under paragraph (d)(2) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;
- (f) Taking one of the following actions, within 30 calendar days of receiving notice under paragraph (d)(2), with respect to any employee who is so convicted --
 - (1) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - (2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other

appropriate agency;

(g) Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (a), (b), (c), (d), (e) and (f).

(B) The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant:

Place of Performance (Street address, city, county, state, zip code)

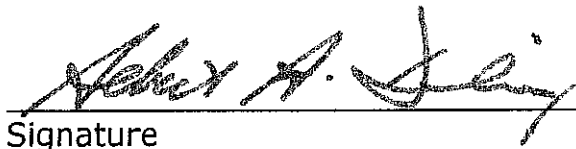
Check if there are workplaces on file that are not identified here.

Alternate II. (Grantees Who Are Individuals)

(a) The grantee certifies that, as a condition of the grant, he or she will not engage in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance in conducting any activity with the grant;

(b) If convicted of a criminal drug offense resulting from a violation occurring during the conduct of any grant activity, he or she will report the conviction, in writing, within 10 calendar days of the conviction, to every grant officer or other designee, unless the Federal agency designates a central point for the receipt of such notices. When notice is made to such a central point, it shall include the identification number(s) of each affected grant.

[55 FR 21690, 21702, May 25, 1990]



Signature

Acting Secretary

Title

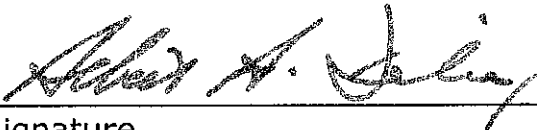
NC DHHS

Organization

CERTIFICATION REGARDING ENVIRONMENTAL TOBACCO SMOKE

Public Law 103227, Part C Environmental Tobacco Smoke, also known as the Pro Children Act of 1994, requires that smoking not be permitted in any portion of any indoor routinely owned or leased or contracted for by an entity and used routinely or regularly for provision of health, day care, education, or library services to children under the age of 18, if the services are funded by Federal programs either directly or through State or local governments, by Federal grant, contract, loan, or loan guarantee. The law does not apply to children's services provided in private residences, facilities funded solely by Medicare or Medicaid funds, and portions of facilities used for inpatient drug or alcohol treatment. Failure to comply with the provisions of the law may result in the imposition of a civil monetary penalty of up to \$1000 per day and/or the imposition of an administrative compliance order on the responsible entity by signing and submitting this application the applicant/grantee certifies that it will comply with the requirements of the Act.

The applicant/grantee further agrees that it will require the language of this certification be included in any subawards which contain provisions for the children's services and that all subgrantees shall certify accordingly.



Signature

Acting Secretary

Title

NC DHHS
Organization

CERTIFICATION REGARDING LOBBYING

Certification for Contracts, Grants, Loans, and Cooperative Agreements

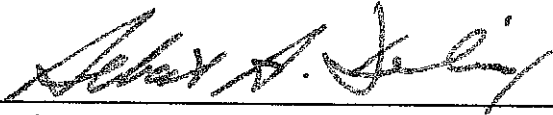
The undersigned certifies, to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions. Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.



Signature

Acting Secretary

Title

NC DHHS

Organization

CERTIFICATION REGARDING DEBARMENT, SUSPENSION AND OTHER RESPONSIBILITY MATTERS

Certification Regarding Debarment, Suspension, and Other
Responsibility Matters--Primary Covered Transactions

Instructions for Certification

1. By signing and submitting this proposal, the prospective primary participant is providing the certification set out below.
2. The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction. The prospective participant shall submit an explanation of why it cannot provide the certification set out below. The certification or explanation will be considered in connection with the department or agency's determination whether to enter into this transaction. However, failure of the prospective primary participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction.
3. The certification in this clause is a material representation of fact upon which reliance was placed when the department or agency determined to enter into this transaction. If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.
4. The prospective primary participant shall provide immediate written notice to the department or agency to which this proposal is submitted if at any time the prospective primary participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
5. The terms covered transaction, debarred, suspended, ineligible, lower tier covered transaction, participant, person, primary covered transaction, principal, proposal, and voluntarily excluded, as used in this clause, have the meanings set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549. You may contact the department or agency to which this proposal is being submitted for assistance in obtaining a copy of those regulations.
6. The prospective primary participant agrees by submitting this proposal that, should the proposed covered transaction be entered

into, it shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency entering into this transaction.

7. The prospective primary participant further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion-Lower Tier Covered Transaction," provided by the department or agency entering into this covered transaction, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

8. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the List of Parties Excluded from Federal Procurement and Nonprocurement Programs.

9. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

10. Except for transactions authorized under paragraph 6 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.

Certification Regarding Debarment, Suspension, and Other Responsibility Matters--Primary Covered Transactions

(1) The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:

(a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal

department or agency;

(b) Have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;

(c) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and

(d) Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.

(2) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion--Lower Tier Covered Transactions Instructions for Certification

1. By signing and submitting this proposal, the prospective lower tier participant is providing the certification set out below.

2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

3. The prospective lower tier participant shall provide immediate written notice to the person to which this proposal is submitted if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or had become erroneous by reason of changed circumstances.

4. The terms covered transaction, debarred, suspended, ineligible, lower tier covered transaction, participant, person, primary covered transaction, principal, proposal, and voluntarily excluded, as used in this clause, have the meaning set out in the Definitions and Coverage sections of rules implementing Executive Order 12549. You may contact the person to which this proposal is submitted for assistance in

obtaining a copy of those regulations.

5. The prospective lower tier participant agrees by submitting this proposal that, [[Page 33043]] should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.

6. The prospective lower tier participant further agrees by submitting this proposal that it will include this clause titled ``Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion-Lower Tier Covered Transaction," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, ineligible, or voluntarily excluded from covered transactions, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the List of Parties Excluded from Federal Procurement and Nonprocurement Programs.

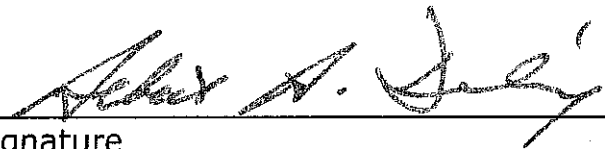
8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

9. Except for transactions authorized under paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

Certification Regarding Debarment, Suspension, Ineligibility and
Voluntary Exclusion--Lower Tier Covered Transactions

(1) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.

(2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.



Signature

Acting Secretary
Title

NC DHHS
Organization

State of North Carolina
SSBG 2013

PROOF OF AUDIT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20801 Mail Service Center
Raleigh, NC 27699-0801
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

March 26, 2011

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina

We are pleased to submit the *Single Audit Report* for the State of North Carolina for the fiscal year ended June 30, 2011. The audit was conducted in accordance with standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the requirements of the Single Audit Act Amendments of 1996, and the provisions of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

This *Single Audit Report* reflects federal awards of \$24.7 billion. This report includes significant deficiencies and material weaknesses in internal control relating to major federal programs and instances of noncompliance, including several that we believe constitute material noncompliance, that meet the criteria of OMB Circular A-133.

The North Carolina *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2011 has been issued in a separate report by the Office of the State Controller. In accordance with *Government Auditing Standards*, we are issuing our report on our consideration of the State of North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements that have an effect on the financial statements.

The deficiencies in internal control and instances of noncompliance arising from our audit that are required to be reported by *Governmental Auditing Standards* or the Single Audit Act and OMB Circular A-133 are described in the Schedule of Findings and Questioned Costs.

We wish to acknowledge the assistance of the North Carolina Office of the State Controller and the cooperation of other state agencies, community colleges, and universities in the preparation of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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North Carolina Office of the State Auditor

Our Mission and Our Commitment

The Office of the State Auditor protects the interests of taxpayers and others who provide financial resources to the State of North Carolina. Specifically, we provide objective information to interested parties about whether economic resources are properly accounted for, reported and managed; as well as whether publically-funded programs are achieving desired results.

The Office of the State Auditor's mission is accomplished by conducting thorough audits and investigations. These audits and investigations are performed by highly competent and professional staff and result in useful and practical recommendations to improve services provided by North Carolina state government.

This office will always strive for the highest standards in professional conduct, independence and integrity as we pursue our mission. If we find financial management deficiencies, we will report them without apology because our ultimate responsibility is to the citizens and taxpayers of North Carolina.



Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20801 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7600
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

March 26, 2011

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina

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The deficiencies in internal control and instances of noncompliance arising from our audit that are required to be reported by *Governmental Auditing Standards* or the Single Audit Act and OMB Circular A-133 are described in the Schedule of Findings and Questioned Costs.

We wish to acknowledge the assistance of the North Carolina Office of the State Controller and the cooperation of other state agencies, community colleges, and universities in the preparation of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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AUDITOR'S SECTION

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Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Carolina as of and for the year ended June 30, 2011 (not presented herein), which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 8, 2011. Our report includes a reference to other auditors.

As discussed in Note 23 to the financial statements, the State of North Carolina implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 59, *Financial Instruments Omnibus*, during the year ended June 30, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the North Carolina State Lottery Fund, the North Carolina Turnpike Authority, the North Carolina Housing Finance Agency, the State Education Assistance Authority, the University of North Carolina System – University of North Carolina Health Care System – Rex Healthcare, the Supplemental Retirement Income Plan of North Carolina, and the cash basis claims and benefits of the North Carolina State Health Plan, as described in our report on the State of North Carolina's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the University of North Carolina System – University of North Carolina Health Care System – Rex Healthcare and the Supplemental Retirement Income Plan of North Carolina were not audited in accordance with *Government Auditing Standards*. As of the date of our report on the financial statements of the State of North Carolina, the financial statements of the State Education Assistance Authority were not audited in accordance with *Government Auditing Standards*; however, subsequent to that date, an audit in accordance with *Government Auditing Standards* was completed.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of North Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial

reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in findings 11-FS-1 and 11-FS-2 in Section II, Financial Statement Findings, of the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a control deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of North Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State of North Carolina's responses to the findings identified in our audit are described in Section II, Financial Statement Findings, of the accompanying Schedule of Findings and Questioned Costs. We did not audit the State's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Governor, the General Assembly, the State Controller, management and staff of organizations within the State of North Carolina reporting entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Beth A. Wood, CPA
State Auditor

December 8, 2011



Bath A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20801 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina

Compliance

We have audited the State of North Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State of North Carolina's major federal programs for the year ended June 30, 2011. The State of North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of North Carolina's management. Our responsibility is to express an opinion on the State of North Carolina's compliance based on our audit.

The State of North Carolina arranges with local government social services agencies to perform the "intake function" to determine eligibility for the following major programs: Medicaid Cluster, Temporary Assistance for Needy Families Cluster, Special Supplemental Nutrition Program for Women, Infants and Children, Low-Income Home Energy Assistance, Adoption Assistance, and the Children's Health Insurance Program. We designated these programs to be audited as major programs at certain local governments by their local government auditors. The results of these audits were furnished to us, and our opinion, insofar as it relates to the intake function for these programs, is based on the other auditors' results.

The State of North Carolina's financial reporting entity includes the operations of the State Education Assistance Authority and the North Carolina Housing Finance Agency. These agencies reported \$3.21 billion and \$233 million, respectively, in federal awards which are not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2011. Our audit, described below, did not include the operations of the State Education Assistance Authority and the North Carolina Housing Finance Agency because these agencies engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a

Finding Number	Type of Compliance Requirement	CFDA	Major Federal Program
11-SA-106	Subrecipient Monitoring	93.658	Foster Care-Title IV-E
11-SA-107	Subrecipient Monitoring	93.659	Adoption Assistance
11-SA-109	Subrecipient Monitoring	93.710	ARRA - Community Services Block Grant
11-SA-110	Special Tests and Provisions	93.710	ARRA - Community Services Block Grant
11-SA-111	Special Tests and Provisions	93.712	ARRA - Immunization
11-SA-112	Subrecipient Monitoring	93.713	ARRA - Child Care and Development Block Grant
11-SA-120	Allowable Costs/Cost Principles	93.767	Children's Health Insurance Program
11-SA-131	Subrecipient Monitoring	93.959	Block Grants for Prevention and Treatment of Substance Abuse
11-SA-132	Subrecipient Monitoring	93.959	Block Grants for Prevention and Treatment of Substance Abuse

Compliance with such requirements is necessary, in our opinion, for the State of North Carolina to comply with the requirements applicable to those programs.

In our opinion, based on our audit and the work of other auditors described above, except for the noncompliance described in the preceding paragraphs, the State of North Carolina complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 11-SA-25, 11-SA-26, 11-SA-30, 11-SA-35, 11-SA-38, 11-SA-59, 11-SA-93, 11-SA-99, 11-SA-114, 11-SA-117, 11-SA-121, 11-SA-124, 11-SA-125, 11-SA-128, 11-SA-129, and 11-SA-134.

Internal Control Over Compliance

Management of the State of North Carolina is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of North Carolina's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of North Carolina's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in Section III, Federal Award Findings and Questioned Costs, of the accompanying Schedule of Findings and Questioned Costs as items 11-SA-7, 11-SA-8, 11-SA-11, 11-SA-12, 11-SA-15, 11-SA-18, 11-SA-22, 11-SA-29, 11-SA-32, 11-SA-34, 11-SA-37, 11-SA-40, 11-SA-45, 11-SA-46, 11-SA-49, 11-SA-61, 11-SA-62, 11-SA-67, 11-SA-70, 11-SA-74, 11-SA-76, 11-SA-77, 11-SA-84, 11-SA-92, 11-SA-96, 11-SA-97, 11-SA-98, 11-SA-101, 11-SA-103, 11-SA-105, 11-SA-106, 11-SA-107, 11-SA-109, 11-SA-110, 11-SA-111, 11-SA-112, 11-SA-120, 11-SA-122, 11-SA-123, 11-SA-131, and 11-SA-132, to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a 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. We consider the deficiencies in internal control over compliance described in Section III, Federal Award Findings and Questioned Costs, of the accompanying Schedule of Findings and Questioned Costs as items 11-SA-1, 11-SA-2, 11-SA-3, 11-SA-4, 11-SA-5, 11-SA-6, 11-SA-9, 11-SA-10, 11-SA-13, 11-SA-14, 11-SA-16, 11-SA-17, 11-SA-19, 11-SA-20, 11-SA-21, 11-SA-23, 11-SA-24, 11-SA-26, 11-SA-27, 11-SA-28, 11-SA-30, 11-SA-31, 11-SA-33, 11-SA-35, 11-SA-36, 11-SA-38, 11-SA-39, 11-SA-41, 11-SA-42, 11-SA-43, 11-SA-44, 11-SA-47, 11-SA-48, 11-SA-50, 11-SA-51, 11-SA-52, 11-SA-53, 11-SA-54, 11-SA-55, 11-SA-56, 11-SA-57, 11-SA-58, 11-SA-59, 11-SA-60, 11-SA-63, 11-SA-64, 11-SA-65, 11-SA-66, 11-SA-68, 11-SA-69, 11-SA-71, 11-SA-72, 11-SA-73, 11-SA-75, 11-SA-78, 11-SA-79, 11-SA-80, 11-SA-81, 11-SA-82, 11-SA-83, 11-SA-85, 11-SA-86, 11-SA-87, 11-SA-88, 11-SA-89, 11-SA-90, 11-SA-91, 11-SA-94, 11-SA-95, 11-SA-100, 11-SA-102, 11-SA-104, 11-SA-108, 11-SA-113, 11-SA-115, 11-SA-116, 11-SA-118, 11-SA-119, 11-SA-124, 11-SA-125, 11-SA-126, 11-SA-127, 11-SA-129, 11-SA-130, 11-SA-133, 11-SA-134, 11-SA-135, and 11-SA-136, to be significant deficiencies.

We noted certain deficiencies in information systems controls that were only generally described in this report. Details about these deficiencies, due to their sensitive nature, were communicated to management in separate letters pursuant to the provisions of *North Carolina General Statute 147-64.6(c)(18)*.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the State's basic financial statements (not presented herein) and have issued our report thereon dated December 8, 2011. Our report includes a reference to other auditors.

As discussed in Note 23 to the financial statements, the State of North Carolina implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 59, *Financial Instruments Omnibus*, during the year ended June 30, 2011.

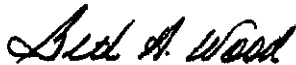
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in

Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the North Carolina State Lottery Fund, the North Carolina Turnpike Authority, the North Carolina Housing Finance Agency, the State Education Assistance Authority, the University of North Carolina System – University of North Carolina Health Care System – Rex Healthcare, the Supplemental Retirement Income Plan of North Carolina, and the cash basis claims and benefits of North Carolina State Health Plan, as described in our report on the State of North Carolina's financial statements. The financial statements of the University of North Carolina System – University of North Carolina Health Care System – Rex Healthcare and the Supplemental Retirement Income Plan of North Carolina were not audited in accordance with *Government Auditing Standards*. As of the date of our report on the financial statements of the State of North Carolina, the financial statements of the State Education Assistance Authority were not audited in accordance with *Government Auditing Standards*; however, subsequent to that date, an audit in accordance with *Government Auditing Standards* was completed.

Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the State of North Carolina's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The State of North Carolina's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the State's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Governor, the General Assembly, the State Controller, management and staff of organizations within the State of North Carolina reporting entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Beth A. Wood, CPA
State Auditor

March 9, 2012 (except as related to the
Report on the Schedule of Expenditures of Federal Awards,
as to which the date is December 8, 2011)

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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STATE OF NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY)

For the Fiscal Year Ended June 30, 2011

Federal CFDA Number	Program Expenditures	Subrecipient Expenditures	CFDA Program Title or Cluster Title
20.700	421,245		Pipeline Safety Program Base Grants
20.701	612,236	87,058	University Transportation Centers Program
20.703	526,710	280,894	Interagency Hazardous Materials Public Sector Training and Planning Grants
23	33,332		U. S. Appalachian Regional Commission
23.002	1,605		Appalachian Area Development
23.011	686,363	302,803	Appalachian Research, Technical Assistance, and Demonstration Projects
30	33,150		U. S. Equal Employment Opportunity Commission
39.003	9,510,236		Donation of Federal Surplus Personal Property
42	292,795	150,432	Library of Congress
43	1,451,463	243,828	National Aeronautics and Space Administration
43.001	205,208	18,000	Science
43.008	38,301		Education
45.024	77,027	1,800	Promotion of the Arts-Grants to Organizations and Individuals
45.025	1,010,308	912,534	Promotion of the Arts-Partnership Agreements
45.025	20,061		ARRA - Promotion of the Arts-Partnership Agreements
45.129	3,938		Promotion of the Humanities-Federal/State Partnership
45.149	6,500		Promotion of the Humanities-Division of Preservation and Access
45.180	76,038		Promotion of the Humanities-Fellowships and Stipends
45.181	109,436		Promotion of the Humanities-Research
45.183	375,481	6,660	Promotion of the Humanities-Professional Development
45.184	792		Promotion of the Humanities-Public Programs
45.189	57,604		Promotion of the Humanities-Office of Digital Humanities
45.307	3,528		21st Century Museum Professionals
45.310	5,210,824	3,707,091	Grants to States
45.312	156,998		National Leadership Grants
45.313	558,791		Laura Bush 21st Century Librarian Program
47	288,982	2,305	National Science Foundation
47.041	1,440,956	6,641	Engineering Grants
47.049	1,573,022		Mathematical and Physical Sciences
47.050	980,054	309,702	Geosciences
47.070	2,047,694	282,065	Computer and Information Science and Engineering
47.074	2,189,847	70,423	Biological Sciences
47.076	1,287,521	144,894	Social, Behavioral, and Economic Sciences
47.078	10,095,411	1,756,377	Education and Human Resources
47.078	128,824	57,874	Polar Programs
47.078	194,166	25,000	International Science and Engineering (OISE)
47.080	50,491		Office of Cyberinfrastructure
47.082	2,172,348		ARRA - Trans-NSF Recovery Act Research Support
59	801,358	980	U. S. Small Business Administration
59.037	2,867,240		Small Business Development Centers
59.044	100,191		Veterans Business Development
59.058	13,925		Federal and State Technology Partnership Program
64	238,934		U. S. Department of Veterans Affairs
64.005	4,888,780		Grants to States for Construction of State Home Facilities
64.005	4,340,928		ARRA - Grants to States for Construction of State Home Facilities
64.028	244,487		Post-9/11 Veterans Educational Assistance
64.124	360,319		All-Volunteer Force Educational Assistance
64.203	100,000		State Cemetery Grants
86	24,846		U. S. Environmental Protection Agency
66.034	178		Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act
66.039	523,990		National Clean Diesel Emissions Reduction Program
66.039	289,188	289,188	ARRA - National Clean Diesel Emissions Reduction Program
66.040	223,866		State Clean Diesel Grant Program
66.040	1,025,963		ARRA - State Clean Diesel Grant Program
66.202	715,900		Congressionally Mandated Projects
66.432	3,125,517		State Public Water System Supervision
66.433	91,149		State Underground Water Source Protection
66.454	96,329		Water Quality Management Planning
66.454	364,895		ARRA - Water Quality Management Planning
66.456	1,248,827		National Estuary Program
66.458	45,555,732	13,682,384	Capitalization Grants for Clean Water State Revolving Funds
66.458	39,573,553	27,252,984	ARRA - Capitalization Grants for Clean Water State Revolving Funds
66.460	5,023,648	9,500	Nonpoint Source Implementation Grants

STATE OF NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (BY STATE AGENCY)

For the Fiscal Year Ended June 30, 2011

Federal CFDA Number	Direct/Indirect	ARRA	Program Disbursements	CFDA Program Title	Pass-Through Number	Pass-Through Entity Name
97.046	D	N	147,088	Fire Management Assistance Grant		
97.047	D	N	2,155,245	Pre-Disaster Mitigation		
97.055	D	N	9,633	Interoperable Emergency Communications		
97.056	D	N	207,562	Port Security Grant Program		
97.067	D	N	18,223,461	Homeland Security Grant Program		
97.075	D	N	830,152	Rail and Transit Security Grant Program		
97.077	D	N	37,825	Homeland Security Research Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Detection		
97.078	D	N	710,012	Buffer Zone Protection Program (BZPP)		
97.082	D	N	22,220	Earthquake Consortium		
97.082	D	N	242,385	Repetitive Flood Claims		
97.110	D	N	407,727	Severe Loss Repetitive Program		
			129,154,111	Total -- N. C. Department of Crime Control and Public Safety		
N. C. Department of Cultural Resources						
15.904	D	N	914,210	Historic Preservation Fund Grants-In-Aid		
15.928	D	N	503,290	Civil War Battlefield Land Acquisition Grants		
15.929	D	N	25,000	Save America's Treasures		
45.025	D	N	993,006	Promotion of the Arts-Partnership Agreements		
45.025	D	Y	20,061	ARRA - Promotion of the Arts-Partnership Agreements		
45.310	D	N	5,210,824	Grants to States		
45.312	D	N	78,354	National Leadership Grants		
89.003	D	N	25,562	National Historical Publications and Records Grants		
			7,771,347	Total -- N. C. Department of Cultural Resources		

N. C. Department of Environment and Natural Resources

10.664	D	N	2,982	U. S. Department of Agriculture		
10.687	D	N	5,057,584	Cooperative Forestry Assistance		
10.688	D	Y	119,818	ARRA - Recovery Act of 2009: Capital Improvement and Maintenance		
10.902	D	Y	1,786,770	ARRA - Recovery Act of 2009: Wildland Fire Management		
11	D	N	267,614	Soil and Water Conservation		
11	I	N	33,743	U. S. Department of Commerce		
11	I	N	81,511	U. S. Department of Commerce		
11	I	N	102,712	U. S. Department of Commerce		
11,008	I	N	55,772	U. S. Department of Commerce		
11,008	I	N	21,981	NOAA Mission-Related Education Awards		
11,008	I	N	33,406	NOAA Mission-Related Education Awards		
11,400	D	N	139,675	Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)		
11,405	D	N	2,641	Anadromous Fish Conservation Act Program		
11,407	D	N	80,912	Interjurisdictional Fisheries Act of 1986		
11,419	D	N	2,417,409	Coastal Zone Management Administration Awards		
11,420	D	N	629,159	Coastal Zone Management Estuarine Research Reserves		
11,434	D	N	141,031	Cooperative Fishery Statistics		
11,436	I	N	52,540	Southeast Area Monitoring and Assessment Program		
11,435	I	N	42,971	Southeast Area Monitoring and Assessment Program		
11,435	I	N	12,249	Southeast Area Monitoring and Assessment Program		
11,439	D	N	35,375	Marine Mammal Data Program		
11,463	I	Y	245,765	ARRA - Habitat Conservation		
11,472	I	N	218,576	Unaffiliated Science Program		

05-1115 Atlantic States Marine Fisheries Commission
 37555-10S-1464 Macro International
 SA-10-NC-03 South Atlantic Marine Fisheries Commission
 37545-9S-1416 Macro International
 4500-117-01 Oak Management, INC

FY2008-001 South Carolina Dept of Natural Resources
 FY2009-002 South Carolina Dept of Natural Resources
 FY2008-006 South Carolina Dept of Natural Resources
 NA08NMF4630305 North Carolina Coastal Federation
 FY2011-002 South Carolina Dept. of Natural Resources

STATE OF NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (BY STATE AGENCY)

For the Fiscal Year Ended June 30, 2011

Federal CFDA Number	Direct/Indirect	ARRA	Program Disbursements	CFDA Program Title	Pass-Through Number	Pass-Through Entity Name
93.243	D	N	4,755,051	Substance Abuse and Mental Health Services-Projects of Regional and National Significance		
93.251	D	N	313,612	Universal Newborn Hearing Screening		
93.256	D	N	286,058	State Health Access Program		
93.262	D	N	14,261	Occupational Safety and Health Program		
93.268	D	N	113,150,651	Immunization Grants		
93.270	D	N	58	Adult Viral Hepatitis Prevention and Control		
93.283	D	N	13,908,285	Centers for Disease Control and Prevention-Investigations and Technical Assistance		
93.301	D	N	189,631	Small Rural Hospital Improvement Grant Program		
93.500	D	N	381,321	Pregnancy Assistance Fund Program		
93.505	D	N	35,575	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		
93.507	D	N	449,797	Strengthening Public Health Infrastructure for Improved Health Outcomes		
93.512	D	N	123,422	Affordable Care Act (ACA) Personal and Home Care Aide State Training Program (PHCAST)		
93.518	D	N	33,325	Affordable Care Act-Medicare Improvements for Patients and Providers		
93.520	D	N	330,141	Centers for Disease Control and Prevention -Affordable Care Act (ACA)-Communities Putting Prevention to Work		
93.521	D	N	62,103	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements		
93.556	D	N	7,937,781	Promoting Safe and Stable Families		
93.558	D	N	235,305,028	Temporary Assistance for Needy Families		
93.560	D	N	61,936	Family Support Payments to States-Assistance Payments		
93.563	D	N	84,739,888	Child Support Enforcement		
93.563	D	Y	2,276,817	ARRA - Child Support Enforcement		
93.566	D	N	4,282,125	Refugee and Entrant Assistance-State Administered Programs		
93.568	D	N	127,656,190	Low-Income Home Energy Assistance		
93.575	D	N	16,912,665	Community Services Block Grant		
93.576	D	N	153,489,325	Child Care and Development Block Grant		
93.584	D	N	507,341	Refugee and Entrant Assistance-Discretionary Grants		
93.590	D	N	691,792	Refugee and Entrant Assistance-Targeted Assistance Grants		
93.596	D	N	973,847	Community-Based Child Abuse Prevention Grants		
93.597	D	N	126,141,653	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		
93.599	D	N	222,944	Grants to States for Access and Visitation Programs		
93.603	D	N	973,157	Child Education and Training Vouchers Program (ETV)		
93.630	D	N	375,012	Adoption Incentive Payments		
93.645	D	N	2,305,373	Developmental Disabilities Basic Support and Advocacy Grants		
93.658	D	N	7,746,203	Child Welfare Services-State Grants		
93.658	D	Y	76,435,817	Foster Care-Title IV-E		
93.658	D	Y	1,419,514	ARRA - Foster Care-Title IV-E		
93.659	D	Y	46,353,520	Adoption Assistance		
93.659	D	Y	2,805,615	ARRA - Adoption Assistance		
93.667	D	N	60,578,436	Social Services Block Grant		
93.669	D	N	685,303	Child Abuse and Neglect State Grants		
93.671	D	N	2,229,184	Family Violence Prevention and Services/Grants for Battered Women's Shelters-Grants to States and Indian Tribes		
93.674	D	N	2,972,597	Chafee Foster Care Independence Program		

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Fiscal Year Ended June 30, 2011

Original Finding Number **	State Department	Current Status of Prior Audit Finding
08-SA-107	Health and Human Services	<p><u>Deficiencies in County Eligibility Determination Process - Adoption Assistance Program</u></p> <p>The audit finding does not warrant further action because:</p> <ol style="list-style-type: none"> 1. As of today, June 29, 2011, two years have passed since the audit report in which the finding occurred was submitted on March 30, 2009 to the Federal clearinghouse; 2. The U.S. Department of Health and Human Services is not currently following up with the Department on the audit finding; and 3. A management decision has not been issued.
08-SA-108	Health and Human Services	<p><u>Improvements Needed with Adoption Assistance - Title IV-E Monitoring Efforts</u></p> <p>The audit finding does not warrant further action because:</p> <ol style="list-style-type: none"> 1. As of today, June 29, 2011, two years have passed since the audit report in which the finding occurred was submitted on March 30, 2009 to the Federal clearinghouse; 2. The U.S. Department of Health and Human Services is not currently following up with the Department on the audit finding; and 3. A management decision has not been issued.
08-SA-109	Health and Human Services	<p><u>Inadequate Control Over User Access to the County Administration Reimbursement System</u></p> <p>The audit finding does not warrant further action because:</p> <ol style="list-style-type: none"> 1. As of today, June 29, 2011, two years have passed since the audit report in which the finding occurred was submitted on March 30, 2009 to the Federal clearinghouse; 2. The U.S. Department of Health and Human Services is not currently following up with the Department on the audit finding; and 3. A management decision has not been issued.
08-SA-110	Health and Human Services	<p><u>Deficiencies in the Social Services Block Grant Monitoring Procedures</u></p> <p>The audit finding does not warrant further action because:</p> <ol style="list-style-type: none"> 1. As of today, June 29, 2011, two years have passed since the audit report in which the finding occurred was submitted on March 30, 2009 to the Federal clearinghouse; 2. The U.S. Department of Health and Human Services is not currently following up with the Department on the audit finding; and 3. A management decision has not been issued.