



**Arizona Health Care Cost Containment System,  
Division of Grants and Innovation  
Substance Use Block Grant &  
Community Mental Health Block Grant Manual**

**Version 1.0 – October 3, 2023**



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# SUBG & MHBG Manual

## Introduction

This manual details expectations for the administration of the Substance Use Block Grant (SUBG) and Community Mental Health Block Grant (MHBG) programs in the state of Arizona (referred to as SUBG/MHBG programs or block grants). The Arizona Health Care Cost Containment System (AHCCCS or State) is the single state Medicaid agency responsible for operating the Title XIX and Title XXI programs through the State's 1115 Research and Demonstration Waiver, which was granted by the U.S. Department of Health and Human Services (HHS), Centers for Medicare & Medicaid Services (CMS).

## Purpose of the Block Grant Manual

The following sections detail the administration, monitoring, and auditing of the SUBG/MHBG programs. While the policies and procedures in this manual may be applicable to many different types of grants, the specific scope of this manual is limited to the SUBG/MHBG programs.

The organizational structure of the manual is designed to walk users through the complete lifecycle of the SUBG/MHBG programs. The manual is intended to serve three basic purposes:

1. Offer transparency and clarity on the state administration of block grants,
2. Provide an accessible resource for the block grant management team, and
3. Serve as uniform procedures and guidance for sub-recipients.

The intent of this manual is twofold for both public and AHCCCS consumption that includes policies, guidelines, and instructions for performing specific activities associated with all stages of the grant management process. There are important distinctions between the administrations of the SUBG/MHBG programs. Those differences are noted throughout the manual, where applicable.

## Manual Structure

This block grant manual is organized into four main sections as follows:

- **Section 1: Overview.** Provides a brief narrative of the purpose of the block grant manual and how the manual may assist users in the administration and goals of the SUBG/MHBG programs. Orients the reader to understand individuals responsible for block grant activities and provides a high-level summary of the grant lifecycle.
- **Section 2: Pre-Award Activities.** Details AHCCCS' process in determining the award of SUBG and MHBG grant funds. Includes a brief overview of identification of block grant activities and AHCCCS submission of block grant application to the Substance Abuse and Mental Health Services Administration (SAMHSA).
- **Section 3: Post-Award Activities.** Details the activities that AHCCCS and contractors are responsible for once block grants are awarded. Details distribution of funding and reporting requirements culminating with award closeout activities.

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- Section 4: Oversight and Monitoring.** Identifies AHCCCS and contractor responsibilities regarding oversight and monitoring of the SUBG/MHBG programs, including federal and AHCCCS reviews and audits.

The AHCCCS block grant manual will be updated on an as needed basis, based on updates to state and federal requirements. See [Appendix C: Version History](#) for date of last revision.

### Key Terms

Table 1 provides uniform definitions for several key terms used throughout this manual. For a full list of terms and acronyms, see [Appendix D: Acronyms](#).

**Table 1. Key Terms Defined**

Key Terms Defined	
Term	Definition
<i>Grant</i>	An award of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, from one entity, the grantor, to another entity, the grantee or recipient.
<i>Grant Program Administrator</i>	The term grant program administrator is used in this manual to refer to the State of Arizona personnel responsible for the overall administration and oversight of the grants. A grant program administrator may delegate certain tasks outlined in this manual; however, the grant program administrator is still the individual ultimately responsible for the task.
<i>Prime Recipient</i>	The term prime recipient describes an entity that is receiving grant money directly from the federal government. In this manual, the prime recipient refers to AHCCCS.
<i>Sub-award/Sub-recipient</i>	The term sub-award is used when discussing an award of financial assistance in the form of money, or property in lieu of money, made to an eligible direct recipient or sub-recipient of federal pass-through funding. Sub-recipients include AHCCCS Complete Care-Regional Behavioral Health Agreements (ACC-RBHAs), Tribal Regional Behavioral Health Agreements (TRBHAs), contracts with coalitions, direct contracts, and intergovernmental agreements (IGA) with various State departments, including, but not limited to the Arizona Department of Health Services (ADHS). For the purposes of this block grant manual, sub-recipients will also be identified as contractors.
<i>Pass-Through Entity</i>	Pass-through entities are non-federal entities that provide a sub-award to a recipient to carry out part of a federal program. <sup>1</sup>
<i>1115 Waiver</i>	Section 1115 of the Social Security Act gives the Secretary of Health and Human Services authority to approve experimental, pilot, or demonstration projects that are found by the Secretary to be likely to assist in promoting the objectives of the Medicaid program. The purpose of these demonstrations, which give states additional flexibility to design

<sup>1</sup> Grants.gov. "Grant Terminology: Pass-Through Entity." GRANTS.GOV. Accessed July 26, 2023. <https://www.grants.gov/learn-grants/grant-terminology.html>.

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Key Terms Defined	
Term	Definition
	and improve their programs, is to demonstrate and evaluate state-specific policy approaches to better serve Medicaid populations. <sup>2</sup>

## 1. Overview of the Substance Abuse and Mental Health Block Grants

SAMHSA provides funding for the SUBG/MHBG programs to support a wide variety of mental and behavioral health services provided to AHCCCS beneficiaries. SAMHSA has indicated the purpose of these block grants include the following:<sup>3</sup>

- To fund priority treatment and support services for individuals without insurance or who cycle in and out of health insurance coverage,
- To fund those priority treatment and support services not covered by Medicaid, Medicare, or private insurance offered through the exchanges and demonstrates success in improving outcomes and/or supporting recovery,
- To fund universal, selective, and targeted prevention activities and services, and
- To collect performance and outcome data to determine the ongoing effectiveness of behavioral health prevention, treatment and recovery support services, and to plan the implementation of new services on a nationwide basis.

The SUBG/MHBG programs are federally funded, and as a result, both AHCCCS and AHCCCS contractors must adhere to federal requirements regarding block grant administration and implementation. This includes 2 Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (hereinafter Part 200), 45 CFR Part 96 U.S. Department of Health and Human Services (DHHS) General Administration of Block Grants (hereinafter Part 96), and DHHS Uniform Administrative Requirements, Cost Principles, and Audit Requirements found in 45 CFR Part 75.

Block grant laws and regulations governing the SUBG/MHBG programs can be found on [SAMHSA's](#) website. AHCCCS has outlined their requirements regarding the SUBG/MHBG programs in Arizona Revised Statutes (ARS) Title 41, Chapter 24.

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<sup>2</sup> "About Section 1115 Demonstrations." Medicaid. Accessed July 26, 2023. <https://www.medicaid.gov/medicaid/section-1115-demonstrations/about-section-1115-demonstrations/index.html>.

<sup>3</sup> "The Federal Register." Federal Register : Request Access. Accessed July 26, 2023. <https://www.federalregister.gov/documents/2022/12/29/2022-28403/agency-information-collection-activities-proposed-collection-comment-request>.

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Table 2 illustrates the differences in goals and objectives of the SUBG/MHBG programs in addition to information regarding populations served and regulations governing both programs.

**Table 2. SUBG and MHBG Programs**

SUBG and MHBG Programs		
Characteristics	SUBG	MHBG
<b>Program Objective</b>	The SUBG program’s objective is to help plan, implement, and evaluate activities that prevent and treat substance abuse. Grant funds are also used to provide early intervention services for Human Immunodeficiency Virus (HIV) and Tuberculosis (TB) disease in high-risk substance users. <sup>4</sup> The SUBG program was previously known as the Substance Abuse Block Grant (SABG) and can also be referred to as Substance Use Prevention, Treatment and Recovery Block Grant.	The MHBG program’s objective is to provide behavioral health services to adults with Serious Mental Illness (SMI) and children with serious emotional disturbance (SED). It is designed to support states in reducing their reliance on psychiatric inpatient services and to facilitate the development of effective community-based mental health services and programs for adults with an SMI designation and children with an SED designation. <sup>5</sup>
<b>Required Set-Asides</b>	<p>The following are set-asides as required by SAMHSA. The State must spend:</p> <ul style="list-style-type: none"> <li>● No less than 20 percent of their SUBG allotment on substance abuse primary prevention strategies. These strategies are directed at individuals not identified to be in need of treatment.<sup>6</sup> Additionally, SAMHSA supports a newly proposed 10 percent recovery set-aside for SUBG funds to require that states provide additional services beyond the scope of treatment programs currently available in most communities across the nation.<sup>7</sup></li> <li>● No less than five percent of funds are set aside for state administration of block grant activities.</li> <li>● Five percent of these funds are distributed to contractors in the form of general service funds with the exception of those sub-recipients focused on prevention</li> </ul>	<p>The following are set-asides as required by SAMHSA and in accordance with 42 United States Code (USC) §300x-2(c). The State must spend:</p> <ul style="list-style-type: none"> <li>● No less than 10 percent of funds per year or 20 percent over two years for early SMI (ESMI) including first episode psychosis (FEP) services.</li> <li>● No less than five percent of funds per year for mental health crisis services.</li> <li>● No more than five percent of funds are set aside for state administration of block grant activities.</li> </ul>

<sup>4</sup> SABG and Mental Health Block - AHCCCS. Accessed March 16, 2023. <https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/FrequentlyAskedQuestions.pdf>.

<sup>5</sup> Ibid.

<sup>6</sup> “Substance Abuse Prevention and Treatment Block Grant.” SAMHSA. Accessed July 26, 2023. <https://www.samhsa.gov/grants/block-grants/sabg>.

<sup>7</sup> FY 2022-2023 Block Grant Application Supporting Statement. SAMHSA. Accessed July 26, 2023. <https://www.samhsa.gov/sites/default/files/grants/fy22-23-block-grant-application-supporting-statement.pdf>

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SUBG and MHBG Programs		
Characteristics	SUBG	MHBG
	(coalitions, state agencies, and partnerships).	
<b>Populations Served</b>	<p>Members who are uninsured or underinsured in the following populations can be served (in order of priority):</p> <ul style="list-style-type: none"> <li>● Pregnant women/teenagers who use drugs by injection.</li> <li>● Pregnant women/teenagers who use substances.</li> <li>● Other members who use drugs by injection.</li> <li>● Substance using women/teenagers with dependent children and their families, including women who are attempting to regain custody of their children.</li> <li>● As funding is available, all other members with a substance use disorder (SUD), regardless of gender or route of use.</li> </ul>	<p>The MHBG can only be used to provide services for members who are uninsured or underinsured and are:</p> <ul style="list-style-type: none"> <li>● Adults (18+) with an SMI.</li> <li>● Children (17 and under) with SED.</li> <li>● Individuals experiencing ESMI including FEP.</li> </ul>
<b>Program Authorization</b>	The SUBG is authorized by section 1921 of Title XIX, Part B, Subpart II and III of the Public Health Service (PHS) Act. <sup>8</sup>	The MHBG is authorized by section 1911 of Title XIX, Part B, Subpart I and III of the PHS Act. <sup>9</sup>
<b>Additional Considerations</b>	States must work with counties and local communities to ensure funds are used to target populations that are most at risk of substance abuse, including individuals who are homeless, pregnant women, adolescents, and individuals with co-occurring disorders using evidence-based practices in prevention and treatment.	SAMHSA requires input from the Behavioral Health Planning Council (BHPC). The BHPC completes duties as specified in the MHBG statute, and advises, consults with, and makes recommendations to State mental health authorities and single state authorities regarding their activities.

## Individuals Responsible For Block Grant Activities

### SAMHSA

SAMHSA is responsible for and provides funding to states to support the SUBG and MHBG programs.

<sup>8</sup> <https://www.gpo.gov/fdsys/pkg/USCODE-2010-title42/pdf/USCODE-2010-title42-chap6A-subchapXVII-partB.pdf>.

<sup>9</sup> <https://www.gpo.gov/fdsys/pkg/USCODE-2010-title42/pdf/USCODE-2010-title42-chap6A-subchapXVII-partB.pdf>.

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## AHCCCS

As the single state authority on substance abuse and mental health, AHCCCS is responsible for the application, implementation, and oversight of the SAMHSA block grants awarded to Arizona. Serving as the prime recipient, AHCCCS obligates grant funds to several different sub-recipients depending on contract needs.

### Division of Grants and Innovation

The Division of Grants and Innovation (DGI) is the point of contact related to the application, implementation, and oversight of all grants administered by AHCCCS, including the SUBG/MHBG programs. DGI manages all day-to-day federal grant activities, including research and writing, implementation and contract management, and oversight and monitoring.<sup>10</sup> DGI is also responsible for managing non-Medicaid and grant financial processes for state appropriated, non-appropriated, and federal grant funds. Additional information regarding DGI, can be found on the [DGI website](#). The website also contains helpful information, such as grants currently in the application process, grants not under consideration, recent award decisions, and current operational grants.

### AHCCCS Contractors

AHCCCS operates the Title XIX and Title XXI programs under the State's 1115 Research and Demonstration Waiver (referred to as State's 1115 Waiver or Waiver). The State's 1115 Waiver, granted by CMS is approved every five years. AHCCCS also provides non-Title XIX/XXI services to their members, which include services delivered through federal block grants. AHCCCS partners with ACC-RBHAs and TRBHAs to administer block grant funds for non-Title XIX/XXI members and housing services. AHCCCS has five unique IGAs with TRBHAs for the coordination of behavioral health services for American Indian members. AHCCCS works with the ACC-RBHAs annually to allocate and disburse SUBG/MHBG activities in their contract. For TRBHAs, SUBG/MHBG activities are included in an IGA that is reviewed annually. If amendments are needed, AHCCCS works with the ACC-RBHAs and TRBHAs to make applicable revisions and modifications to contracts and IGAs.

AHCCCS has also contracts with other partners, outside of the ACC-RBHAs and TRBHAs, to help implement SUBG/MHBG programs activities. These partners target a multitude of activities as stipulated by the SUBG/MHBG programs. These partners are awarded based on responses received from a competitive Request for Proposal (RFP) process. Additionally, AHCCCS partners with other state agencies, such as the Department of Health Services (ADHS) and the Governor's Office of Youth, Faith, and Family (GOYFF), institutions of higher learning, and direct contracts procured through an interagency service agreements process to assist with SUBG/MHBG programs activities. If necessary, additional partnerships may arise to include general and preventative services. They will be awarded on an RFP basis to allow access for SUD prevention treatment and recovery services through SUBG and MHBG funding.

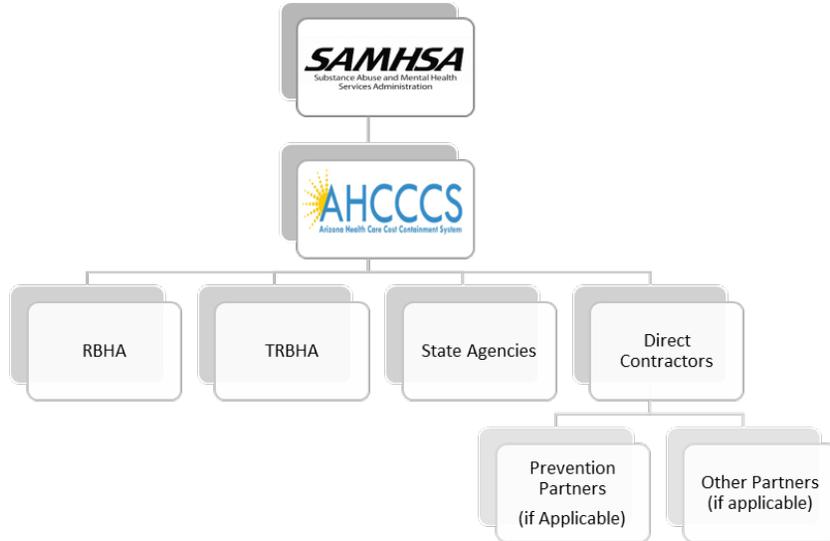
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<sup>10</sup> "Division of Grants and Innovation." AHCCCS. Accessed July 26, 2023. <https://www.azahcccs.gov/Resources/Grants/GrantsAdministration.html>.

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Figure 1 illustrates the distribution of SUBG/MHBG program funding from SAMHSA to AHCCCS to various contractors for the purposes of ensuring successful application of the block grants.

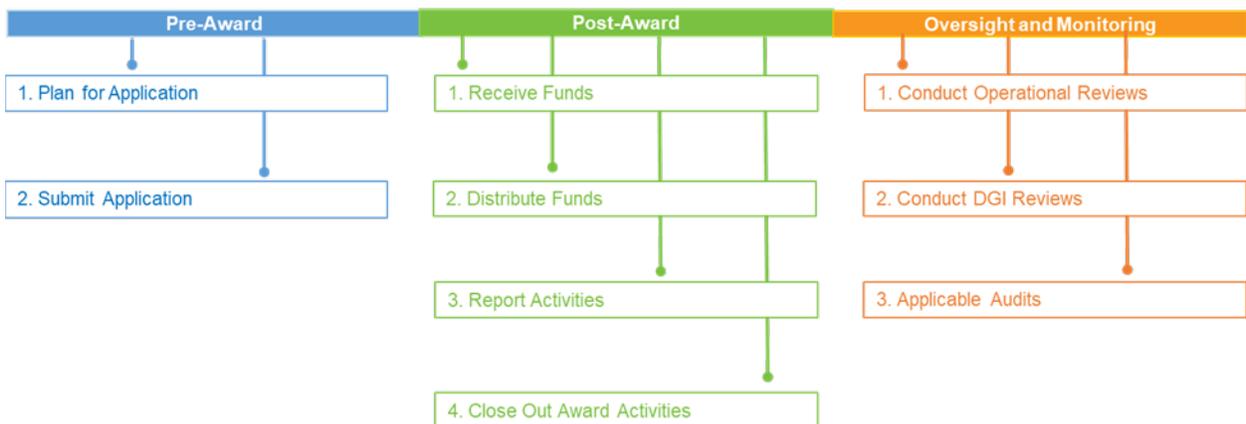
**Figure 1. Funding Distribution**



## SUBG/MHBG Block Grant Process

Figure 2 illustrates the SUBG/MHBG block grant process including pre-award, award, and post-award stages. AHCCCS performs oversight and monitoring activities throughout the grant lifecycle. The remaining sections of the block grant manual detail the State’s strategy in efficiently identifying, allocating, and disbursing federal block grant funds.

**Figure 2. Block Grant Process**



### 2. Pre-Award Activities: Planning for Activities Included in Block Grant

Key pre-award activities include awareness of the timeline for grant activities, identification of block grant activities, development and submission of the application, and conducting a review of applications submitted.

#### Identification of Block Grant Activities

AHCCCS continually works with the ACC-RBHAs, TRBHAs, and other stakeholders to evaluate and implement activities to address substance abuse and mental health opportunities through SUBG/MHBG programs. AHCCCS conducts an assessment of needs for grant funding as part of the grant application every two years which includes a description of:

1. The incidence and prevalence in the state of drug abuse, alcohol abuse, and alcoholism,
2. Current prevention and treatment activities in the state,
3. The State's need for technical assistance (TA) to carry out such activities,
4. Efforts by the State to improve such activities, and
5. The extent to which the availability of such activities is insufficient to meet the need for the activities.<sup>11</sup>

The assessment of needs additionally highlights gaps in the behavioral health service system structure and stipulates that the State include community members and participants in the assessment of needs planning process. Based on the needs assessment findings, AHCCCS prioritizes the implementation of strategic plans and works with their ACC-RBHAs and TRBHAs to identify and evaluate activities to the State's behavioral health needs.

Prior to the submission of an application to SAMHSA, AHCCCS will begin discussions with key stakeholders to identify substance abuse and mental health activities most relevant to their member population and aligned to the overall goals of the State. In addition, AHCCCS works with these partners to identify key quality and clinical metrics as benchmarks of progress for activities funded through the SUBG/MHBG programs.

#### Submission of SAMHSA Block Grant Application

AHCCCS submits a combined SUBG/MHBG program application, inclusive of the Arizona assessment of needs every two years through the web block grant application system (WebBGAS) supported by SAMHSA. At this time, AHCCCS must also submit:

- Assurances, as requested by SAMHSA,
- Applicable certifications, and

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<sup>11</sup> §300W–10 Title 42—the Public Health and Welfare- govinfo. Accessed July 26, 2023. <https://www.govinfo.gov/content/pkg/USCODE-2010-title42/pdf/USCODE-2010-title42-chap6A-subchapXVII-partB.pdf>.

- Breakdown of planned expenditures.

The combined application demonstrates statutory and regulatory compliance to federal requirements regarding block grant funding, and also illustrates the State's commitment to addressing the goals and objectives of the federal block grant program. SUBG/MHBG program funding is allocated using an allotment calculation predetermined by SAMHSA. AHCCCS will indicate in their application to SAMHSA how they plan to distribute this pre-allocated funding in a way that best supports services for sub-recipients.

### 3. Post-Award Activities: Implementing Block Grant Activities

Once AHCCCS' combined application is approved by SAMHSA, the State begins their post-award processes. This section of the block grant manual details AHCCCS' management of block grant funds upon award. The section details information on the following topics, which include:

- Receipt of award,
- Distribution of funds,
- Timeline of block grant cycles, and
- Award closeout.

#### Receipt of Award

Upon review and acceptance of AHCCCS' application, SAMHSA releases a notice of award detailing terms and conditions of grant funds. Once AHCCCS receives this notice, they will work to distribute allocation letters and procurement related documentation to the contractors. Based on the funding, and as described above, AHCCCS may need to identify other partners to assist with parts of the SUBG/MHBG programs. The State will work with their procurement team to identify the most appropriate vehicle to identify vendors (e.g., RFP) and enter into direct contracts with selected partners.

#### Distribution of Funding

The majority of block grant funds awarded to AHCCCS are distributed to the ACC-RBHAs, TRBHAs, and other contracted partners to help implement block grant activities. This allocation has been pre-determined by AHCCCS. However, contractors have the opportunity to request additional funds (see the [Additional Funding Requests](#) section) or report changes to their budget. Reporting changes to sub-recipient budgets is especially critical given that block grant funding that is not appropriately spent within given timeframes must be recouped by the State and returned to SAMHSA. Timing and distribution of funds varies by contract rather than type of contractor. Contractors may refer to price sheets or allocation schedule to identify the contracted payment schedule. Additionally included in sub-recipient contracts is the chart of deliverables which specifies the distribution of funding options for reimbursement. Certain procured services are in need of greater flexibility in payment options, including those that are deliverable based or span lengthy timeframes.

There are two options for distribution of funding to sub-recipients:

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- 1. Monthly (commonly referred to as “1/12”) basis.** AHCCCS distributes monthly fixed payments to their ACC-RBHAs and TRBHAs. All of the ACC-RBHAs and a select number of TRBHAs receive block grant funding on this 1/12 basis.
- 2. Reimbursement basis.** AHCCCS distributes some funding to contractors on a reimbursement basis. Contractors submit funding requests to AHCCCS, who, in return, review the cost reimbursement requests and approve or deny funding based on applicability to the State’s block grant program. Contractors awarded block grant funding must ensure they are accurately tracking and reporting the use of these funds within the agreed-upon timeframe. These reporting requirements are further highlighted in the [SUBG and MH Block Grant Reporting](#) section below. If contractors are obligated general state funds or any other funding outside of the block grants, the contractors may be subject to additional reporting or monitoring requirements. Additional detail is available on the AHCCCS website: <https://www.azahcccs.gov/PlansProviders/GuidesManualsPolicies/index.html>

### SUBG and MH Block Grant Reporting

#### AHCCCS Block Grant Reporting to SAMHSA

There are several required reports that are specific to the SUBG/MHBG programs that AHCCCS must compile and submit as a condition of receiving grant funds. These reports are financial or programmatic and provide SAMHSA an overview of how the State anticipates on using or have used funding. These reports are submitted to SAMHSA’s WebBGAS portal or the Payment Management System (PMS). The following section provides a high-level overview of the types of expenditures and programmatic reporting that AHCCCS submits on an annual basis. For a full list of required reports for both block grants see the WebBGAS report catalog.<sup>12</sup>

#### Financial Reporting

AHCCCS is required to submit an SF-425 Federal Financial Report (FFR) 90 days after the close of the performance period. This report provides a breakdown of total funds obligated by contractor. The SF-425 must be submitted via the PMS. AHCCCS must liquidate all obligations incurred under an award prior to the submission of the SF-425. Letter of credit accounts are locked after this period, with no opportunity for an extension.

In addition, when AHCCCS submits its block grant application, SAMHSA requires the State meet statutory and regulatory expenditure requirements, or maintenance of effort (MOE), for the intended populations. There are two SUBG MOE requirements and one MHBG MOE requirements.<sup>13</sup>

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<sup>12</sup> “WebBGAS.” SAMHSA Block Grants. Accessed July 26, 2023. <https://bgas.samhsa.gov/Module/BGAS/Users>.

<sup>13</sup> A Primer on Maintenance of Effort Requirements - SAMHSA. Accessed July 26, 2023. <https://www.samhsa.gov/sites/default/files/primer-maintenance-effort-requirements-mhbg-sabg.pdf>.

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Table 3 provides some additional detail on what states must demonstrate with regards to MOE.

**Table 3. MOE Requirements**

MOE Requirements		
Block Grant	Federal Guidance	Description
<b>SUBG</b>	45 CFR §96.134	The single state agency (SSA) must maintain expenditures of state funds for authorized activities at a level no less than the average level for the preceding two state fiscal years (SFYs).
	45 CFR §96.124(c)	The SSA must demonstrate that current SFY spending on women’s services is at least equal to base year (federal fiscal year [FFY] 1994) expenditures.
<b>MHBG</b>	§300x-4 of Section 1911 of Title XIX, Part B, Subparts I and III	The State must maintain state expenditures for community mental health services for adults with an SMI and children with an SED at a level that is not less than the average level for the two-year period preceding the SFYs.

AHCCCS will submit MOE expenditure data through WebBGAS annually. This data must include separate SUBG/MHBG reports, regardless of whether states submit combined applications.

### Programmatic Reporting

AHCCCS is also required to submit an annual report on the impacts of block grant funds. This report details how funds are being used to address federal and state goals regarding substance abuse and mental health and is used by HHS and SAMSHA to assist in making financial and programmatic decisions for the preceding fiscal year. The annual report must be submitted via the WebBGAS. Program reporting required as a result of accepting block grant funding includes, but is not limited to:

- Summary and trend reporting,
- Number of persons and populations served, and
- Performance measures, priorities, and miscellaneous reports including state Synar<sup>14</sup> presentations which aim to limit youth access to tobacco products.

Programmatic reports document the successful completion of activities and provide additional demographic data to support future activities within the state. AHCCCS will work with their contractors to collect the necessary information so the State is meeting the terms of their grant awards. Additional details on programmatic reporting are highlighted in the [AHCCCS Oversight and Monitoring](#) below.

<sup>14</sup> “Synar Amendment and Program.” SAMHSA. Accessed May 17, 2023. <https://www.samhsa.gov/synar/about-synar>.

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### Contractor Reporting

AHCCCS relies on accurate and timely reporting from contractors to meet federal reporting requirements associated with block grant funds. The section below describes the various reporting requirements for contractors due to award of block grant funds.

Contractors are provided individual allocation letters containing specific deliverables reported on a monthly, quarterly, and annual basis which vary depending on SAMHSA and AHCCCS priorities and approved activities for which funding is allocated. Examples of deliverables include activities and expenditure reports, strategic plans, and operational documents. Reporting deliverables differ depending on the contracted deliverables and type of contract in place. The ACC-RBHA deliverables are attached to the non-Title contract. AHCCCS allows the ACC-RBHA to report on both non-Titled and Titled services for certain deliverables to satisfy both the AHCCCS Complete Care (ACC) and ACC-RBHA required reporting as well as meet reporting requirements for the block grant(s).

### Federal Funding Accountability and Transparency Act Reporting

The Federal Funding Accountability and Transparency Act (FFATA) requires that information on federal awards be made available to the public.<sup>15</sup> Accordingly, all recipients of federal awards must fill out and submit a FFATA report. AHCCCS, in accordance with “Reporting Subaward and Executive Compensation Information” (2 CFR 1.170), is required to file a FFATA sub-award report by the end of the month following the month in which AHCCCS awards any sub-award equal to or greater than \$30,000.

In an effort to collect this information, AHCCCS requires sub-recipients to submit the [Grant Reporting Certification Form](#) via email, made available on the AHCCCS grants webpage. The form must be returned to AHCCCS by the 15th of the month following when the award was received. All required fields must be completed including Top Employee Compensation, as applicable. Failure to timely submit the Grant Reporting Certification Form could result in the loss of funds. This requirement applies to all subcontractors/sub-awardees utilized by the sub-recipient for amounts exceeding \$30,000.00 during the term of the award.

### Additional Funding Requests

Contractors have the opportunity to request additional funds if they plan to revise or modify activities related to SUBG/MHBG program funding. For ACC-RBHAs and TRBHAs, requests can be submitted on an ad-hoc basis to AHCCCS for consideration. Upon review of request and determination of funding availability, AHCCCS may approve additional activities under block grant funds. Detailed instructions can be found here:

<https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/ProcessForRequestingAdditionalBlockGrantFundingWithBudget.pdf>.

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<sup>15</sup> FSRS. Accessed May 17, 2023. <https://www.fsrs.gov/>.

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For contracting entities receiving funds via the procurement process, AHCCCS may choose to amend contracts, if needed. These amendments will also be approved based on funding availability and alignment with block grant activities. Amendments will be considered on a case-by-case basis.

### Performance Monitoring

While the details and deliverables vary for both block grants, similar overall monitoring and quality assurance activities are performed by AHCCCS.

AHCCCS evaluates provider performance and quality and appropriateness of treatment services through several means, including, but not limited to: measurement of waitlists time and provider capacity, performing secret shopper calls, fielding studies, and surveys to ensure evidence-based programs are implemented and effective, and independent case reviews.

Certain elements of the required allocation letter deliverables are provider quality processes for which the ACC-RBHA and TRBHAs are responsible for oversight and monitoring. The ACC-RBHAs and TRBHAs are required to maintain organizational staff including a grants manager as part of the ACC-RBHA contract. The grant manager's functions include managing and overseeing overall grant activities including monitoring and required reporting to AHCCCS.

### Award Closeout

AHCCCS is required to submit programmatic and financial reporting of grant funds to SAMHSA on an annual basis. For example, reports would be submitted December 1, 2023 for the grant period that ends on September 30, 2022. Programmatic and financial reporting is completed by AHCCCS, utilizing reports submitted by contractors.

AHCCCS also submits financial reporting via the FFR, which is due to SAMHSA within 90 calendar days after the end of the grant period. For example, for a grant period ending September 30, 2022, the FFR would be due on December 30, 2022.

AHCCCS and its contractors are subject to Part 200 Subpart D 200.334 record retention requirements that state the following: Financial records, supporting documents, statistical records, and all other non-federal entity records pertinent to a federal award must be retained for a period of three years from the date of submission of the final expenditure report or for federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the federal awarding agency or pass-through entity in the case of a sub-recipient.<sup>16</sup> However, AHCCCS is also subject to Arizona Statutory requirements and may require sub-recipients to follow standards as specified in ARS 12-2207.<sup>17</sup> Records are retained for SAMHSA and AHCCCS audits which occur on an annual and ad-hoc basis, respectively.

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<sup>16</sup> "The Federal Register." Code of Federal Regulations (CFR) Part 200 Subpart D 200.334. Accessed July 26, 2023. <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D>.

<sup>17</sup> Arizona Revised Statute 12-2297. Accessed July 26, 2023. <https://www.azleg.gov/viewdocument/?docName=https%3A%2F%2Fwww.azleg.gov%2Fars%2F12%2F02297.htm>.

### 4. AHCCCS Oversight and Monitoring

AHCCCS must adhere to requirements stipulated by SAMHSA related to SUBG/MHBG funds. AHCCCS must distribute grant funds to appropriate stakeholders, but must also ensure they meet monitoring, reporting, and auditing requirements associated with block grant funds. AHCCCS monitors the SUBG/MHBG programs to ensure compliance with federal and state regulation and that programmatic requirements are met. The Section G non-Title XIX/XXI ACC-RBHA contract provides foundational requirements related to monitoring and operational reviews, compliance, reporting, and quality assurance.<sup>18</sup> As the SUBG/MHBG programs must supplement the Medicaid program rather than supplant it, the non-Title contract requirements apply to the title block grant programs. The following sections highlights AHCCCS' responsibilities as they implement, monitor, and audit SUBG/MHBG funds, including:

- Timeline of review,
- Review processes,
- Reporting requirements, and
- Auditing requirements.

#### Timeline of Grant Activities

SAMHSA allocates and disburses federal block grant funds to the State on a FFY basis, beginning October 1. It is required that there is a 24-month spending period by which the State has to expend all block grant funds. The timeline for procuring contracts is based on the Arizona procurement statutes and rules. Based on the type of service and size of the contract, the procurement team provides timeline options for maximum terms and optional extensions. SAMHSA allows grant funds to be obligated and expended anytime during the two-year period.

#### Reviews

AHCCCS performs operational reviews as part of Medicaid compliance, as well as specific monitoring and oversight reviews including review of contracted deliverables for the block grants.

#### Medicaid Operational Reviews

The Medicaid operational review is conducted by AHCCCS and adopted by the block grant programs to ensure SAMHSA grant oversight in the three-year cycle for managed care organizations only. Standards and areas of review may be updated annually or on a three-year grant cycle depending on the type of contractor. Review templates are provided to the contractor in advance of the operational review to ensure the contractor is aware of and can provide feedback to AHCCCS regarding any changes in standards assessed. AHCCCS collects feedback from contractors prior to finalizing the process for

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<sup>18</sup> AHCCCS Section G Non-Title XIX/XXI ACC-RBHA Contract No. YH20-0002. Accessed July 26, 2023.  
[https://azahcccs.gov/PlansProviders/Downloads/RFPInfo/YH20/SECTIONG-NONT19-21\\_ACC-RBHA\\_CONTRACT.pdf](https://azahcccs.gov/PlansProviders/Downloads/RFPInfo/YH20/SECTIONG-NONT19-21_ACC-RBHA_CONTRACT.pdf).

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operational reviews. Operational reviews are conducted by the AHCCCS Division of Health Care Services contract compliance team. The DGI reviews the standards applicable to the grant.

### Division of Grants and Innovation Review of Contracted Deliverables

Review of contracted deliverables are conducted on a regular basis. AHCCCS maintains standard processes utilized by both programmatic and financial teams to drive the review of certain types of deliverables. Each type of contractor should refer to their individual chart of deliverables. The unit responsible for review and follow up with the contractor will vary based on the deliverable. AHCCCS may request resubmission or revision of deliverables before making a decision as to whether to approve or reject a submitted deliverable. TA is provided to the contractors based on reviewed deliverables.

### Training and Technical Assistance

SAMHSA offers TA to all 50 states including Arizona. TA offered to AHCCCS can include, but is not limited to: development of needs assessments, sustainability of service delivery systems, outcomes measurement, workforce development, or financing of different services. Additionally, SAMHSA offers support to contractors in the form of educational opportunities including webinars to learn more about block grant management and reporting. AHCCCS currently provides TA to contractors and specific regions of the state through grant coordinators whose main role is to ensure contractor identified service gaps and needs are addressed. Identified needs based on SAMHSA feedback, agency leadership recommendations, and current service gaps/needs identified by current AHCCCS contractors include:<sup>19</sup>

1. SUBG and MHBG – Data collection through integrated care providers utilizing the social determinants of health International Classification of Diseases-10 codes.
2. MHBG – Integration of MHBG SED funding into Arizona’s System of Care for children.
3. SUBG and MHBG – Allowable activities for suicide prevention/intervention related to individuals eligible for block grant funding.
4. SUBG and MHBG – Provide assistance to AHCCCS and its contractors with development of standard work policies, protocols, and systems to manage and meet SUBG and MHBG grant requirements.

AHCCCS works with its contractors to meet the needs identified above, providing possible solutions where applicable.<sup>20</sup>

### DGI and Medicaid Alignment with Block Grant Funding Requirements

AHCCCS will work with their contractors to ensure all terms and conditions outlined in the notice of grant award are met and addressed. This includes providing clear communication on allowable and unallowable uses of SUBG/MHBG program funds. AHCCCS will monitor grant funds to ensure all grant funding aligns with federal and state expenditure requirements. Specifically, AHCCCS will ensure block

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<sup>19</sup> AHCCCS-Block Grant Application. Accessed July 26, 2023. [https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/FY2020\\_2021\\_BlockGrantApplication.pdf](https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/FY2020_2021_BlockGrantApplication.pdf).

<sup>20</sup> Ibid.

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grant funds are expended in accordance with AMPM Policy 320.<sup>21</sup> For additional details, please refer to the policy document [here](#).

### *Allowable Expenditures*

The SUBG and MHBG programs are federal awards that target activities for specific populations. As a result, there are several expenditures that are allowable uses of block grant funds. These expenditures include:

#### ***SUBG Expenditures***

- Non-residential treatment services, such as outpatient rehabilitative services, inpatient and outpatient methadone detoxification services, rehabilitative ambulatory detoxification services, narcotic replacement therapy, and medication-assisted treatment (MAT).
- Residential treatment services, such as freestanding residential detoxification, short and long-term residential recovery, and MAT services.
- Other services, such as services to intravenous drug user and TB services.
- Ancillary services, such as assessment, referrals, intake, case management, outreach, transportation services, rapid HIV testing, and counseling.
- Recovery support services, such as room and board, infrastructure development, and linkages to permanent housing.
- Resource development, such as planning, coordination, needs assessment, post-employment training, research and evaluation, and information systems.
- Administrative services.

#### ***MHBG Expenditures***

- Allowable services identified in the [AHCCCS Medical Policy Manual](#) and AMPM Exhibit 300-2B for members who are uninsured or underinsured with an SMI or SED or Non-Title XIX/XXI services for Title XIX/XXI members with an SMI or SED.
- Funds for ESMI, including FEP, such as treatment of members determined to have experienced a FEP, expansion of evidence-based practices in supported employment or wrap-around services for individuals living in permanent supported housing; programmatic/treatment-related services, salaries of employees that work in administrative, supervisory, and in a treatment capacity with ESMI/FEP members; promotion of the current and effective treatment model; and general start-up costs, such as planning administration and training related to establishing providing services.

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<sup>21</sup> AHCCCS Medical Policy Manual Chapter 300 Section 320 T1- Block Grants and Discretionary Grants. Retrieved from: <https://www.azahcccs.gov/shared/Downloads/MedicalPolicyManual/300/320T1.pdf>.

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- Funds for mental health crisis services to support evidence-based crisis care programs.<sup>22</sup> Implementing crisis services will prioritize the needs of individuals with an SMI by providing stabilization to reduce the reliance on law enforcement and emergency departments.

### *Unallowable Expenditures*

AHCCCS must track specific administrative requirements to identify ways to enforce such requirements. AHCCCS must abide by these restrictions on expenditures, including those identified in federal regulation. This include restrictions on:<sup>23</sup>

- Payments for inpatient hospital service, except when medically necessary as a pre-condition or when the rate of payment is comparable to the daily rate of services provided in a community-based, non-hospital, residential program of treatment.
- Cash payments to intended recipients of health services.
- Purchase or improve land; purchase, construct, or permanently improve (other than minor remodeling) any building or other facility.
- Purchase of, prescription for, or treatments using medical marijuana.
- Purchase of major medical equipment.
- Satisfying any requirement for the expenditure of non-federal funds as a condition of the receipt of federal funds.
- Provision of financial assistance to any entity other than a public or non-profit private entity.
- Pay the salary of an individual through a grant or other extramural mechanism at a rate in excess of Level I of the Executive Salary Schedule for the award year. See [https://grants.nih.gov/grants/policy/salcap\\_summary.htm](https://grants.nih.gov/grants/policy/salcap_summary.htm).
- Purchase treatment services in penal or correctional institutions in the state of Arizona.
- Flex funds purchases.
- Sponsorship for events and conferences.
- Carrying out any program prohibited by 42 USC 300ee-5.

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<sup>22</sup> U.S. Department of Health and Human Services. Substance Abuse and Mental Health Services Administration. Block Grant Reporting Section CFDA 93.958 Community Mental Health Services Block Grant. Retrieved from <https://www.samhsa.gov/sites/default/files/fy24-25-mhbg-report.pdf>

<sup>23</sup> "42 USC 300x-31: Restrictions on Expenditure of Grant." 42 USC 300x-31: Restrictions on expenditure of grant. Accessed July 26, 2023. <https://uscode.house.gov/view.xhtml?req=%28title%3A42+section%3A300x-31+edition%3Aprelim%29>.

## Auditing

### SAMHSA Audits

Federal audits are conducted by the HHS, Office of the Inspector General (OIG) or the General Accountability Office (GAO).<sup>24</sup> The GAO or HHS OIG can monitor and analyze policies and expenditures made by federal grant-making agencies, as well as grant recipients.

### AHCCCS Audits

Federal requirements mandate that AHCCCS must audit contractors annually, at a minimum. The Single Audit Act of 1984, which was later amended in 1996, stipulates audit requirements for states, local governments, and Indian tribal governments that receive and use federal financial assistance programs, which includes the block grants. The Single Audit Act requires these audits, referred to as single audits to be conducted by an independent auditor. Per these requirements, auditee's must prepare the following for inclusion in the Single Audit report: Schedule of Expenditures of Federal Awards, note disclosures, corrective action plans, and summary schedule of prior audit findings. Audits may be performed by state auditors or by independent accounting firms. Sub-recipients who receive more than \$750,000 or more in federal awards during the fiscal year are required to obtain and submit a yearly audit to abide by provisions of §45 CFR 96.31.

AHCCCS determines the frequency of additional monitoring and oversight activities based on compliance and specific needs of contractors, including identification of potential audit issues, the need for TA or training, or to follow up on corrective actions. Identification of a potential audit issue or need for TA is most often identified during AHCCCS review of contractor provided deliverables. Once identified, AHCCCS will work with the contractor to provide targeted TA to address known issues. If needed, AHCCCS will implement a corrective action plan, which identifies expectations and timelines for the contractor as they work to mitigate the issue. Any issues that fail to be addressed will be subject to additional policies outlined by the State.<sup>25</sup>

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<sup>24</sup> "Grants Oversight." SAMHSA. Accessed July 26, 2023. <https://www.samhsa.gov/grants/oversight>.

<sup>25</sup> Arizona Contractor Operations Manual (ACOM) 408. Accessed July 26, 2023. [https://azahcccs.gov/shared/Downloads/ACOM/PolicyFiles/400/408\\_Sanctions.pdf](https://azahcccs.gov/shared/Downloads/ACOM/PolicyFiles/400/408_Sanctions.pdf).

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## Appendices

This section includes sample forms, links to applicable regulation or audit resources, glossary of terms and acronyms, and any other resources to support the block grant manual.

### Appendix A: SUBG and MH Block Grant Frequently Asked Questions

AHCCCS maintains a repository of frequently asked questions (FAQs) related to the SUBG and MH block grants. The FAQ is updated on an ad-hoc basis.

Link to repository:

<https://www.azahcccs.gov/Resources/Downloads/Grants/FrequentlyAskedQuestions.pdf>

### Appendix B: Federal and State Authority for Administration of Block Grants

#### Federal Authority

SUBG/MHBG programs are federally funded by SAMHSA, and as a result, both prime and sub-recipients must adhere to federal requirements regarding block grant administration and implementation. This includes 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (hereinafter Part 200) and 45 CFR Part 96 HHS General Administration of Block Grants (hereinafter Part 96).

Block grant laws and regulations governing the SUBG/MHBG programs can be found on SAMHSA's website available via: <https://www.samhsa.gov/grants/block-grants/laws-regulations>.

#### State Authority

AHCCCS has outlined requirements regarding the SUBG/MHBG programs in ARS Title 41, Chapter 24 contains all codified statutes regarding the solicitation and administration of grants. However, there are several other areas of the ARS that contain relevant and helpful statutes regarding the application, administration, monitoring, and reporting requirements for the SUBG/MHBGs and the programs operated with the grant monies. *Table 4* provides a reference guide along with links to relevant portions of the ARS.

*Table 4. Relevant ARS Citations*

Relevant ARS Citations	
Code Citation	Subject Area
ARS <a href="#">Title 41 Chapter 24</a>	The Solicitation and Administration of Grants
ARS <a href="#">Title 41 Chapter 23</a>	Arizona State Procurement Code
ARS <a href="#">Title 35 Chapter 1</a>	Interagency Agreements
ARS <a href="#">Title 11 Chapter 7</a>	Intergovernmental Agreements
ARS <a href="#">Title 36 Chapter 5</a>	Mental Health Services
ARS <a href="#">Title 36 Chapter 18</a>	Alcohol and Drug Use
ARS <a href="#">Title 36 Chapter 29</a>	AHCCCS Administration

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Relevant ARS Citations	
Code Citation	Subject Area
ARS <a href="#">Title 36 Chapter 34</a>	Behavioral Health Services

### Appendix C: Version History

This section is useful for traversing the manual’s timeline and observe its evolution.

Version History		
Version	Revision Date	Description
V1.0	September 2023	Original Version

### Appendix D: Acronyms

Acronyms	
Acronym	Term
ACC	AHCCCS COMPLETE CARE
ACC-RBHAs	AHCCCS COMPLETE CARE-REGIONAL BEHAVIORAL HEALTH AGREEMENTS
AHCCCS	ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
ARS	ARIZONA REVISED STATUTES
BHPC	BEHAVIORAL HEALTH PLANNING COUNCIL
CFR	CODE OF FEDERAL REGULATIONS
CMS	CENTERS FOR MEDICARE & MEDICAID SERVICES
DGI	DIVISION OF GRANTS AND INNOVATION
DHHS	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
ESMI	EARLY SERIOUS MENTAL ILLNESS
FEP	FIRST EPISODE PSYCHOSIS
FFATA	FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT
FFR	FEDERAL FINANCIAL REPORT
FFY	FEDERAL FISCAL YEAR
GAO	GENERAL ACCOUNTABILITY OFFICE
HIV	HUMAN IMMUNODEFICIENCY VIRUS
IGA	INTERGOVERNMENTAL AGREEMENT
MAT	MEDICATION-ASSISTED TREATMENT
OIG	OFFICE OF THE INSPECTOR GENERAL
PHS	PUBLIC HEALTH SERVICE ACT
PMS	PAYMENT MANAGEMENT SYSTEM
RFP	REQUEST FOR PROPOSAL
SAMHSA	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION
SED	SERIOUS MENTAL ILLNESS

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Acronyms	
Acronym	Term
SFY	STATE FISCAL YEAR
SMI	SERIOUS MENTAL ILLNESS
SSA	SINGLE STATE AGENCY
SUD	SUBSTANCE USE DISORDER
TA	TECHNICAL ASSISTANCE
TB	TUBERCULOSIS
TRBHA	TRIBAL REGIONAL BEHAVIORAL HEALTH AGREEMENTS
USC	UNITED STATES CODE
WEBbGAS	WEB-BASED BLOCK GRANT APPLICATION SYSTEM