



NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**

JOSH STEIN • Governor

DEVPUTTA SANGVAN • Secretary

LISA TUCKER CAULEY • Division Director, Human Services

June 11, 2026

DEAR COUNTY DIRECTOR OF SOCIAL SERVICES

ATTENTION: DIRECTORS, CHILD WELFARE PROGRAM ADMINISTRATORS, MANAGERS, SUPERVISORS, SOCIAL WORKERS, AND DHSR LICENSED MENTAL HEALTH TREATMENT FACILITIES

SUBJECT: Requirement for IV-E Claiming for DHSR-Licensed Mental Health Treatment Facilities

REQUIRED ACTION: Information Only Time Sensitive Immediate

The North Carolina Department of Health and Human Services Division of Social Services (NCDHHS DSS) is committed to supporting counties and licensed child caring institutions in meeting federal and state requirements.

In July 2024, North Carolina underwent a Title IV-E Foster Care review. During that review, the state had five findings related to group care facilities not meeting Title IV-E requirements for fingerprint-based background checks. As a result, North Carolina is currently operating under a Program Improvement Plan (PIP). As part of this process, NCDHHS DSS is strengthening its review and oversight of criminal background checks for congregate care settings licensed through NCDHHS DSS. However, mental health residential treatment facilities (Level II, III, and IV group homes) are licensed through the Division of Health Service Regulation (DHSR) under a different regulatory framework due to their treatment-focused services, and their standards differ from the federal Title IV-E requirements.

Title IV-E regulations require that all staff working in a child caring facility undergo fingerprint-based background checks (SBI/FBI), prior to any employment with the child caring institution. While employees working for DHSR-licensed treatment homes are required to undergo criminal background checks, state law does not require that all employees provide fingerprint-based background checks. See, N.C.G.S. § 122C-80. North Carolina law also permits conditional employment prior to obtaining the results of criminal background checks in DHSR-licensed treatment homes. As a result, NCDHHS DSS is unable to verify that these residential facilities consistently meet the requirements for Title IV-E funding.

Since fingerprint-based background checks are a federal requirement for Title IV-E eligibility, Title IV-E maintenance claims cannot be submitted for foster children placed in leveled group settings licensed by DHSR. This includes claims under the Family First Prevention Services Act for IV-E reimbursement for the first 14 days of placement.

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Additionally, Title IV-E (Z) administrative claims associated with these placements are unallowable, as the placements are not IV-E reimbursable. Administrative time may be claimed to funding codes 9, R, 0, P, V and X as appropriate and in accordance with established claiming guidance and program eligibility requirements.

Effective with the July 2026 service month, PATHNC and CPPS will automatically disallow the first 14 days of Title IV-E funding for children placed in DHSR-licensed mental health residential treatment facilities, including congregate care placements that require LME/MCO Health Plan authorization. These placements may continue to be claimed to State Foster Home Funds.

Action Steps for DSS Agencies:

1. Review current placements to identify foster children placed in DHSR-licensed mental health residential treatment facilities.
2. Review the monthly PQA 020 report to ensure no improper IV-E claims have been submitted.
3. Ensure all applicable staff are informed of this requirement to prevent future claims errors.

Should you have Title IV-E questions, please contact Child Welfare Eligibility and Compliance Manager, Nikki Hull at andrea.hull@dhhs.nc.gov and Amy Oathout, Financial Resource/State Maternity Fund Coordinator at amy.oathout@dhhs.nc.gov. If you have questions regarding administrative claiming, please contact your LBL for assistance.

Sincerely,



Beth Riley, MBA
Child Welfare Financial Officer
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