

# DCBP SITE VISIT

## Fiscal Module

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# Where to Start

- Program budget
- Size and type of the organization
- Identify key personnel
- Identify under/over spending
- Prior SV findings / PO concerns
- Status of draws
- Data and productivity

# Important Ratios Part C

- At least 50% of grant funds on early intervention services.
- Administrative costs not more than 10%.
- 5% Continuous Quality Management
- At least 75% of grant funds (minus CQM and Administrative expenses) expended on core medical services.

# BUDGET LAYOUT AND RECOMMENDED FORMAT Part C

Line Item	Salary	% FTE	Early Intervention Services (EIS) Primary Care*	Core Medical Services	Clinical Quality Management	Support Services	Admin	Total Ryan White Funds
<b>Personnel</b>								
<b>Subtotal Salaries</b>		50%				10%		
<b>Fringe Benefits (25%)</b>								
<b>Subtotal Personnel</b>								
<b>Travel</b>								
<b>Total Travel</b>								
<b>Equipment</b>								
<b>Total Equipment</b>								
<b>Supplies</b>								
<b>Total Supplies</b>								
<b>Contractual</b>								
<b>Total Contractual</b>								
<b>Other</b>								
<b>Total Other</b>								
<b>Total Direct Expenses</b>								
<b>Indirect Expenses</b>								
<b>Total Requested Grant Funds</b>								
Percent of total grant								
Percent of total grant after admin/clinical quality management								

50%

10%

Payroll

75% (less Admin & CQM)

Purchasing

Accounts Payable

# Part D

- Part D funds support medical care for HIV positive clients. (If services available and paid by other sources, grantee does not have to use Part D funds.)
- Funds for affected family members only to provide support services and referrals, not medical care
- 10% cap on admin costs, excluding indirect

# Allocation Requirements

- Non-Allowables
  - Inpatient services
  - Clinical trials
  - Real property
  - Cash Payments
- Part C
  - 50% of funds on EIS
  - 75% of funds (minus admin and CQM) on core medical
  - 10% Administrative
- Part D
  - 10% Administrative
  - Only support services for affected family members

# Reporting Requirements

To verify that grant funds are spent in accordance with allocations:

- Cost allocation due 60 days after start date of grant
- Expenditure reports due 90 days after end date of grant

# List of Materials

- Notice of Grant Award
- Federal Financial Report
- Audit
- Ryan White budget
- YTD expenditures
- Summary of funding for HIV programs
- Draws
- Fiscal reports
- Policies & procedures
- Chart of accounts
- Contracts for HIV program subcontractors
- Customary fee schedule
- Sliding fee schedule
- A/R reports
- Employee time records
- RW Data Reports

# Fiscal Module

- Summary of applicable laws & regulations
- Summary of compliance requirements
- Guide for reviewers
  - Discussion questions
  - Yes / No or Not Applicable Questions
  - Tags for LR, PR and IO
- Be alert to other laws or regulations
- Use professional judgment

# A. Use of Funds

- Part C Primary Care 50%
- Part C 10% Administrative Cap
- Part C 75% on core medical services, including EIS, after deducting administrative and clinical quality management

## A. Use of Funds (cont.)

- Part D funds used to support medical care for HIV+ patients, or, needed medical services available and paid for by other sources
- Funds for affected family members only to provide support services and referrals, not medical care
- 10% administrative cap, excluding indirect

# Sample Finding & Recommendation: Cost Categories

**Finding:** After the adjustment to reflect the correct employee assignments is posted, expenditures for Core Medical do not meet budgetary requirements i.e., that EIS services are at least 50% of the grant and that Core Medical Services are less than 75% of the grant after administration and quality management are deducted.

**Recommendation:** The grantee should ensure that expenditures conform to the 75/25 rule.

# A. Use of Funds (cont.)

- Parts of the RW Program should not cover the same service more than once.
- Part C/D services may not be billed to Part A/B
- Part A/B funds are not treated as program income
- Restrictions on subrecipients' use of Part A/B funds for admin expenses

# A. Use of Funds (cont.)

- Grant funds are to be used for the purpose of the grant only
- Unallowable costs:
  - Inpatient
  - Operation of clinical research
  - Purchase or improvement of real property
  - Cash payments to clients

# A. Use of Funds (cont.)

- Maintenance of Effort
- System to track expenses by grant budget
- Budget changes to be ok'd by PO
- Prior approval needed to move between cost categories
- Prior approval need if changes exceed 25% or \$250,000, whichever is less

## A. Use of Funds (cont.)

- Draws in accordance with budget
- Draws supported by documentation
- Draws consistent with ratio of expenditures to budget
- Draws consistent with time elapsed in budget period

# Draws & Carry-Over

- Review draws early in the visit
- If inappropriate, inform the Project Officer immediately
- PO may restrict draws
- Underspending and carry-over can result in reduction in future grant award.

# Draw Scenario

**Is there a problem?**

Grant Award	\$500,000
% of Grant year completed	50% = \$250,000
% of Grant Spent	30% = \$150,000
Draw Down YTD	25% = \$125,000

**What would you consider?**

# Sample Finding & Recommendation: Inappropriate Draws

**Finding:** The grantee has drawn Ryan White Part C funds but used these funds for expenses that were not in the approved budget and/or for expenses that were previously reimbursed.

**Recommendation:** The grantee should analyze the draws to identify any amounts that were reimbursed more than once and any other inappropriate draws. The grantee should submit this analysis to PO and develop a plan to repay any amounts due to HRSA. Also, the grantee should implement a system to ensure that draws are requested only for budgeted expenses that have not been previously reimbursed and that appropriate supporting documentation is in place.

# A. Use of Funds (cont.)

- Fiscal & program monitoring of subrecipients is required
- Contracts with subrecipients
  - Specify amounts, services, documentation
  - Reasonable amount
  - Specify monitoring to be done

## B. Financial Management System

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- Fiscal policies & procedures
- Accounting system
  - Accumulate expenses by grant
  - Track cost categories
- Fiscal oversight
  - Board of Directors
  - Executive Director / Program Manager

# Sample Finding & Recommendation: Fiscal Oversight

**Finding:** The Executive Director and the Board of Directors did not oversee the fiscal operations of the grantee. Management did not review fiscal reports. Management allowed the former CFO to control all communication with the auditor and did not seek reports regarding the progress of the field work during the audit. The former CFO presented incomplete and/or incorrect information to the auditor. Management did not know about the audit findings or make any attempt to provide correct information to the auditor until the auditor presented draft findings to the Board.

**Recommendation:** OMB Circular A-110, OMB Circular A-133 and the HHS Grants Policy Statement require grantees to have appropriate fiscal management systems that establish and maintain accountability over funds, property and other assets. The organization's management must become engaged in the fiscal management and exercise appropriate fiscal oversight. The grantee should develop an accountability system that includes appropriate fiscal oversight.

## B. Financial Management System (cont.)

- Budget management
- Multiple budgets and funding streams
- Responsibility for development and monitoring Ryan White budget
- Budget variance reports required

# Sample Budget Variance Report

RW Budget Variance Report FYE 3/31/11  
Actual Expenditures through 12/31/10

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Salaries	100,000	65,000	35,000
Contracted Physicians	40,000	30,000	10,000
Travel	3,000	600	2,400
Lab Tests	8,000	8,500	(500)
Total	151,000	104,100	46,900

# Sample Finding & Recommendation: Underspending

**Finding:** Based on the available fiscal reports, the grantee may have a significant surplus in the Ryan White Part C grant ending March 31, 2011. As a program expectation, the budget reflects the planned scope of the program for the grant year and includes both grant funds and program income. If all proposed services are offered the grantee should not experience surplus funds. Underspending may be an indication of a failure to accomplish the program plan.

**Recommendation:** The grantee should work with the Project Officer to appropriately plan for and use its grant award.

## B. Financial Management System (cont.)

- Reasonable allocation of admin costs
  - Appropriate basis (e.g., allocate utilities on basis of square footage; allocate accountant salary on the basis of budgets, etc.)
  - Some grantees have approved indirect cost rate which may be greater than 10%
    - Part C administrative costs are limited to 10%
    - Part D administrative costs are limited to 10%, excluding indirect cost

## B. Financial Management Systems (cont.)

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- Internal Control / Separation of Duties
  - Bank accounts
  - Payroll
- Standardized forms for most transactions, including signatory approval, to ensure that supporting documentation is in place
- Sufficient number of qualified fiscal staff

## B. Financial Management System (cont.)

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- Audit of financial statements & A-133
- Unqualified opinion?
- Completed within 6 months after end of FY
- Board of Directors receives and approves the report of the auditor

## B. Financial Management System (cont.)

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- Reportable conditions, material weaknesses, noncompliance or questioned costs should be explained in the report
- Finding & recommendation:
  - Grantee should resolve audit deficiencies
  - Grantee should give progress reports to PO

# Examples of A-133 Findings

- Inadequate controls over preparation of financial statements
- Draws of federal funds in excess of expenditures
- Draws do not agree with underlying accounting records
- Missing documentation to support transactions
- Accounts not reconciled
- Incompatible duties in a/p or payroll

# Going Concern

Financial statements are based on the concept that the organization is a going concern. Unless there is significant evidence to the contrary, it is assumed that organization will continue to operate for an indefinite period, or at least for the foreseeable future—long enough both to meet its objectives and fulfill its commitments.

# Going Concern

The auditor is responsible to consider whether any conditions or events identified during the audit indicate that there could be substantial doubt about an organization's ability to continue as a going concern. If there is substantial doubt, the auditor will include a "going concern comment" in the report.

## Example: Going Concern Comment

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Going concern comment in auditor's report:

*“The organization incurred a decrease in net assets during FY2011. In addition, the organization has incurred similar decreases in recent years. These factors, as disclosed in footnotes, raise substantial doubt about the organization's ability to continue as a going concern.”*

# Going Concern

- Going concern comment
  - Look for comment in auditor's report (usually 3<sup>rd</sup> paragraph of the letter)
  - Look for additional explanation and management plans in footnotes
  - Look for co-occurring problems with payment of withholding and payroll taxes
  - Brief PO & TL

# Example Finding & Recommendation: Going Concern

**Finding:** The grantee has incurred operating deficits, it has a negative fund balance and its current ratio is less than 1. Based on these factors, the auditor notes that there is doubt that the organization will continue as a going concern.

**Recommendation:** Operating deficits and excessive debt raise doubt about the grantee's ability to continue as a going concern. If the organization is unable to continue operations, the objectives of the Ryan White grants may not be met and the Federal funds may be at risk. The grantee should work with the PO to develop a recovery plan that includes short-term and long-term strategies. Also, the grantee's fiscal recovery plan should acknowledge that current Ryan White grant funds will not be used to pay for expenses that have already been claimed for the purpose of draws or to pay for expenses that are not in the approved budgets.

## B. Financial Management System (cont.)

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- Time and effort allocations consistent with budget
- Time and effort allocations consistent with volume of services or workload
- Payroll reflects time and effort allocations
- Payroll and withholding taxes paid on a timely basis

# Time & Effort Scenarios

- Is time & effort documented?
- Are allocations consistent / reasonable for the number of consumers (RW and insured)?
- Are allocations consistent / reasonable for the number of services (RW and insured)?

# Time & Effort Scenarios

- Actual salary differs from budget
- Vacancies
- Staff on multiple grants and the % allocation is not supported by documentation
- Function does not match category (Primary Care, CQM, Admin)

# Sample Productivity Report

<b>Dr. John Doe Productivity</b>		<b>March 2011</b>	
	<b>Visits</b>	<b>%</b>	
Medicare	31	28.7%	
Medicaid	28	25.9%	
Ryan White	46	42.6%	
Other	3	2.7%	
<b>Total</b>	<b>108</b>		

## Sample Finding & Recommendation: Time and Effort

**Finding:** The grantee does not track actual time and effort for the employees whose salaries are supported by the RW grant. Reports of encounters for the physicians are not consistent with the allocations of their time to the grant.

**Recommendation:** It is a legislative requirement that RW funds are only to be used to support the cost of services to Ryan White clients. OMB Circular A-122 specifies that reports must be maintained for all employees whose compensation is supported in whole or in part by federal awards. The grantee should implement a system to track the employee's time by activity, ensuring that charges to the RW grant are appropriate. It may be necessary to modify the RW budget, based on the evaluation of time and effort. It is recommended that the grantee work with the PO to review staffing and allocations.

## C. Third-Party Billing

- Bill Medicaid, Medicare and other 3<sup>rd</sup> party payers
- Provide assistance to patients in applying for Medicaid and other benefits
- Report program income on FFR

# Sample Customary Fees & Reimbursement Rates

<b>CPT Code</b>	<b>Customary Fee</b>	<b>Medicare</b>	<b>Medicaid</b>	<b>Blue Cross</b>
99211	36.00	18.85	30.84	21.75
99212	61.00	35.65	55.43	35.00
99213	83.00	57.72	75.95	55.50
99214	125.00	76.77	119.22	102.50
99215	184.00	97.29	173.79	124.00

# Sample Charges & Collections by Payer

	<b>Charges</b>	<b>Collections</b>	<b>Contractual Adjustments</b>	<b>Charity Adjustments</b>	<b>Write-offs</b>
Medicaid	8,000	7,000	1,000		
Medicare	1,000	400	600		
Blue Cross	1,000	500	400		100
RW	6,000		6,000		
Self-Pay	1,000	200		750	50
<b>Total</b>	<b>17,000</b>	<b>8,100</b>	<b>8,000</b>	<b>750</b>	<b>150</b>

# Sample Aging Schedule

	<b>Current</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>Over 90 days</b>
Medicaid	8,000	2,000	500	300
Medicare	2,000	5,000	2,000	3,000
Blue Cross	500	1,000	0	0
Total	10,500	8,000	2,500	3,300
	43%	33%	10%	14%

## D. Sliding Fee Scale & Caps on Patient Charges

- Is the sliding fee scale based on the individual's income, not household income?
- Is there a policy for determining eligibility?
- Does policy state that no one is denied service because of inability to pay?
- Does the grantee make reasonable efforts to collect?
- Does the grantee have appropriate procedures for handling delinquent accounts?

## D. Sliding Fee Scale & Caps on Patient Charges (cont.)

- Caps on charges based on those with incomes above the federal poverty level
- Evaluation of charges imposed, not payments
- Consideration of account premiums, copayments and coinsurance

# Caps on Charges

- Refer to the guidance which explains the assurances included in the grant application.
- Understand that the obligation applies to subcontractors as well.
- Highlight that the intent of the Caps are to protect patients.
- Caps and Sliding Fee Scale are separate requirements.
- Caps are unique to Ryan White & under federal guidelines
- Fee Scale is more flexible
- Must have both to be in compliance

## D. Sliding Fee Scale & Caps on Patient Charges (cont.)

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See Sample Site Visit Report for examples of findings and recommendations on sliding fee scale and caps on patient charges.

# Fiscal Management Information System

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Accounting software

Security / limited access

Back-ups of data

Records expenses by grant by cost category

Captures program income

Displays budget variances

Customized reporting & analysis

# Fiscal Management Information Systems

## Practice Management System

Scheduling

Patient registration

Billing

Electronic Medical Records

Reports, e.g., productivity, accounts receivable, broken appointments, etc.

# Management Information System

- Patient database
- Technical Staff
- Data Entry Staff
- Electronic Medical Record
- Accounting Systems
- Payroll Automation
- Data backups
- System Security
- LAN / Internet
- Email system
- Report Options
- Utilization Data
- Billing Data

# Post Test: DCBP Fiscal Training for Consultants

<https://www.surveymonkey.com/s/Z3735LD>