5 Ways to Evaluate the Financial Management Spectrum of Your HRSA Ryan White Grants

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2018 NATIONAL RYAN WHITE CONFERENCE ON HIV CARE & TREATMENT

Learning Objectives:

1. Understand the federal requirements for managing your HRSA awards.

2. Measure the strength of your organizations financial management system and recognize areas where your organization can strengthen internal controls.

3. Identify how to separately account for and track federal awards in your accounting system.

4. Learn about common audit findings and differentiate between allowable and unallowable costs and the requirements for adequate documentation.

5. Assess your organizations Fiscal Policies and Procedures for compliance with federal requirements.

6. Develop ways to monitor your subrecipients.

1. Navigating Grant Resources

Order of Precedence

- **Legislative Mandates**

- **Federal Legislation**

- **Program Requirements**
  - Notice of Funding Opportunity

- **Uniform Administrative Requirements**
  - Code of Federal Regulations (45 CFR 75)

- **Grant Requirements**
  - Notice of Award
  - Terms and Conditions

- **Grant Organizations Policies and Procedures**

Federal Legislation

- **Ryan White Legislation**
  - Identified on the Notice of Award (NoA)
  - Included in the NoFO (bottom of cover page or background section)

1. DATE ISSUED: 11/28/2017	2. PROGRAM CFDA: 93.918	
3. SUPERSEDES AWARD NOTICE dated: except that any additions or restrictions previously imposed remain in effect unless specifically rescinded.		
4a. AWARD NO.: 2 H76HAXXXXX	**4b. GRANT NO.:** H76HAXXXXX	**5. FORMER GRANT NO.:**
6. PROJECT PERIOD: FROM: 10/01/1990 THROUGH: 12/31/2020		
7. BUDGET PERIOD: FROM: 01/01/2018 THROUGH: 12/31/2018		

U.S. Department of Health and Human Services

HRSA
Health Resources and Services Administration

NOTICE OF AWARD
AUTHORIZATION (Legislation/Regulation)

FY 2007 Part C of Title XXVI of the PHS Act, 42 U.S.C. section 300-ff-51 et seq. (as amended).
Sections 2651 and 2693 et seq., of the Public Health Service Act, as amended (42 USC 300ff -51), as amended by the Ryan White HIV/
Sections 2651 - 2667 and 2693 of the PHS Act (42 USC 300ff -51) as amended by the Ryan White HIV/AIDS Treatment Ext Act of 2009
Sections 2651 - 2667 and 2693 of the Public Health Service Act (42 USC 300ff 51-67, and 121), as amended by the Ryan White HIV/AIDS Treatment Extension Act of 2009 (P.L. 111-87)
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Title XXVI of the Public Health Service Act, Sections 2651-2667 and 2693 et seq. (42 USC300ff-51), as amended by the Ryan White HIV/AIDS Treatment Extension Act of 2009 (P.L. 111-87)
Sections 2651 – 2667of the Public Health Service Act, (42 U.S.C. §§300ff-51-67) and section 2693 (42 U.S.C. §300ff-121) of the Public Health Service Act, as amended by the Ryan White HIV/AIDS Treatment Extension Act of 2009 (P.L 111-87
Sections 2651-2667 of the Public Health Service Act (42 USC § 300ff-51 - 67) and section 2693 of the Public Health Service Act, as amended by the Ryan White HIV/AIDS Treatment Extension Act of 2009 (P.L. 111-87)

8. TITLE OF PROJECT (OR PROGRAM): Ryan White Part C Outpatient EIS Program

Program Requirements

- **Notice of Funding Opportunity (NoFO)**
  - Program Purpose and Background
  - Application and Submission Information
    - Budget / Budget Justification Narrative
    - Funding Restrictions
      - What is allowed and not allowed?
  - Award Administration Information
    - Reporting

Uniform Administrative Requirements
Federal Regulations

Entity Type	Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*	Uniform Administrative Requirements, Cost Principles and Audit Requirements for HHS Awards
State, Local, and Tribal, Governments, Education Institutions, Non-Profits	2 Code of Federal Regulations (CFR) Part 200	45 Code of Federal Regulations (CFR) Part 75

* Effective December 26, 2014, 2 CFR Part 200 superseded the OMB Circulars A-21, A-87, A-110, A-122 and A-133 and the Cost Principles 2 CFR Part 225 and 2 CFR Part 230.

Program Specific Grant Requirements

- **Notice of Award (NoA)**
  - Terms and Conditions
    - Grant Specific Term(s)
    - Program Specific Term(s)
    - Standard Term(s)
  - Reporting Requirements
  - Supplemental Awards (if applicable)

- **Reminder: Always read the terms and conditions on your NoA!**
  - All terms and conditions on superseded NoA's remain in effect unless specifically rescinded.

Organizations Policies and Procedures

- **Implement Fiscal Policies and Procedures that at a minimum align with Federal Regulations**

- **One-pagers or policies to outline your processes for managing your grants**
  - Utilize the Financial Management Requirements as a guide

- **Have documented policies and procedures and follow them!**

Group Exercise 1: Where Can I Find the Answers to my Grant Questions?

Determine for each scenario what resource(s) you should reference for clarification and/or guidance?

2. Formulating an Effective Financial Management System

Standards For Financial Management

Implement Financial Systems

- **Identify the source and application of funding**
  - Federal Funds cannot be commingled with other funding sources
- **Compare budget to actual expenditures**
- **Provide timely, accurate, current, and complete disclosure of financial information**

Establish Internal Controls

- **Segregation of Duties**
- **Track time and effort of individuals hired under grant**
- **Reconciliations between expenditures and draws**
- **Monitor sub-recipients (if applicable)**

Separation of Funding by Source

- **Accounting System (General Ledger)**
  - Separately report revenue and expenditures separately by federal program
  - Maintaining records –source and application of funding

- **General Ledger Expenditures**
  - Reconciliation to PMS Drawdowns

Establishing Internal Controls

- **Develop Internal Controls adequate to the size and complexity of your organization.**

- **Review Internal Controls as processes / personal at your organization change.**

Audit Requirements

- **45 CFR Part 75 – Subpart F**
  - ***Audit required*** *annually for* a non-federal entity that expends $750,000 or more during entity's fiscal year.

- **Auditees Responsibilities**
  - Hire an independent accounting firm to conduct the audit.
  - Provide auditor access to all the books and records needed to comply with the audit requirements.
    - Schedule of Expenditure for Federal Awards
  - Ensure the audit is submitted timely.
    - Earlier of 9 months after fiscal year end or 30 days after recipient of the audit report
    - Submission in the Federal Audit Clearinghouse.
  - Follow-up and take corrective actions on audit findings.

Group Exercise 2:
Implementing Internal Controls

Determine for each scenario what internal controls your organization needs to implement to safeguard these processes.

3. Maintaining Adequate Supporting Documentation

Allowable Costs - 45 CFR 75.403

Allowable - To be allowable under Federal awards, costs must meet the following general criteria:

- Be necessary and reasonable for proper and efficient performance and administration of Federal awards and;

- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit and;

- Be allocable to the grant.

Allowable Costs – 45 CFR 75.403 (cont'd)

- Not be included a costs or used to meet cost sharing or matching requirements of any other federally-financed program either current or a prior period.

- Be accorded consistent treatment.

- Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

- Be adequately documented.

Reasonable Costs - 45 CFR 75.404

Reasonable - A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Allocable Costs - 45 CFR 75.405

Allocable - A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

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Adequate Documentation

Most common deficiency – Lack of Supporting Documentation

- Invoices showing vendor, date and amount paid.

- Receipt of purchase.

- Dates on invoices and receipts should fall within the grant period.

- Copies of cancelled checks showing the amounts were actually paid.

- Connection to the grant (cost center, fund type code) – in general ledger.

- Subrecipient agreements or contracts.

- Costs should support only items listed in the grant budget.

- Travel logs.

- Personal Activity Reports.

Time and Effort Reporting

- **Budget vs. Actual Time**
  - ACTUAL TIME ONLY!
    - Adjustments from budgeted time to actual time
- **Employees Funded by Multi-sources**
  - Requirement – Personal Activity Reports
- **100% Funded Employees**
  - Semi-Annual Compliance Certification

Cost Allocation

- **Cost Allocation**
  - Federal vs. Non-federal
    - Be accorded consistent treatment
  - Direct vs. Indirect Costs
    - A cost cannot be both an direct and indirect cost
  - Documented Allocation Plan
  - Negotiated Indirect Cost Rate (if applicable)

Avoiding Unallowable Costs

Record Retention – Must retain all records for three years after submitting the final Federal Financial Report (FFR) (including sub-recipient records)

To be safe – maintain documentation for at least 3 years from the date in which the final FFR is **approved!**

45 CFR 75.361

**REMEMBER: IF IT IS NOT DOCUMENTED...
IT DOES NOT EXIST!**

Group Exercise 3: Is the documentation adequate?

Determine for each scenario if the documentation provided is allowable, allocable, reasonable.

4. Enhancing Fiscal Policies and Procedures

Fiscal Policies and Procedures

- **Review your policies annually**
  - Do your policies match the procedures being implemented?
  - Do your policies conform to 45 CFR 75?
- **Policies include:**
  - Grant Specific Policies
  - Conflict of Interest Policies

Financial Management Requirements

- Cash Management
- Annual Audits
- Accounting System
- Bank Statements
- Disbursements / Procurements
- Matching or Cost Sharing
- Consultants / Contractors
- Expenditure Analysis
- Indirect Costs

- Credit Cards
- Timekeeping
- Travel
- Property Control
- Conflict of Interest
- Mandatory Disclosures
- Limitation on Use of HRSA Funds
- Allowability of Costs
- Program Income

Group Exercise 4: What should be included in my Policies and Procedures?

Determine for each scenario which of the Financial Management Requirements provides the minimum requirements on what to include in your policies and procedures.

5. Developing a Robust Subrecipient Monitoring Plan

Subrecipient / Subaward

Subrecipient

a non-federal entity that receives a **subaward** from a **pass-through entity** to carry out part of a federal program;

- does not include an _individual that is a beneficiary_ of such program.
- may also be a recipient of other Federal awards directly from a Federal awarding agency.

Subaward

- an award provided by a **pass-through entity** to a **subrecipient** for the subrecipient to carry out part of a Federal award received by the pass-through entity.
  - may be provided through _any form of legal agreement_, including an agreement that the pass-through entity considers a contract.

Contractor / Contract

Contractor
an entity that receives a *contract.*

Contract
a legal instrument by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award.

Pass-Through Entity

Pass-through entity

a non-Federal entity that provides a *subaward* to a *subrecipient* to carry out part of a Federal program.

HRSA	→	State Dept. of Health	→	County Health Dept.
Awarding Agency		Pass-through Entity		Subrecipient
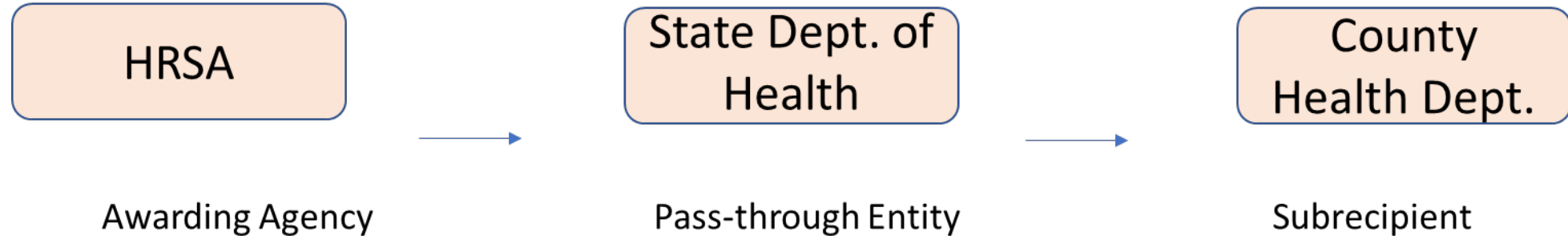
Subrecipient and contractor determinations

- Responsibility of the Pass-through Entity.
- Substance of the relationship determines the type of agreement.
  - Federal Assistance Relationship - Subrecipient
  - Procurement Relationship - Contractor

Subaward

Purpose: Carrying out a portion of a federal award
Substance: Federal Assistance Relationship

Characteristics of a Federal Assistance Relationship:

(1) Determines who is eligible to receive what federal assistance;

(2) Has its performance measured in relation to whether objectives of a federal program were met;

(3) Has responsibility for programmatic decision making;

(4) Is responsible for adherence to applicable federal program requirements specified in the federal award; and

(5) In accordance with its agreement, uses the federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Contract

Purpose: Obtaining goods and services for the non-Federal entity's own use

Substance: Procurement Relationship

Characteristics of a Procurement Relationship

(1) Provides the goods and services within normal business operations;

(2) Provides similar goods or services to many different purchasers;

(3) Normally operates in a competitive environment;

(4) Provides goods or services that are ancillary to the operation of the Federal program; and

(5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

Group Exercise 5: Do I have a subrecipient or a contractor?

Determine for each scenario if the financial relationship yields a subrecipient or contractor.

Requirements for Pass-Through Entities

All pass-through entities must:

- Ensure that every subward is clearly identified to the subrecipient.

- Impose requirements on the subrecipient.
  - Federal statutes;
  - Regulations; and
  - Terms and conditions.

- Impose additional requirements to meet its own responsibility to the Federal awarding agency.
  - Financial reports; and
  - Performance reports.

- Require access to the subrecipient's records and financial statements as necessary.

Monitoring Subrecipients

- **Evaluate subrecipient's risk of noncompliance:**
  - Federal statutes;
  - Regulations; and
  - Terms and conditions.
- **Monitor the activities of the subrecipient to ensure that the subaward is used for authorized purposes and that subaward performance goals are achieved.**
  - Allowable Activities
  - Allowable Costs
- **Verify that every subrecipient is audited (if applicable).**
  - If $750k or more is expended in federal fund annually.
- **Consider taking enforcement action against noncompliant subrecipients.**

Federal Funding Accountability and Transparency Act of 2006 (FFATA)

Recipients <u>must</u> report information for each subaward of $25,000 or more in federal funds and executive total compensation. (http://www.hrsa.gov/grants/ffata.html).

Who is required to file a FFATA report in FFATA subaward Reporting System (FSRS)?

- <u>A pass-through entity</u> will be required to report on its subaward.

Federal Funding Accountability and Transparency Act of 2006 (FFATA)

What to report?

Basic information on first-tier subawards of $25,000 or more reflecting HRSA federal funds.

Where to report?

- The FFATA Subaward Reporting System www.fsrs.gov is the reporting tool Federal prime awardees and prime grants recipients use to capture and report subaward data regarding their first-tier subawards to meet the FFATA reporting requirements.

Federal Funding Accountability and Transparency Act of 2006 (FFATA)

When to report?

- By the end of the month following the month in which the pass-through entity awards any subaward greater than or equal to $25,000.
  - (For example, if the obligation was made on February 14, 2018, the obligation must be reported by no later than March 31, 2018.)

Please direct all "Transparency Act" / FFATA questions to the HRSA Post Awards mailbox, at hrsapostawards@hrsa.gov.

Tips for Monitoring

The key to monitoring is DOCUMENTATION!

- **Document policies and procedures for monitoring.**

- **Schedule, perform and document site visits - including fiscal reviews.**

- **Determine if subrecipients are required to submit an audit report.**
  - Follow-up with subrecipient if audit report has not been submitted.
  - Review reports and follow-up on areas of concern.
  - Track and follow-up on reported deficiencies; ensure corrective action is taken.

- **Maintain a file on each subrecipient (SUPPORT)!**
  - Monitoring records.
  - On-going communication.
  - Audit Reports and Corrective Action Plans *(when applicable).*

Group Exercise 6: Is there something missing from my subrecipient monitoring plan?

Determine for each scenario what (if anything) is missing from your subrecipient monitoring plan.

Questions?

Resources

45 CFR Part 75

https://www.ecfr.gov/cgi-bin/text-idx?node=pt45.1.75

HRSA Manage Your Grant

https://www.hrsa.gov/grants/manage/

HHS Grants Policy Statement
https://www.hhs.gov/sites/default/files/grants/grants/policies-regulations/hhsgps107.pdf

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