

Subrecipient Monitoring and Fiscal Compliance

Mae Rupert

Branch Chief

HIV/AIDS Bureau (HAB)

Health Resources and Services Administration (HRSA)

LCDR Andy Tesfazion

Project Officer

HIV/AIDS Bureau (HAB)

Health Resources and Services Administration (HRSA)



Health Resources and Services Administration (HRSA) Overview

- Supports more than 90 programs that provide health care to people who are geographically isolated, economically or medically vulnerable through grants and cooperative agreements to more than 3,000 awardees, including community and faith-based organizations, colleges and universities, hospitals, state, local, and tribal governments, and private entities

- Every year, HRSA programs serve tens of millions of people, including people living with HIV/AIDS, pregnant women, mothers and their families, and those otherwise unable to access quality health care



HIV/AIDS Bureau Vision and Mission

Vision

Optimal HIV/AIDS care and treatment for all.

Mission

Provide leadership and resources to assure access to and retention in high quality, integrated care, and treatment services for vulnerable people living with HIV/AIDS and their families.



Ryan White HIV/AIDS Program

- Provides comprehensive system of HIV primary medical care, medications, and essential support services for low-income people living with HIV
 - More than half of people living with diagnosed HIV in the United States – more than 550,000 people – receive care through the Ryan White HIV/AIDS Program (RWHAP)
- Funds grants to states, cities/counties, and local community based organizations
 - Recipients determine service delivery and funding priorities based on local needs and planning process
- Payor of last resort statutory provision: RWHAP funds may not be used for services if another state or federal payer is available
- 84.9% of Ryan White HIV/AIDS Program clients were virally suppressed in 2016, exceeding national average of 59.8%



Source: HRSA. Ryan White HIV/AIDS Program Annual Client-Level Data Report 2016; CDC. HIV Surveillance Supplemental Report 2016;21(No. 4)



Learning Objectives

At the conclusion of this activity, the participant will be able to:

1. Understand the role of a recipient, subrecipient, and contractor and how to determine the type of agreement
2. Increased awareness and knowledge of HRSA HAB Fiscal Monitoring Standards
3. Enhanced understanding of how to implement subrecipient monitoring requirements

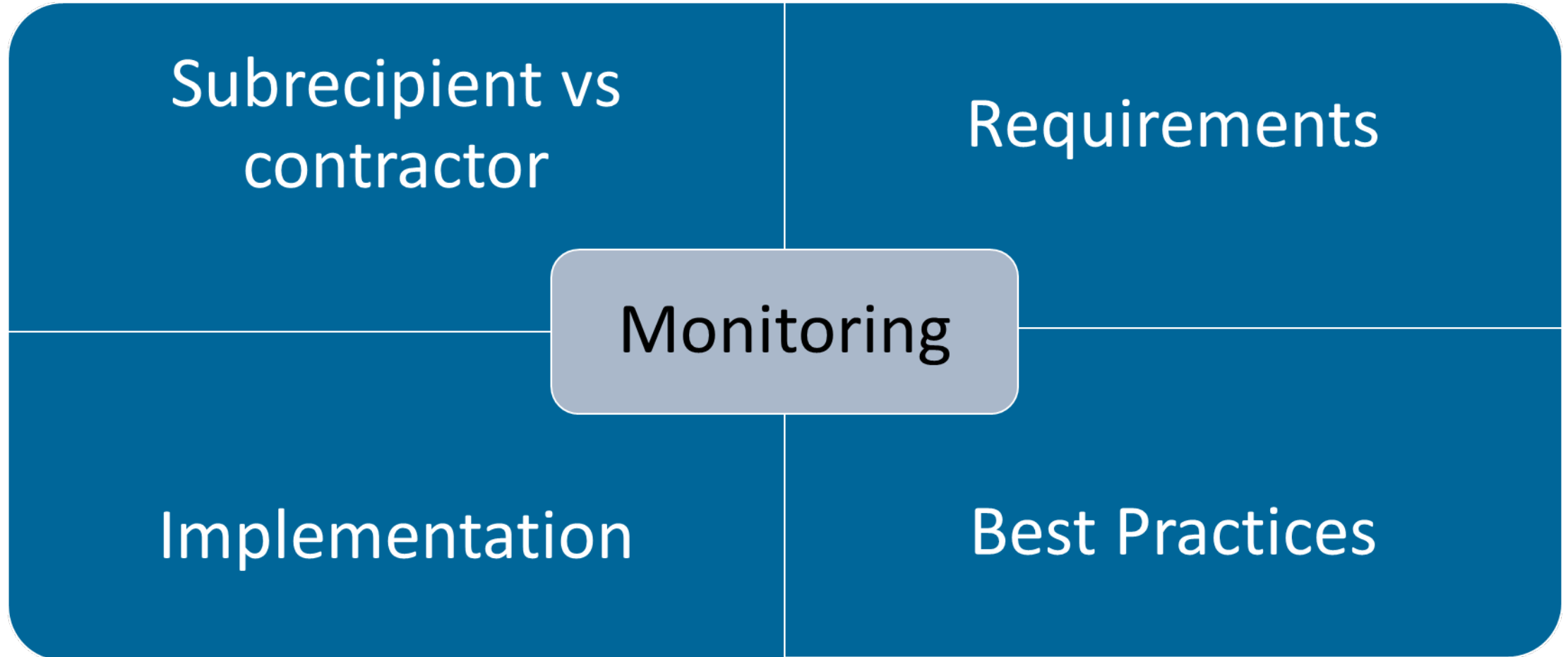


Introduction

- Recipients of RWHAP funds that have subrecipients are expected to monitor the subrecipients for compliance with federal requirements and statutory mandates. Those federal and statutory requirements must be stated in each subrecipient agreement.



Sub-recipient Monitoring



Subrecipient versus Contractor



45 CFR 75.351 Subrecipient

A subaward to a non-federal entity for work on a portion of a federal award and creates a federal assistance relationship.

- Determines who is eligible
- Has its performance measured
- Has responsibility for programmatic decision making
- Is responsible for adherence to applicable federal program requirements specified in the federal award
- 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.**



45 CFR 75.351 Contractor

Awarded for the purpose of obtaining goods and services for the non-federal entity's own use and creates a procurement relationship. Typically, a contractor:

- Provides the goods and services within normal business operations;
- Provides similar goods or services to many different purchasers;
- Normally operates in a competitive environment;
- Provides goods or services that are ancillary to the operation of the federal program; and
- Is **not** subject to compliance requirements of the federal program as a result of the agreement, though similar requirements may apply for other reasons.

Contractor

- **Contract** is 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. The term as used in this part does not include a legal instrument, even if the non-federal entity considers it a contract, when the substance of the transaction meets the definition of a federal award or sub-award (see *Sub-award*).

Subrecipient

- **Sub-award** is 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. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A sub-award may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

Recipient

- The entity that receives the RWHAP award directly from HRSA
- Many RWHAP recipients are also “pass-through” entities
 - A pass-through entity is an entity that provides a sub-award to a subrecipient to carry out part of the RWHAP activity

Subrecipient

- The entity receiving a subaward from a pass-through entity to carry out part of the RWHAP programmatic activity (e.g., RWHAP provider)
- Is responsible for adherence to RWHAP program requirements
- Has its performance measured in relation to whether objectives of the RWHAP were met
- Uses federal funds to carry out the RWHAP program for a public purpose



Best Practice – Checklist to Apply to All Agreements

Does the entity determine who is eligible to receive assistance in the federal program?

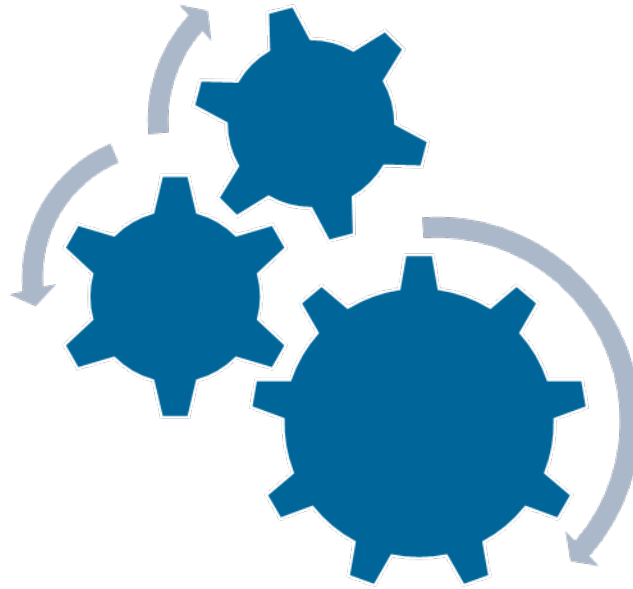
If yes, the entity is most likely a subrecipient. A contractor does not determine who is eligible to receive services.

Is the scope of work (even if for just a portion of the work) and terms and conditions of the agreement the same for the entity as they are for the recipient which receives the federal funds?

If yes, the entity is receiving funds from the recipient and providing a service that carries out a goal within the scope of the grant, then the entity is a subrecipient.



Monitoring Requirements



45 CFR 75.342(a) Monitoring by the Non-Federal Entity

- The non-federal entity is responsible for oversight of the operations of the federal award supported activities.
- The non-federal entity must **monitor** its activities under federal awards to assure compliance with applicable federal requirements and performance expectations are being achieved.
 - **Monitoring by the non-federal entity must cover each program, function or activity.**
- See also 45 CFR 75.352.



Monitoring Components

- Compliance
 - Federal and local
- Technical Assistance Identification and Provision
 - On-site and
 - Follow up activities required/corrective action plan
- Understanding of subrecipient organization and operations
 - Context in which RWHAP services are provided
- Relationship building
 - Collaboration and trust



Subrecipient Compliance Requirements

Fiscal requirements tested in the comprehensive site visit

- Use of grant funds
- Financial management
- Expense tracking
- Current financial reports
- Control and accountability
- Expenditures to budget
- Funds disbursements
- Unallowable costs

Compliance – Allowable?

Use of Grant Funds

- Grant funds must be used only for the purposes of the grant (Sec 2651; Sec 2651) RWHAP purpose for core medical and support services, administration, and clinical quality management

Financial Management

- Recipients must have an appropriate financial management system that determines the allowability, allocability, and reasonableness of costs in accordance with the applicable budget, Federal cost principles, program regulations, and other requirements cited in the Notice of Award (NoA).
 - This includes the ability to readily identify unallowable cost, unobligated balances, accelerated or delayed expenditures, and cost transfers.
- (45 CFR 75.302, 75.308, 75.309)



Compliance – Expense Tracking

- Recipients must have a process to determine which expenses should be paid from the grant according to the approved budget.
- Recipients must maintain records which adequately:
 - identify the sources of funds for federally assisted activities and the purposes for which the award was used, including:
 - authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and any program income.
 - include source documents (e.g. canceled checks, paid bills, payroll records, and time and attendance records)



Compliance – Financial Reports

Current Financial Reports

- Grant recipient must have appropriate financial management systems that provide accurate, current, and complete financial information about federal awards.
- For subawards, grant recipients must have reasonable procedures for ensuring that subrecipients provide financial reports in sufficient time to allow preparation of required reports.
- Sec. 2664(g); 45 CFR Part 74, 92



Compliance – Control and Accountability

Control and Accountability

- Recipient must maintain effective control over and accountability for all cash, real and personal property, and other assets under the award; adequately safeguard those assets; and ensure that they are used only for authorized purposes. (45 CFR Part 75.302)

Compliance Requirements

Expenditures to Budget

- Recipient must have appropriate financial management systems that compare actual expenditures or outlays with the approved budget for the award. Recipients must seek prior approval for all modifications to the budget, as cited in the Notice of Award. (Sec. 2664(g); 45 CFR part 75.302)

Maintenance of Effort

- The RWHAP recipient must agree to maintain expenditures for HIV-related core medical services and support services at a level equal to the FY preceding the FY for which the grant recipient is applying to receive a grant.



Compliance Requirements (con't)

Funds Disbursements

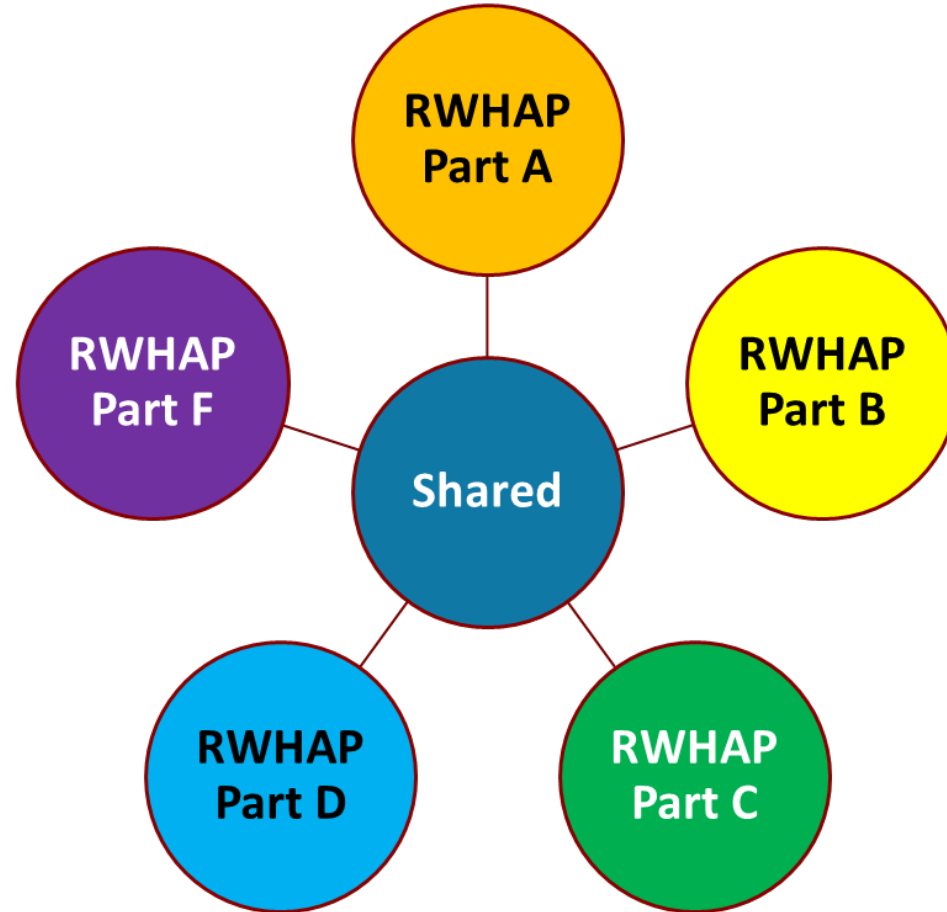
- Recipients must have appropriate financial management systems to minimize the time elapsing between any advance payment under this award and the disbursement of the funds for direct program costs and the proportionate share of any allowable indirect or facilities and administrative costs, and ensure that the timing and amount of any payments to subrecipients conform to this standard. (45 CFR Part 75.305)

Non-Allowable Costs

- Grant funds may not be used for fundraising expenses, lobbying activities and expenses, pre-award costs, foreign travel, entertainment or advertising, except personnel recruitment under the grant. (Sec. 2604(i); 45 CFR 75 Subpart E, 75.308)



Use of Ryan White HIV/AIDS Program Funds



Use of Funds – RWHAP Parts A & B

RWHAP Part A

- **Non-HIV Services**

- 10% Administration
- 5% Clinical quality management, or \$3 million whichever is less

- **HIV Services**

- 75% of remaining funds for core medical services
- 25% of remaining funds for support services

RWHAP Part B

- **Non-HIV Services**

- 10% Administration
- 10% Planning & evaluation
 - Note: Administration and Planning and Evaluation, in aggregate, cannot exceed 15% of the award
- 5% Clinical quality management or \$3 million, whichever is less

- **HIV Services**

- 75% of remaining funds for core medical services
- 25% for support services



Use of Funds – RWHAP Parts C & D

RWHAP Part C

- **Non-HIV Services**

- 10% Administration
- 50% Early intervention services (EIS)

- **HIV Services**

- 75% on core medical services, including EIS, after deducting administrative and clinical quality management

RWHAP Part D

- **Non-HIV Services**

- 10% administrative cap, including indirect

- **HIV Services**

- No restrictions

Use of Funds – All RWHAP Parts

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



Use of Funds – Recipient/Subrecipient

- **Recipient**

- Draws in accordance with budget
- Draws supported by documentation
- Draws consistent with time elapsed in budget period

- **Subrecipient**

- Submit invoices as required by agreement
- Reconciles advances prior to the end of the grant year



Financial Management Systems

- **Fiscal Policies & Procedures**
- **Accounting system(s) at Recipient and Subrecipient Levels**
 - Track expenses by funding category per Part (formula, ADAP, supplemental, MAI, emerging communities)
 - Tracks expenses by allowed program cost categories (i.e. core medical, support, administration, CQM, planning and evaluation)
- **Fiscal oversight at Facilities/Groups**
 - Board of directors
 - Executive director/Program manager
- Both accounting systems and fiscal oversight point to clear lines of communication at all levels



Financial Management System – Administrative Costs, Internal Controls

- **Reasonable Allocation of Administrative Costs**

- Appropriate basis (e.g., allocate utilities based on square footage; allocate accountant salary based on time and effort; etc.)
- Some grantees have approved indirect cost rate which may be greater than 10%
- Bank accounts
- Payroll

- **Internal Control/Separation of Duties**

- Standardized forms for most transactions, including signatory approval, to ensure that supporting documentation is in place
- Sufficient number of qualified fiscal staff



Financial Management System (con't)

- Single Audit & Management Letter
 - Unqualified opinion
 - Completed within six months after end of fiscal year
 - For non-profit recipients, board of directors receives and approves the report of the auditor
 - For subrecipients, single audits & management letters should be submitted RWHAP recipient for review
 - Reportable conditions, material weaknesses, noncompliance or questioned costs should be explained in the report
 - Findings & Recommendations:
 - Recipient and subrecipient should resolve audit deficiencies
 - Recipients should give progress reports to PO
 - Subrecipients should give progress reports to RWHAP recipient



Single Audit 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
- Clients not eligible
- No policy on or implementation of time and effort requirement



Cost Principles

- **Compliance** – Payments made to recipient and sub-recipients for services or drugs for treatment need to be cost-based and related to RWHAP administrative, quality management, and programmatic costs in accordance with standards cited under 45 CFR 75 cost principles, Subpart E
- **Guidance** – Policies and procedures on the use of federal funds must demonstrate that their use is reasonable, allocable and allowable

Matching Requirement

- **Compliance** – Non-federal contribution (rebates are non-federal) by states and territories that are equal to \$1 for each \$4 of federal ADAP supplemental funds and \$1 for each \$2 awarded under ADAP, unless a waiver is obtained
- **Guidance** – Recipients are expected to ensure any non-federal contributions (direct or through donations of private and public entities):
 - Are verifiable in recipient records
 - Are not used as matching for another federal program
 - Are necessary for program objectives and outcomes
 - Are allowable (RWHAP services)
 - Are not part of another federal award contribution (unless authorized)
 - Are part of the approved budget



Rebates

- **Compliance** – Ensure collected rebates are applied to the RWHAP Part B Program with a priority, but not a requirement, that the rebates be placed back into ADAP
- **Guidance** – Rebates must be:
 - Used to pay obligations prior to drawing down federal dollars
 - Used for core, support, and administrative services (cap does not apply)
 - Recorded in the “Remarks Section” of the FFR, per the collected and spent amounts



Time & Effort Scenarios



- Is time & effort documented?
- Is the time and effort certification signed by the staff member and/or a supervisor that has first hand knowledge of program funding for which the staff works?
- If the budgeted FTE is incorrect, how long before changes are made to the budgets and payroll allocations?
- Are allocations consistent?

Third Party Billing – Payor of Last Resort

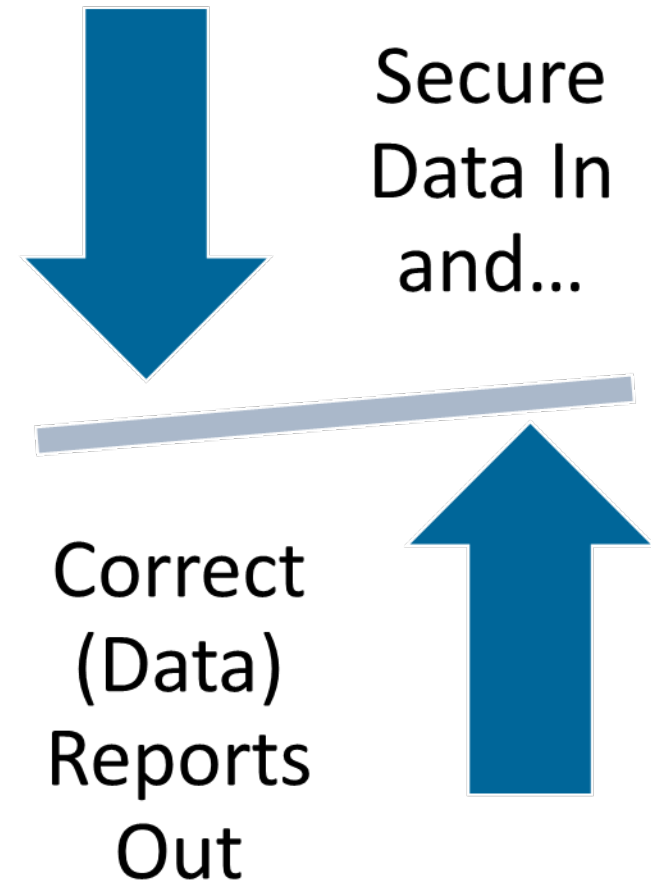
1. Bill Medicaid, Medicare and other 3rd party payors
2. Provide assistance to patients in applying for Medicaid and other benefits
3. Report program income on FFR

Sliding Fee Scale & Cap on Patient Charges

- ❖ Cap on charges based on those with incomes above the federal poverty level
- ❖ Evaluation of charges imposed, not payments
- ❖ Include premiums, copayments and coinsurance paid when aggregating costs

Fiscal Management Information System

- **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 Findings – Legislative

Examples:

- Lack of compliance with the legislative distribution of funds requirements (e.g., 10% admin, 75/25% Core Medical/Support Service, 50% EIS, 5% CQM)
- Lack of compliance with salary rate limitations
- Lack of compliance with the requirement to pay subrecipients for services that are cost based and reasonable
- Lack of compliance with record retention requirements set forth in 45 CFR 75.361
- Lack of compliance with the requirement pertaining to purchasing, proper usage, tracking, and reporting of equipment obtained with RWHAP funds



Fiscal Findings – Programmatic

Examples:

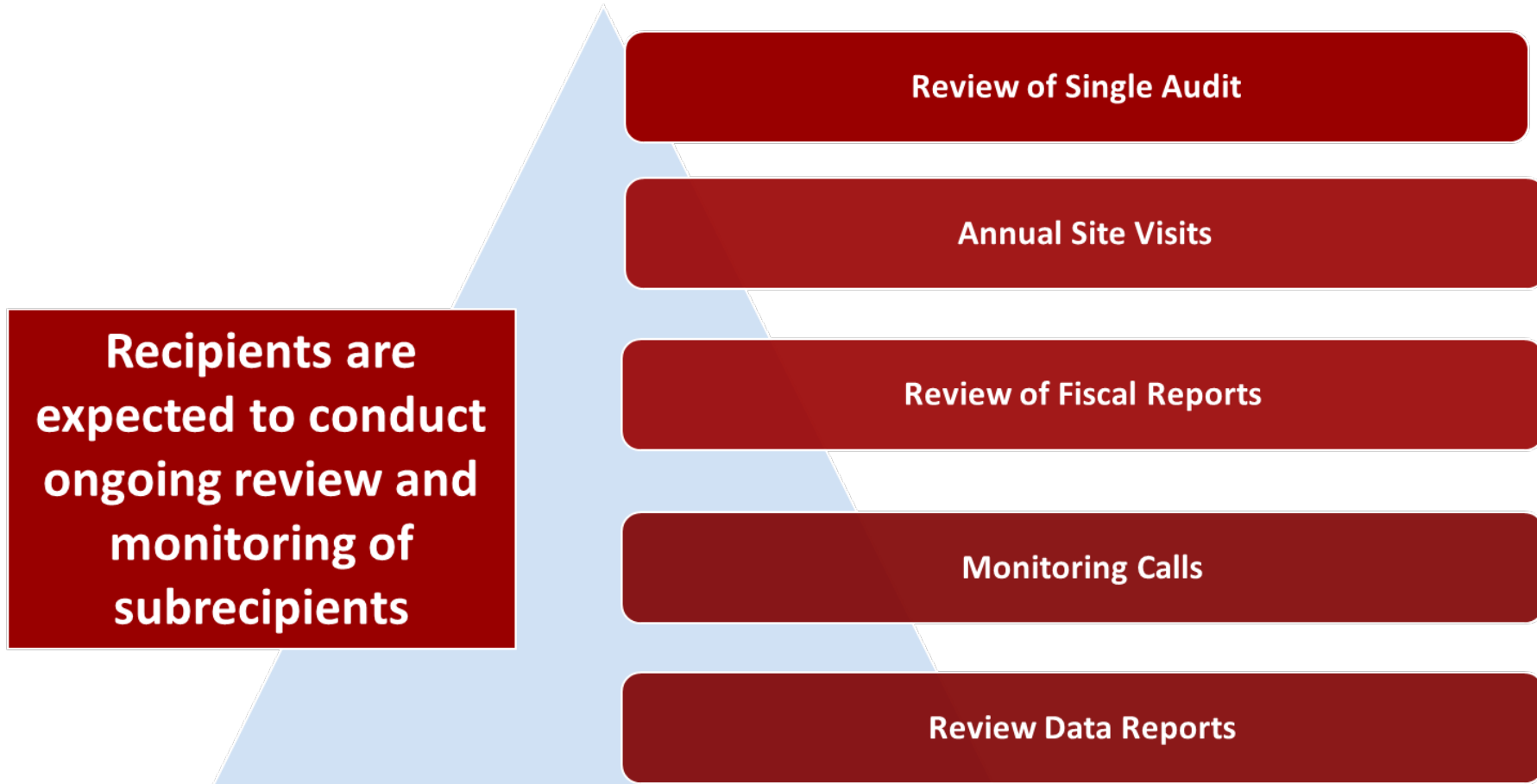
- Lack of valid agreements with providers or partners
- Lack of written fiscal Policies and Procedures
- Lack of compliance with the requirement to have policy and procedures that address the reversionary interest of the federal government pertaining to equipment and tangible property bought with award funding.

Fiscal Findings – Improvement Options

Examples:

- Inappropriate staff to patient ratio
- Lack of staff involvement with fiscal monitoring

RWHAP Monitoring Model



Why Conduct Site Visits?

- Verify the subrecipient program is in compliance with the RWHAP legislative requirements
- Ensure the highest quality HIV clinical care and compliance with HHS guidelines
- Ensure compliance with administrative and fiscal requirements
- Develop a technical assistance plan to address any program deficiencies

Monitoring Manual

Provides and offers:

- A method to prioritize annual visits
- Tools and documents to be use
- Standardizes the monitoring activities of the RWHAP program
- Persons to be interviewed
- Methods used to review requirements and outcome expectations
- Guidance on reporting non-compliance and recommending changes (site visit report)
- Use of action plans and follow up to monitor compliance to recommendation for improvement (corrective action plan)



Site Visit – Fiscal Guidance

- Summary of applicable laws & regulations
- Summary of compliance requirements
- Guide for reviewers
 - Discussion questions
 - Yes/No or Not Applicable questions
 - Tags for legislative requirements, program requirements and improvement options
- Be alert to other laws or regulations
- Use professional judgment



Take Aways

- ✓ Increased awareness and knowledge of HRSA/HAB Fiscal Monitoring Standards
- ✓ Better understanding of the components of a subaward and related agreements, and the difference between a subrecipient and contractor
- ✓ Increased knowledge of how to implement of monitoring requirements

Resource Documents

- Title XXVI of the Public Health Service Act, 42 USC. Section 300ff-11s as amended by the Ryan White HIV/AIDS Treatment Extension Act of 2009 (P.L.111-87) <https://hab.hrsa.gov/about-ryan-white-hivaids-program/ryan-white-hivaids-program-legislation>
- The OMB Uniform Guidance 2 CFR 200/HHS Title 45 Subtitle A, Sub-chapter A, Part 75 (45 CFR 75) <https://www.ecfr.gov/cgi-bin/text-idx?node=pt45.1.75>
- Department of Health and Human Services (HHS) Grants Policy Statement <https://www.hhs.gov/sites/default/files/grants/grants/policies-regulations/hhsgps107.pdf>



Resource Documents

- HRSA HAB policy clarification notices, letters, and guidelines
<https://hab.hrsa.gov/program-grants-management/policy-notice-and-program-letters>
- Manuals and Guidelines issued by HRSA HAB including the National Monitoring Standards <https://hab.hrsa.gov/program-grants-management/ryan-white-hivaids-program-recipient-resources>



QUESTIONS



Contact Information

LCDR Andy Tesfazion

Email: atesfazion@hrsa.gov

Phone: 301-945-4846

Web: hab.hrsa.gov

Mae Rupert

Email: mrupert@hrsa.gov

Phone: 301-443-8035

Web: hab.hrsa.gov





Connect with HRSA

To learn more about our agency, visit

www.HRSA.gov



Sign up for the HRSA *eNews*

FOLLOW US:

