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**National Association of Community
Health Centers – FOM / IT**



BKD National Health Care Group



FINANCIAL POLICY CONSIDERATIONS IN PREPARATION FOR HRSA SITE VISITS

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AGENDA:

- ✓ What is a Financial Capacity Review?
- ✓ What are the 17 Management Control Areas the Department of Financial Integrity is using to review Health Center Policies?
- ✓ Other policy considerations for Health Centers
- ✓ Common findings from HRSA Site Visits – Financial Policies

FINANCIAL CAPACITY REVIEWS:

- ✓ Department of Financial Integrity is performing reviews of new and prospective grant recipients that expend less than \$750,000 in federal awards and also “High risk” recipients of federal awards
 - ✓ Why is this being done?
 - ✓ How is this relevant to my Health Center?
 - ✓ Review criteria can be used as a guide to ensure existing financial policies and procedures include the necessary controls that conform to the prescribed standards in the Uniform Grants Guidance
 - ✓ What work is HRSA doing related to current grantees?

MANAGEMENT CONTROL AREAS

“Recipients must ensure the following management controls are fully addressed in their Policies & Procedures.”

- ✓ Where did the Department of Financial Integrity (“DFI”) derive these control areas from?
 - ✓ The most common findings disclosed in single audit reports, HHS Office of Inspector General reports, site visit monitoring, and DFI grant reviews.



1. CASH MANAGEMENT

- ✓ “The recipients must maintain written P&Ps to minimize the time elapsing between the transfer of funds from the Payment Management System (PMS) and the disbursement of those funds by the recipient.”
 - ✓ What is industry standard?
 - ✓ Other considerations?
 - ✓ FDIC
 - ✓ Interest Income



1. CASH MANAGEMENT

- ✓ “The written P&Ps must reference the process for drawdowns from PMS under HHS awards, and:
 - ✓ Be limited to the minimum amounts needed to cover allowable project costs
 - ✓ Be timed in accordance with the actual immediate cash requirements of carrying out the approved project; and
 - ✓ Not be made to cover future expenditures”
 - ✓ Payment Management System (Positive cash on hand = advance draw down of federal funds and Negative cash on hand = grantee is owed federal funds)
 - ✓ Advance draw down of grant funds = Cash Management finding on audit
 - ✓ When using supplemental funding (e.g. New Access Point or Quality) should the Health Center draw down 1/12th of award monthly throughout project period? What about 330 grant?



2. ANNUAL AUDITS

- ✓ “The P&Ps must require:
 - ✓ The preparation of the Schedule of Expenditures of Federal Awards (SEFA) and subsequently determining if an audit is required to be performed in accordance with the Single Audit Act for fiscal years (FY) with expenditures under federal awards of \$750,000 or more;
 - ✓ Selecting and engaging an audit firm to conduct the annual audit;
 - ✓ Reports on these audits be submitted to the Federal Audit Clearinghouse (FAC) within the earlier of 30 days after receipt or nine months after the FY’s end.
 - ✓ Is auditor rotation required?



3. ACCOUNTING SYSTEM

- ✓ “The P&Ps must include a detailed description of the accounting system(s), including:
 - ✓ The ability to report revenue and expenditures separately by federal program
 - ✓ Identification in its chart of accounts of all federal awards received and expended and under which federal program; and
 - ✓ The process of maintaining records pertaining to the source and application of receipts and disbursements, federal awards, authorizations, obligations, unobligated balances, assets, expenditures, and income and interest, which must be supported by source documentation.”

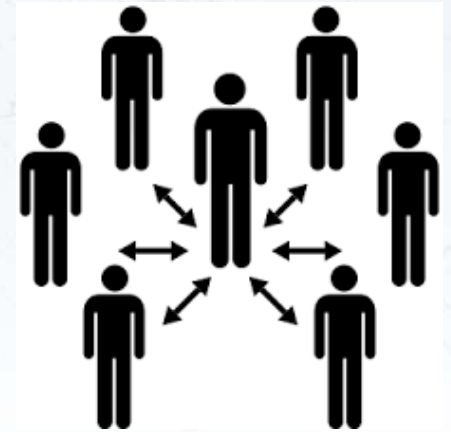


3. ACCOUNTING SYSTEM

- ✓ What is HRSA's expectation regarding the tracking of revenue and expenses by Federal program?
 - ✓ Should chart of accounts include a funding source segment? Yes!!
 - ✓ Budget to actual review by funding opportunity? Yes!!
- ✓ What support should be prepared and approved to substantiate grant draws?
 - ✓ Payroll?
 - ✓ Procurement Transactions?
 - ✓ Do you need support if expenses are more than draw?

4. BANK STATEMENTS

- ✓ “The P&Ps must:
 - ✓ Prohibit the individual reconciling the bank statements from opening them;
 - ✓ Require bank statements be opened and reviewed by a recipient official that is not authorized to sign checks (i.e. – treasurer, president, etc.), but who is familiar with its financial activities;
 - ✓ Require bank statements be reconciled in a timely manner by someone not authorized to sign checks;
 - ✓ Require the reconciliation be approved by a recipient official outside the payment process but familiar with the financial activities; and
 - ✓ Define timely (i.e. – within 14 days, etc.).”



4. BANK STATEMENTS

- ✓ “If adequate segregation of duties is not possible due to limited staffing, the recipient must document the key bank reconciliation controls that are in place and personnel responsible in the process.”
 - ✓ Is size of Health Center finance department an acceptable reason for segregation of duties findings during audit?
 - ✓ Example of segregation of duties related to cash and bank statements:
 - ✓ Access ... to cash
 - ✓ Should be separated from the Recording ... of cash
 - ✓ Which should be separated from the Monitoring (reconciliation) ... of cash



5. DISBURSEMENTS/PROCUREMENT

- ✓ “The P&Ps must require:
 - ✓ Documentation must be maintained to support all disbursements and describe how;
 - ✓ Disbursements must be pre-approved and indicate by whom for both small and large dollars purchases;
 - ✓ Expenditures be reasonable and explain how this should be accomplished (bids, quotes, etc.);”



5. DISBURSEMENTS/PROCUREMENT

- ✓ “The P&Ps must also require:
 - ✓ Blank checks be safeguarded and define how;
 - ✓ Segregation of duties over creation of vendor accounts/making payments via Electronic Fund Transfer methods and define how; and
 - ✓ The dollar threshold for determining signatures on checks and designated organization officials authorized to sign checks.”
- ✓ Example of segregation of duties related to disbursements / procurement are as follows:
 - ✓ Access ... to check stock
 - ✓ Should be separated from the Recording (printing) ... of checks
 - ✓ Which should be separated from the Monitoring (reconciliation) ... of bank statement checks are disbursed from



6. MATCHING OR COST SHARING

- ✓ “The P&Ps must include the requirement that matching or cost sharing contributions (including cash and third party in-kind) be:
 - ✓ Verifiable from the recipient's records;
 - ✓ Not included as contributions for any other federally-assisted project or program;
 - ✓ Necessary and reasonable for proper and efficient accomplishment of the project or program objectives;
 - ✓ Not paid by the federal government under another award (except where authorized by federal statute to be used for cost sharing or matching); and
 - ✓ Allowable and provided for in the approved budget.”
 - ✓ Does the 330 Grant have any matching or cost sharing requirements?
 - ✓ What about other grants funded through HRSA? Capital grants?



7. CONSULTANTS AND CONTRACTORS

- ✓ “The P&Ps must:
 - ✓ Describe the nature and scope of services that may be outsourced;
 - ✓ Require in-house capabilities be evaluated before obtaining external assistance;
 - ✓ Describe the selection process”



7. CONSULTANTS AND CONTRACTORS

- ✓ “Describe the method for ensuring all procurement transactions are conducted in a manner, which provides full and open competition to the maximum extent practical;
 - ✓ To ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft grant applications, or contract specifications, requirements, statements of work, invitations for bids and/or requests for proposals, will be excluded from competing for such procurements.
- ✓ Describe the method for ensuring costs and fees are reasonable; and
- ✓ Require that, prior to selecting a new consultant or contractor, the Excluded Parties List System, within the System for Award Management (SAM) at <https://www.sam.gov/portal/public/SAM/>, be checked to ensure the individual or recipient is not prohibited from receiving federal funds.”
 - ✓ What is penalty for using federal dollars to pay an individual on the Excluded Parties List System?



8. EXPENDITURE ANALYSIS

- ✓ “The P&Ps must describe:
 - ✓ The ability to compare expenditures with budget amounts for each award to ensure total costs do not exceed the amounts budgeted for the grant period; and
 - ✓ The manner in which significant variances between actual and budgeted expenditures are resolved and documented.”



8. EXPENDITURE ANALYSIS (EXAMPLE)

330 Grant Expenditures				
	Total Awards	1/1/2017- 1/31/2017	2/1/2017- 2/28/2017	Total Remaining
REVENUE				
Federal Funds	1,114,138.00	92,844.83	92,844.83	928,448.34
TOTAL REVENUE	1,114,138.00	92,844.83	92,844.83	928,448.34
EXPENSES				
<u>Personnel</u>	727,000.00	55,787.81	52,857.47	618,354.72
Total Personnel	727,000.00	55,787.81	52,857.47	618,354.72
<u>Fringe Benefits</u>				
Fringe Benefits	192,138.00	9,603.53	11,249.96	171,284.51
Total Fringe	192,138.00	9,603.53	11,249.96	171,284.51
<u>Moveable Equipment</u>				
Moveable Equipment	-	-	-	-
Total Moveable Equipment	-	-	-	-
<u>Supplies</u>				
Supplies	12,000.00	1,034.37	856.07	10,109.56
Total Supplies	12,000.00	1,034.37	856.07	10,109.56
<u>Contractual</u>				
Contractual	77,800.00	15,077.78	11,467.03	51,255.19
Total Contractual	77,800.00	15,077.78	11,467.03	51,255.19
<u>Other</u>				
Other	105,200.00	11,341.34	16,414.30	77,444.36
Total Other	105,200.00	11,341.34	16,414.30	77,444.36
TOTAL EXPENSES	1,114,138.00	92,844.83	92,844.83	928,448.34

9. INDIRECT COSTS

- ✓ “If applicable, the P&Ps must describe:
 - ✓ Existing or planned indirect cost rates and the type of rate used as well as both the content of pooled expenses and the type of allocation base used;
 - ✓ If all costs are direct, the method used to allocate costs benefiting multiple cost objectives to each cost objective;
 - ✓ How and when the rate proposal is prepared, submitted and personnel responsible; and
 - ✓ The approval process of indirect cost rate reimbursement, matching or cost sharing.”



10. CREDIT CARDS

- ✓ “The P&Ps must:
 - ✓ Describe how credit card use is controlled;
 - ✓ List personnel and purchasing agents authorized to have and use credit cards;
 - ✓ Require all expenditures be pre-approved;
 - ✓ Limit individual amounts and types of expenditures that may be incurred;
 - ✓ Prohibit personal expenditures; and
 - ✓ Require receipt submission for review and comparison with credit card statements.”



10. CREDIT CARDS

- ✓ Why are HRSA and OIG concerned about purchasing cards?
- ✓ Which individuals at the organization are most easily able to circumvent controls in place surrounding use of credit / purchasing cards?
 - ✓ What can you do to mitigate risk?
- ✓ What are the acceptable uses of points earned and available for redemption related to credit cards?
 - ✓ How do I record that to the general ledger?



11. TIMEKEEPING

- ✓ “The P&Ps must:
 - ✓ Describe timekeeping controls and plans to monitor compliance with federal statutes, regulations, and the terms and condition of the federal award;
 - ✓ Describe the distribution of salary and wages charged to federal awards be based on actual employee activity as reflected in personnel activity reports (timesheets), prepared after-the-fact, that include the total activity for which employees were compensated.”



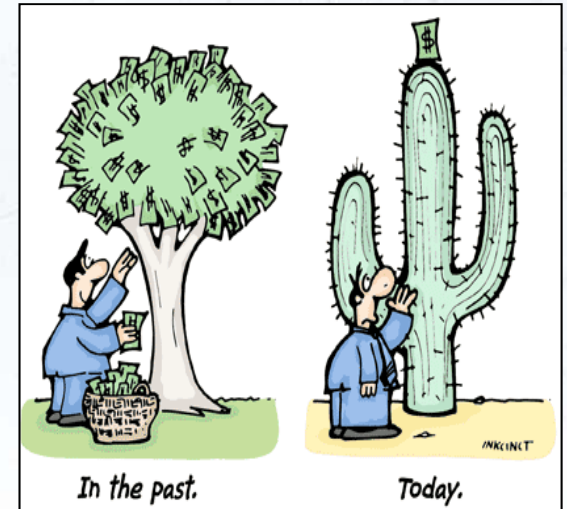
11. TIMEKEEPING

- ✓ “State that Timesheets must be certified as accurate by either the employee or a supervisor familiar with the employee's activities.
- ✓ Non-profit organizations cannot charge salary and wages to federal awards based on budget estimates. However, States, Local or Indian Tribal Governments may allocate salary and wages charges to federal awards based on budget estimates, other distribution percentages, or use a substitute system if certain conditions are met in 45CFR §75.430.”
 - ✓ Are the statements above completely true and accurate? Not exactly...



11. TIMEKEEPING – UNIFORM GRANTS GUIDANCE

- ✓ Compensation – Personnel Services – 75.430
 - ✓ “Charges to federal awards for salaries & wages must Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable & properly allocated”
 - ✓ “Reasonably reflect the total activity for which the employee is compensated by the non-federal entity; not exceeding 100% of compensated activities”
 - ✓ Comply with established organization policies & procedures



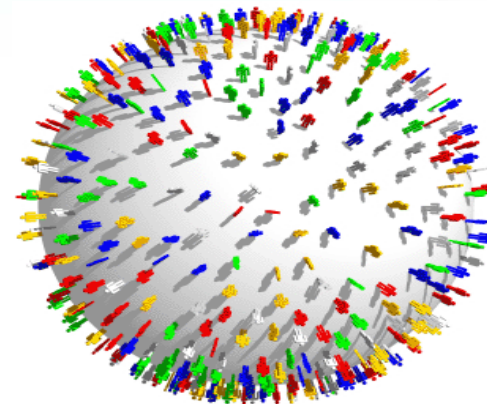
11. TIMEKEEPING – UNIFORM GRANTS GUIDANCE

- ✓ Compensation – Personnel Services – 75.430
 - ✓ “Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one federal award”
 - ✓ “Budget estimates alone do not qualify as support for charges to federal awards, but may be used for interim accounting purposes” if they are a reasonable approximation, significant deviations are identified & corrected timely & the internal control process review after-the-fact interim charges & make the necessary adjustments for accuracy”



12. TRAVEL

- ✓ “The P&Ps must:
 - ✓ Describe programmatic requirements for travel (i.e. budget for travel, restrictions for travel on specific programs);
 - ✓ Require travel other than local mileage be pre-approved by a recipient approving official;
 - ✓ Require all travel be reasonable and describe how this is determined;”



12. TRAVEL

- ✓ “The P&Ps must:
 - ✓ Limit mileage, meals and incidentals, and lodging charged to federal programs to the rates published in the Federal Travel Regulations, unless otherwise justified;
 - ✓ Limit airfare to coach and car rental to mid-sized, unless otherwise justified; and
 - ✓ Reimburse travel costs based on expenditures reports or the like listing each cost individually along with original receipts.”



13. PROPERTY CONTROL

- ✓ “The P&Ps must require:
 - ✓ Property records be maintained that include a description, cost, purchase date, source of funding, location, and condition of each property item;
 - ✓ Periodic physical inventories be taken and reconciled to the property records no less frequently than every other year;
 - ✓ Property purchased with Government funds be tagged;
 - ✓ Property be safeguarded to prevent loss or theft and describe how; and
 - ✓ Disposition requirements for property obtained with federal funds. “



14. CONFLICT OF INTEREST

- ✓ “Recipients must establish P&Ps to prevent employees, consultants, members of governing bodies, and others involved in grant-supported activities from using their positions for purposes that are, or give the appearance of being, motivated by a desire for private financial gain for themselves or others, such as those with whom they have family, business, or other ties.”



14. CONFLICT OF INTEREST

- ✓ “The P&Ps must:
 - ✓ Address the conditions under which outside activities, relationships, or financial interests are proper or improper;
 - ✓ Provide for advance notification of outside activities, relationships, or financial interests to a responsible organizational official;
 - ✓ Include a process for notification and review by the responsible official of potential or actual violations of the standards; and
 - ✓ Specify the nature of penalties that may be imposed for violations.”



15. MANDATORY DISCLOSURES

- ✓ “The P&Ps must:
 - ✓ Include a process to disclose, in a timely manner, in writing to HHS all violations of federal criminal law, involving fraud, bribery, and gratuity violations potentially affecting the award.
 - ✓ If applicable, address all other standard terms in the NOA (i.e., EEO, civil rights, human trafficking, etc.). “



16. ALLOWABILITY OF COSTS



- ✓ “The P&Ps must address the allowability of costs per the specific program or source such as the Funding Opportunity Announcement:
 - ✓ To be allowable under a federal award, costs must be reasonable, allocable, and adequately documented;
 - ✓ A cost is reasonable if it does not exceed what a prudent person would incur under similar circumstances;
 - ✓ A cost is allocable to a federal award to the extent the goods or services benefited the program; and
 - ✓ A cost is adequately documented if it is supported by accounting records and source documentation such as purchase orders, vouchers, invoices, payroll allocation reports, payroll summaries, timesheets, etc.”



17. PROGRAM INCOME

- ✓ “The P&Ps must:
 - ✓ Limit the use of program income relating to projects financed with federal funds to one or more of the following:
 - ✓ Furthering the eligible project or program objectives;
 - ✓ Financing the non-federal share of the project or program; or
 - ✓ Deducting it from the total federal share of project or program allowable costs.
 - ✓ Detail how the program income is calculated and under what conditions the program income is to be used.”



OTHER POLICY CONSIDERATIONS

- ✓ What are biggest problems at Health Centers related to policies and procedures?
 - ✓ Health Center policy not compliant with applicable regulations
 - ✓ Health Center not following it's own policies
 - ✓ Health Center is using a generic policy that it did not tailor to it's own operations



OTHER FINANCIAL POLICY CONSIDERATIONS

- ✓ Timely Financial Statements prepared in accordance with GAAP – Generally Accepted Accounting Principles
- ✓ Chart of Accounts Structure
- ✓ Accounts Receivable Allowance Valuation Methodology
- ✓ Internal Control Policy
- ✓ Sliding Fee Discount Policy
- ✓ Fee Schedule Policy
- ✓ Billing and Collections



COMMON HRSA SITE VISIT FEEDBACK

- ✓ Key Requirement # 12: Financial Management and Control Policies
 - ✓ Internal controls
 - ✓ Segregation of duties not appropriate for organization size
 - ✓ Need to hire additional staff
 - ✓ Checks signed without supporting documentation
 - ✓ No policy requiring board approval for checks exceeding certain threshold
 - ✓ Financial policies need updating and board approval
 - ✓ Need to convert to accrual basis accounting

COMMON HRSA SITE VISIT FEEDBACK

- ✓ Key Requirement # 14: Budget
 - ✓ The budget was not completed or reviewed by the finance committee or approved by the board
 - ✓ No operational budget was completed

COMMON HRSA SITE VISIT FEEDBACK

- ✓ Key Requirement # 15: Program Data Reporting systems
 - ✓ Difficulty extracting reliable data from newly installed Practice Management System
 - ✓ Limited reporting
 - ✓ No monthly productivity reports
 - ✓ No information sharing with key staff/providers
 - ✓ EMR is not used appropriately for UDS / Medicare cost reporting



The content contained in this PowerPoint was extracted from the following sources:

- Financial Capacity Review Document Entitled: Financial Management Requirements for Award Recipients
- HRSA BPHC Website
- DHHS Website
- HHS Grants Policy Statement
- HRSA Site Visit Guide updated 11/2014



QUESTIONS?



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THANK YOU!

FOR MORE INFORMATION

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