



New Health Center Compliance Manual: Contracts, Subawards, Conflicts of Interest, and Financial Management Systems

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PRESENTER: EDWARD “TED” WATERS

- Well known for his expertise in federal grants, government reimbursement, payment and administrative issues, and his strategic handling of organizations facing crises, Ted has been selected again as a “Super Lawyer” for Health Care in Washington, D.C. in 2018
- Ted has been counsel to numerous health centers, PCAs and other recipients of federal funds in the past 25 years as well as many other entities such as managed care organizations and federal contractors, and has represented clients in front of federal and state courts, administrative tribunals, Offices of Inspector General and federal agencies.
- Ted has been Managing Partner of Feldesman Tucker and teaches each spring, what he believes is the only law school class in the country on federal grant programs at the George Washington University School of Law.
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AGENDA

- **Chapter 12: Contracts and Subawards**
 - Requirements
 - Demonstrating Compliance
 - Related Considerations
- **Chapter 13: Conflicts of Interest**
 - Requirements
 - Demonstrating Compliance
 - Related Considerations
- **Chapter 15: Financial Management and Acctg. Sys.**
 - Requirements
 - Demonstrating Compliance
 - Related Considerations
- **And a SPECIAL APPEARANCE by the New SITE VISIT PROTOCOL:
<https://bphc.hrsa.gov/programrequirements/svprotocol.html>**

SITE VISIT PROTOCOL

- Site Visit Guide was replaced by a new Site Visit Protocol (SVP), which is aligned with the Health Center Program Compliance Manual
 - Issued early January – effective for Operational Site Visits, New Grantee Site Visits and FQHC Look-Like Designation Site Visits on or after January 22, 2018
 - More proscriptive on reviewers than prior Site Visit Guides
 - see below
- For each Chapter, the following are identified
 - Statutory and regulatory authority (consistent with the Manual)
 - Primary and secondary reviewers

SITE VISIT PROTOCOL

- For each Chapter, the following are identified (cont.)
 - Documents lists: (1) documents sent prior to site visit; and (2) documents provided on-site – NO OTHER DOCUMENTS SHOULD BE REQUESTED
 - Which “Demonstrating Compliance” elements from the Manual will be assessed off-site by HRSA and which will be assessed on-site by review team
 - Assessment methodology (policy/procedure review, samples of files and records, interviews, site tours) that should be used by the reviewers to determine compliance with each on-site element
 - Questions to determine site visit findings

www.bphc.hrsa.gov/programrequirements/svguide.html

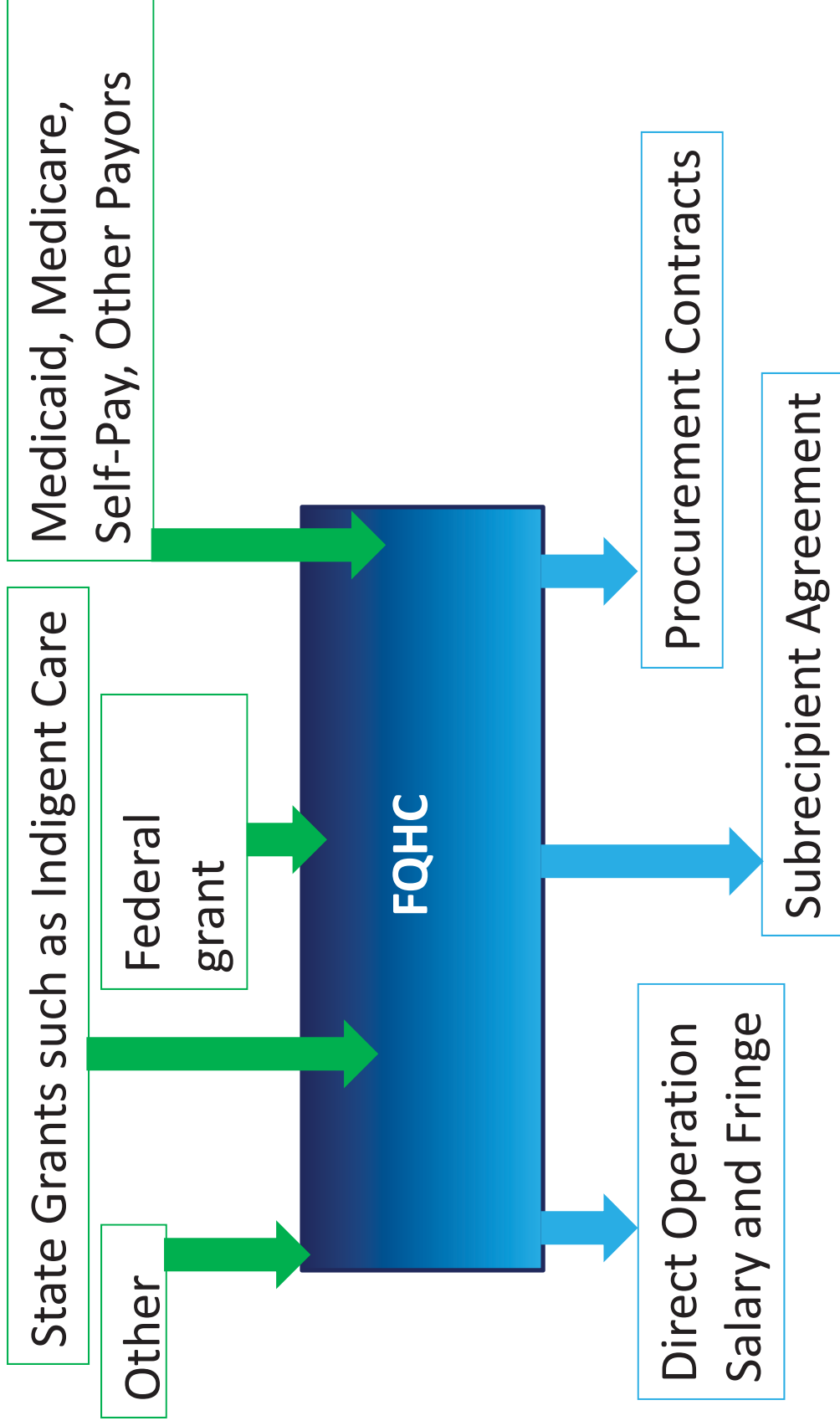
BUT WAIT...THERE'S MORE COMING

- Bipartisan Budget Act of 2018 (**Last Week**) - Funding Cliff Fixed!
- But with great power comes great responsibility, per the Act, amending Section 330:
 - (b)(7)(B)(iii)(9)(B)(vi) “(N) the center has **written policies and procedures** in place to ensure the appropriate use of Federal funds in compliance with applicable Federal statutes, regulations, and the terms and conditions of the Federal award.”
- More on this in the future ... but documentation like T&E is a must not to mention cost allocation plan!

A WORD TO THE WISE

- Chapters 12, 13, and 15 are primarily concerned with compliance with the Uniform Guidance for HHS grants and sub-grants (45 C.F.R. Part 75)
- Part 75 provisions apply to all HHS grants except with Congress says it doesn't
- In Section 330 **and Section 330 ONLY**, program income has special rules thanks to Congress
 - Program Income dollars (and things bought with those dollars) for Health Centers are **still restricted** but not to the same extent as "regular" program income
 - And not subject to Part 75 – more on this later...

FUNDING FOR HEALTH CENTER OPERATIONS



Chapter 12

Contracts and Subawards

REQUIREMENTS CONTRACTS: PROCUREMENT AND MONITORING

- First Things First...

“The health center must determine whether an individual agreement will result in disbursement of Federal funds will be carried out through a contract or a subaward and structure the agreement accordingly.”

WHAT ARE THEY TALKING ABOUT?

MINI-ME - 45 CFR § 75.351

- The basic difference between subrecipients and contractors stems from the purpose or the nature of the money being passed from the grantee to the sub.
- **Subrecipient:** Take a piece of your program (programmatic decision making) → must comply with all regulations
 - If Sub-recipient must be approved by the Feds
- **Contractor:** Buying something to help you do your program or meet your purpose (paper and pencils or medical supplies)
 - If Contractor → refer to procurement standards
- Distinction leads to different requirements!
 - Monitoring, pricing, reporting, collateral rights

SVP ASKS FOR (BEFORE THEY ARRIVE)

1. Procurement/Purchasing Procedures including contract management (more on this in a minute)
2. Most recent audit (repeated more than once)
3. All sub-recipient agreements if updated since last grant application

It's a Procurement!



THE GOOD STUFF – FOOTNOTE 1

- “All procurement standards in 45 CFR Part 75 apply for procurement actions paid for in whole or in part under the Federal award.”
- “These Standards do not relieve the non-Federal entity of any contractual responsibilities under its contracts.”
- “HRSA will not substitute its judgment for that of the non-Federal entity unless the matter is primarily a Federal concern.”
- “Violations of law will be referred to the local, tribal, state, or Federal authority having proper jurisdiction.”

REQUIREMENTS

CONTRACTS: PROCUREMENT AND MONITORING

- “The health center must request and receive approval from HRSA to contract for [substantive programmatic] work under its 330 award.”
 - Q. What is substantive programmatic work?
 - A. See Footnote 4 – “For the purposes of the Health Center Program, contracting for substantive programmatic work **does not** include the acquisition of supplies, material, equipment, or general support services. However, it **does** apply to contracting for the” Project Director/CEO; entire key management team; majority of health care providers with a single entity.
Substantive programmatic work may be further defined withing HRSA Notices of Funding Opportunity (NOFOs) and applications.”

A few points -

1. **Not traditional procurement**
2. **Sole Source with federal approval, see later slide**

DEMONSTRATING COMPLIANCE CONTRACTS: PROCUREMENT AND MONITORING

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- If the health center has arrangements with a contractor to perform substantive programmatic work, the health center requested and received prior approval from HRSA as documented by:
 - An approved competing continuation/renewal of designation application or other competitive application, which included such an arrangement; or
 - An approved post-award request for such arrangements submitted within the project period (for example, change in scope).

Ted's tips – stating the obvious - If you need approval, get it in writing

REQUIREMENTS

CONTRACTS: PROCUREMENT AND MONITORING

- **Also a hybrid...**
- The health center contracts with other providers for the provision of health services within the HRSA-approved scope of project must include a schedule of rates and method of payment for such services.

DEMONSTRATING COMPLIANCE CONTRACTS: PROCUREMENT AND MONITORING

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- The health center's contracts that support the HRSA-approved scope of project include provisions that address the following:
 - The specific activities or services to be performed or goods to be provided;
 - Mechanisms for the health center to monitor contractor performance; and
 - Requirements for the contractor to provide data necessary to meet the recipient's applicable Federal financial and programmatic reporting requirements, as well as provisions addressing record retention and access, audit, and property management.

REQUIREMENTS

CONTRACTS: PROCUREMENT AND MONITORING

On to traditional procurement....

“The health center must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that for procurement action paid for in whole or in part under the Federal award, the procurements conform with 45 CFR Part 75.”

- So, if you are spending Program Income, you can follow less stringent rules – what does that mean?
 1. Be clear (very) when you are spending federal dollars
 2. Be clear this is part of your 330 program, other federal programs aren't so nice
 3. Do you really want two sets of standards? Or just reserve the right to deviate in documented instances
 4. IRS still cares what tax exempt entities do with their money even if this question left them out, fyi!

DEMONSTRATING COMPLIANCE CONTRACTS: PROCUREMENT AND MONITORING

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- The health center has written procurement procedures that comply with Federal procurement standards, including a process for ensuring that all procurement costs directly attributable to the Federal award are allowable, consistent with Federal Cost Principles.

- **Ted's Tips – This is called having policies and procedures, the first step to compliance! And its required**

REQUIREMENTS

CONTRACTS: PROCUREMENT AND MONITORING

“The health center must perform a cost price analysis in connection with every procurement action paid in whole or in part by the Federal award in excess of the Simplified Acquisition Threshold.”

- SAT is currently \$150,000 but it is subject to adjustment, now tied to FAR standard
- Cost analysis – rare, determining what it costs the contractor to build the thing or deliver the service
- Price analysis – common, what is “should cost” price, using data sources, past bids etc.

REQUIREMENTS

CONTRACTS: PROCUREMENT AND MONITORING

The health center must conduct all procurement transactions paid in whole or in part by the Federal award in a manner that provide full and open competition consistent with 45 CFR 75.328. Procurements by noncompetitive proposals are allowable only when:

1. Single source
 2. Public exigency or emergency
 3. HRSA-authorized
 4. Competition is determined to be inadequate after soliciting a number of sources.
- Points to Remember:
 - A. These are the new restrictions on sole source procurements. In 330, only apply to federal funds not program income. Side note for my friends in the PCAs, you ain't so lucky!
 - B. You could have opted for a grace period of 3 fiscal years from 12/26/14 but that is about done
 - C. Competition is good practice regardless, IMO

REQUIREMENTS

CONTRACTS: PROCUREMENT AND MONITORING

The health center must oversee contractors to ensure their performance is in accordance with the terms, conditions, and specifications of their contracts and to assure compliance with applicable Federal requirements.

The health center must retain financial records, supporting documents, statistical records, and all other records pertinent to the Health Center Program award carried out under contracts for a period of three years from the date of the submission of the final expenditures report to HHS.

DEMONSTRATING COMPLIANCE CONTRACTS: PROCUREMENT AND MONITORING

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- The health center has records for procurement actions paid for in whole or in part under the Federal award that include the rationale for method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. This would include documentation related to noncompetitive procurements.
- The health center retains final contracts and related procurement records, consistent with Federal document maintenance requirements, for procurement actions paid for in whole or in part under the Federal award.
- The health center has access to contractor records and reports related to health center activities in order to ensure that all activities and reporting requirements are being carried out in accordance with the provisions and timelines of the related contract (for example, performance goals are achieved, Uniform Data System (UDS) data are submitted by appropriate deadlines, funds are used for authorized purposes).
 - Ted's Tips – Audit trail, audit trail, audit trail
 - **SVP** – When they arrive will want a sample or contracts for testing these principles

CONTRACTS AND SUBAWARDS RELATED CONSIDERATIONS

- The health center determines the methods it will utilize to monitor contractor activities and performance. Such monitoring could include:
 - Periodic evaluations of contractor performance (for example, results from reviews of invoices and records, reports from staff of contractor activity) that are shared with the board and management staff; and/or
 - Documentation at the time of contract completion or renewal that the contractor has met the terms, conditions, and specifications of the contract.
- The health center determines the methods it will utilize to settle any contractual or administrative issues arising out of procurements, with respect to contracts (for example protests, disputes, claims) or how to take enforcement actions in the case of subawards.

SVP CHECKLIST – YOU SHOULD USE IT TOO

- **DOCUMENTATION THAT SHOWS...**
 1. Rationale for the procurement method
 2. Selection of contract type
 3. Contractor selection or rejection
 4. Basis for Contract Price
 - Oh, and they ask about record retention policies and practices too...

It's a Subrecipient Agreement!

Or a sub-grant, sub-award, delegation agreement etc. etc.



NEW REQUIREMENTS UNDER UNIFORM GUIDANCE

- Big Changes for Subrecipient Relationships – really never before in grant administration rules
- Those new rules and the Compliance Manual follow this pattern:
 - Formation – determination and approval
 - Written Agreement – must meet requirements including treatment of indirect costs
 - Monitoring and Closeout – Trust but Verify!
- Requirements again in red, sidebar comments in black; Demonstrating compliance in purple

SVP ON SUBRECIPIENTS

- Before visit – Copies of Subrecipient Agreement(s)
 - At the Start of the Visit –
- Sample of sub-recipient monitoring methods and sample of financial and performance reports from the sub-recipient
- Documentation of Prior Approval of sub-recipient arrangements

REQUIREMENTS

SUBAWARDS: MONITORING AND MANAGEMENT

- The Health Center Program awardee must determine whether an individual agreement that will result in disbursement of Federal funds will be carried out through a contract or a subaward and structure the agreement accordingly. With respect to subawards:
 - The health center awardee must make documented, case-by-case determinations whether the agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient, consistent with the characteristics outlined in 45 CFR 75.351;
 - The health center awardee must identify subawards as such to the subrecipient, and provide all applicable information to the subrecipient as described in 45 CFR 75.352(a)(1), including the total amount of the Federal Award committed to the subrecipient by the health center awardee; [75.352 requires in essence all the stuff in your grant award except this will be for the subaward, different numbers etc.]
 - If any of the data elements contained in 45 CFR 75.352(a)(1) change, the health center awardee must include the change(s) in a subsequent subaward modification. [just like the feds do to you, called amendments!]
- The Health Center Program awardee must request and receive approval from HRSA to make a subaward under the Federal award.

DEMONSTRATING COMPLIANCE SUBAWARDS: MONITORING AND MANAGEMENT

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- If the health center has made a subaward, the health center requested and received prior approval from HRSA as documented by:
 - An approved competing continuation/renewal of designation application or other competitive application, which included the subrecipient arrangement; or
 - An approved post-award request for such subrecipient arrangements submitted within the project period (for example, change in scope).

They will be looking for this per the SVP

REQUIREMENTS

SUBAWARDS: MONITORING AND MANAGEMENT

- The Health Center Program awardee must ensure that, at the time of making a subaward, each subrecipient, which is a subawardee of Federal funds, complies with all applicable requirements specified in the Federal award (including those found in section 330 of the PHS Act, implementing program regulations, and grants regulations in 45 CFR Part 75). [Clarifies and longstanding Q, does a subrecipient have to comply with all 330 req's? YES]

REQUIREMENTS

SUBAWARDS: MONITORING AND MANAGEMENT

- The Health Center Program awardee must monitor the ongoing activities of the subrecipient to ensure that the subaward is used for authorized purposes and that the subrecipient maintains compliance with all applicable requirements specified in the Federal award (including those found in section 330 of the PHS Act, implementing program regulations, and grants regulations in 45 CFR Part 75). [Feds are to Grantee as Grantee is to sub]
- The Health Center Program awardee must retain financial records, supporting documents, statistical records, and all other records pertinent to the Health Center Program award as carried out under any subawards for a period of three years from the date of the submission of the final expenditures report to the health center awardee. [or longer, you must follow record retention rules under 45 CFR 75.361]

DEMONSTRATING COMPLIANCE SUBAWARDS: MONITORING AND MANAGEMENT

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- The health center's subaward(s) that supports the HRSA-approved scope of project includes provisions that address the following:
 - The specific portion of the HRSA-approved scope of project to be performed by the subrecipient;
 - The applicability of all Health Center Program requirements to the subrecipient;
 - The applicability to the subrecipient of any distinct statutory, regulatory, and policy requirements of other Federal programs associated with their HRSA-approved scope of project;
 - Mechanisms for the health center to monitor subrecipient compliance and performance;
 - Requirements for the subrecipient to provide data necessary to meet the health center's applicable Federal financial and programmatic reporting requirements, as well as provisions addressing record retention and access, audit, and property management; and
 - Requirements that all costs paid for by the Federal subaward are allowable consistent with Federal Cost Principles.

REQUIREMENTS

SUBAWARDS: MONITORING AND MANAGEMENT

- The Health Center Program awardee must consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the Health Center Program awardee's own records and whether the Health Center Program awardee must consider taking enforcement action against noncompliant subrecipients as described in 45 CFR 75.371.
 1. First rule of monitoring – get out of your chair
 2. Second rule, follow-up meaning
 - Corrective action plans
 - Monitoring
 - Actions including termination as appropriate

DEMONSTRATING COMPLIANCE SUBAWARDS: MONITORING AND MANAGEMENT

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- The health center monitors the activities of its subrecipient to ensure that the subaward is used for authorized purposes and that the subrecipient maintains compliance with all applicable requirements specified in the Federal award (including those found in section 330 of the PHS Act, implementing program regulations and grants regulations in 45 CFR Part 75). Specifically, the health center's monitoring of the subrecipient includes:
 - Reviewing financial and performance reports required by the health center in order to ensure performance goals are achieved, UDS data are submitted by appropriate deadlines, and funds are used for authorized purposes;
 - Ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the subaward that may be identified through audits, on-site reviews, and other means; and
 - Issuing a management decision for audit findings pertaining to the subaward.
- The health center retains final subrecipient agreements and related records, consistent with Federal document maintenance requirements.

CONTRACTS AND SUBAWARDS RELATED CONSIDERATIONS

- The health center determines the methods it will utilize to monitor subrecipient compliance and performance with Health Center Program requirements. Such monitoring could include:
 - Receiving/reviewing copies of the subrecipient governing board's meeting minutes;
 - Performing site visits;
 - Conducting regular check-in calls and updates regarding Health Center Program requirements or new Health Center Program policies;
 - Receiving/reviewing the subrecipient's annual audit;
 - Conducting periodic joint meetings between the two entities' boards, or between the health center's key management staff and the subrecipient's board;
 - Receiving/reviewing periodic written reports from the subrecipient; and/or
 - Sharing data and creating systems for the sharing of financial and medical records for the purpose of Health Center Program data reporting.

Chapter 13

Conflict of Interest (derives from procurement requirements so a lot of overlap in terms of documentation)

REQUIREMENTS CONFLICTS OF INTEREST

- The health center must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, or administration of contracts that comply with all applicable Federal requirements.
- No **employee, officer, or agent** of the health center may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest.
- Officers, employees, and agents of the health center may neither solicit nor accept gratuities, favors, or **anything of monetary value** from contractors or parties to subcontracts.
- The health center's standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the health center.
- If the health center has a parent, affiliate, or subsidiary organization that is not a State, local government, or Indian tribe, the health center also must maintain written standards of conduct covering organizational conflicts of interest.
- **Next slide is much more useful, IMO!**

ANOTHER IMPORTANT FOOTNOTE

- “1. A conflict of interest arises when the employee, officer or agent (including but not limited to any member of the governing board), any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. See 45 CFR 75.327(c)1.”

DEMONSTRATING COMPLIANCE CONFLICTS OF INTEREST

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- The health center has and implements written standards of conduct that **apply, at a minimum, to its procurements paid for in whole or in part by the Federal award.** Such standards:
 - Apply to all health center **employees, officers, board members, and agents** involved in the selection, award, or administration of such contracts;
 - Require written **disclosure** of real or apparent conflicts of interest;
 - **Prohibit** individuals with real or apparent conflicts of interest with a given contract from participating in the selection, award, or administration of such contract [**including subrecipient agreements**];
 - **Restrict** health center employees, officers, board members, and agents involved in the selection, award, or administration of contracts from soliciting or accepting gratuities, favors, or anything of monetary value for private financial gain from such contractors or parties to sub-agreements (including subrecipients or affiliate organizations); and
 - **Enforce disciplinary actions** on health center employees, officers, board members, and agents for violating these standards.

DEMONSTRATING COMPLIANCE CONFLICTS OF INTEREST

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- If the health center has a parent, affiliate, or subsidiary that is not a State, local government, or Indian tribe, the health center has and implements written standards of conduct covering **organizational conflicts of interest** that might arise when conducting a procurement action involving a related organization. These standards of conduct require:
 - Written disclosure of conflicts of interest that arise in procurements from a related organization; and
 - **Avoidance and mitigation of any identified actual or apparent conflicts during the procurement process. [SVP too, good info]**
- The health center has mechanisms or procedures for **informing** its employees, officers, board members, and agents of the health center's standards of conduct covering conflicts of interest, including organizational conflicts of interest, and for governing its actions with respect to the selection, award and administration of contracts.
- In cases where a conflict of interest was identified, the health center's procurement records **document** adherence to its standards of conduct (for example, an employee whose family member was competing for a health center contract was not permitted to participate in the selection, award, or administration of that contract).

RELATED CONSIDERATIONS

CONFLICTS OF INTEREST

- The health center determines the appropriate methods for employees, officers, board members, and agents to disclose real or apparent conflicts of interest, as it applies to the procurement process.
- The health center determines how to inform its employees, officers, board members, and agents about the health center's standards of conduct (for example, inclusion within operating procedures or staff manuals, as part of disclosure forms/statements, employee and board orientations or trainings).
- The health center determines whether to establish additional standards of conduct that are not addressed by Federal requirements.
- The health center determines whether to set standards that define when a financial interest is not substantial or a gift is an unsolicited item of nominal value and, therefore, could be accepted by employees, officers, board members, and agents of the health center.

THE 5 D'S OF CONFLICT - ACTIVE VERBS PLS!

1. **Define** what is a Conflict in your P's & P's, don't forget what is a nominal gift that is ok
2. **Distribute** P's & P's to employees, board members and others through appropriate means
3. **Disclose** have affected persons do annual disclosures of relationships that can give rise to a potential conflict
4. **Dispose** how did you resolve the conflict or potential conflict such as recusal
5. **Document** records showing how you determined and resolved conflicts and potential conflicts

AND NOW THE SVP...

- Documentation containing the health center's standards of conduct (e.g., articles of incorporation, bylaws, board manual, employee manual, standards of conduct, policies and procedures, disclosure forms)
- Sample of written disclosures with respect to real or apparent conflicts of interest completed by officers, employees, board members and agents of the health centers (e.g., forms, signed statements, employment contracts)
- Sample of supporting documentation for one to two procurements supported with Federal funds from the past 3 years (can be same sample as used for Contracts and Subawards)
- Agreements with parent corporation, affiliate, subsidiary, or subrecipient organization (if applicable)

Chapter 15

Financial Management and Accounting Systems

FROM THE SVP... BEFORE YOU START

- Financial management and internal control procedures (may also be in the form of financial/accounting policies, manuals or other related documents)
- Procedures for drawdown, disbursement and expenditure of Federal award funds (may be included in the financial management and internal control procedures or may be separate)
- Policies and/or procedures that govern and track the use of non-grant funds (if applicable)
- Two most recent annual audits and management letters

FROM THE SVP ... AFTER THEY ARRIVE

- Manuals or documentation of the Financial Management System(s) used by the health center (e.g., financial accounting software, practice management system)
- **Sample of periodic financial reports provided to the board and key management staff (selected from the past six months) including the most recent interim financial statements**
- **[Don't forget budget to actual – Chapt.17]**
- Sample of **source documentation** (e.g., financial records, receipts, invoices) to support expenditures made under the Federal Health Center Program award for the last quarter
- Aged Accounts Receivable (as of most recent interim financial statements)
- Aged Accounts Payable (as of most recent interim financial statements)

REQUIREMENTS

FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEMS

- The health center must maintain effective control over, and accountability for, all funds, property, and other assets in order to adequately safeguard all such assets and ensure that they are **used solely for authorized purposes. (PLUS NEW LAW!)**
- The health center must develop and utilize financial management and control systems in accordance with sound financial management procedures which ensure at a minimum:
 - The fiscal integrity of grant financial transactions and reports; and
 - Ongoing compliance with Federal statutes, regulations, and the terms and conditions of the Health Center Program award or designation.

REQUIREMENTS

FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEMS

- The health center's financial management system must specifically identify in its accounts all Federal awards, including the Federal award made under the Health Center Program, received and expended and the Federal programs under which they were received (see 45 CFR 75.302). This financial management system must also provide for all of the following:
 - Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements (see 45 CFR 75.341 and 75.342);

REQUIREMENTS

FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEMS

- **Records that identify the source (receipt) and application (expenditure) of funds for federally-funded activities.** These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest, and be supported by source documentation (see: 45 CFR 75.302(b)(3));
- Written procedures that **minimize the time elapsing between the transfer of Federal award funds from HHS and the disbursement of these funds** by the health center (see 45 CFR 75.305);
- Written procedures for assuring that **expenditures of Federal award funds are allowable** in accordance with the terms and conditions of the Federal award and with the Federal Cost Principles (see 45 CFR Part 75 Subpart E).

REQUIREMENTS

FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEMS

- A health center that expends **\$750,000 or more** in Federal awards during its fiscal year must have a single or program-specific audit conducted for that year in accordance with the provisions of 45 CFR Part 75 Subpart F.
- The health center must use any **non-grant funds as permitted under section 330, and may use such funds for such other purposes as are not specifically prohibited under section 330, if such use furthers the objectives of the [health center] project.**

DEMONSTRATING COMPLIANCE FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEMS

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- The health center has and utilizes a financial management and internal control system that reflects Generally Accepted Accounting Principles (GAAP) for private non-profit health centers or Government Accounting Standards Board (GASB) principles for public agency health centers and that ensures at a minimum:
 - **Health center expenditures are consistent with the HRSA-approved total budget** and with any additional applicable HRSA approvals that have been requested and received;
 - Effective control over, and accountability for, all funds, property, and other assets associated with the Health Center Program project;

BUT WAIT, ANOTHER CRUCIAL FOOTNOTE

- 3 Per 45 CFR 75.308, post-award, Federal award recipients are required to report significant deviations from budget or project scope or objective, and are required to request prior approvals from HHS awarding agencies for budget and program plan revisions (re-budgeting). “Re-budgeting, or moving funds between direct cost budget categories in an approved budget, is considered significant when cumulative transfers for a single budget period exceeds 25 percent of the total approved budget (inclusive of direct and indirect costs and Federal funds and required matching or cost sharing). The base used for determining significant re-budgeting excludes carryover balances but includes any amounts awarded as supplements.”

DEMONSTRATING COMPLIANCE FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEMS

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- Effective control over, and accountability for, all funds, property, and other assets associated with the Health Center Program project;
- The **safeguarding of all assets** to assure they are used solely for authorized purposes in accordance with the terms and conditions of the Health Center Program award/designation; and
- **The capacity to track the financial performance of the health center**, including identification of trends or conditions that may warrant action by the organization to maintain financial stability.

DEMONSTRATING COMPLIANCE FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEMS

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- The health center's financial management system is able to account for all Federal award(s) (including the Federal award made under the Health Center Program) **in order to identify the source (receipt) and application (expenditure) of funds** for federally funded activities in whole or in part. Specifically, the health center's financial records contain information and related source documentation pertaining to authorizations, obligations, unobligated balances, assets, expenditures, income, and interest under the Federal award(s).

DEMONSTRATING COMPLIANCE FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEMS

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- The health center has written procedures for:
 - Drawing down Federal award funds in a manner that minimizes the time elapsing between the transfer of the Federal award funds from HRSA and the disbursement of these funds by the health center; and
 - Assuring that expenditures of Federal award funds are allowable in accordance with the terms and conditions of the Federal award and with the Federal Cost Principles in 45 CFR Part 75 Subpart E.

DEMONSTRATING COMPLIANCE FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEMS

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- If a health center expends \$750,000 or more in award funds from all Federal sources during its fiscal year, the health center ensures a single or program-specific audit is conducted and submitted for that year in accordance with the provisions of 45 CFR Part 75, Subpart F: Audit

Requirements and ensure that subsequent audits demonstrate corrective actions have been taken to address all findings, questioned costs, reportable conditions, and material weaknesses cited in the previous audit report, if applicable.

DEMONSTRATING COMPLIANCE FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEMS

A health center would demonstrate compliance with these requirements by fulfilling all of the following:

- **The health center can document that any non-grant funds generated from Health Center Program project activities, in excess of what is necessary to support the HRSA-approved total Health Center Program project budget, were utilized to further the objectives of the project by benefiting the current or proposed patient population and were not utilized for purposes that are specifically prohibited by the Health Center Program.**

SUMMARY OF COMMENTS

- HRSA Summary of Comments states:
- “Non-grant funds in excess of what is necessary to support the HRSA-approved total Health Center Program project budget may be utilized to fund **out-of-scope programs**, as long as the use furthers the objective of the Health Center Program project by benefitting the current or proposed patient population and is not specifically prohibited.”

RELATED CONSIDERATIONS

FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEMS

- The health center determines which accounting software and related systems to use for financial management.
- The health center determines the type, frequency, and format of financial reports used to support the board and the key management staff's ability to carry out its oversight responsibilities.
- The health center determines which specific actions to take in response to negative financial trending and its method for monitoring the results of those actions.

FINAL THOUGHTS

- The SVP is a good audit tool for internal audits for **example** –
- Is the health center able to track actual expenditures in comparison to the Health Center Program project budget?
- Do the health center's financial management and internal control systems have the capacity to account for the expenditure of Health Center Program project funds (e.g., segregation of duties) and safeguard the use of associated assets and property (e.g., procedures for inventory management, maintaining property records)?
- **Good Questions All and Many More!**

OTHER UPCOMING TRAINING EVENTS

Webinars		
Mar 13 th @ 1 PM	Emergency Preparedness: Implementation Updates and Best Practices	Austin, TX
Live Trainings		
Feb 21 st -23 rd	Federal Funding Academy	Mesa, AZ
Feb 27 th – 28 th	De-Mystifying the New Compliance Manual & Its Impact on the Program Requirements	Mesa, AZ
Feb 28 th – Mar 1 st	An In-Depth Look at the Federal Tort Claims Act (FTCA)	Mesa, AZ
Feb 28 th – Mar 1 st	340B Drug Discount Program: An Intensive Focus on Covered Entity Compliance	Washington, DC
Apr 18 th – 19 th	Federal Grants for Health Centers (Intensive)	Washington, DC

For more information and to register:

Email learning@ftlf.com or go to <https://learning.ftlf.com>

QUESTIONS?

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