



Compliance 201 – Fiscal Responsiveness and Accountability

2024 National Ryan White Conference on HIV Care and Treatment

August 22, 2024

Vision: Healthy Communities, Healthy People



Presenters

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Agenda

- Recap of 101
- Overview of 201 and Learning Objectives
- HRSA Overview
- Presentation
- Q & A Session

Purpose of Compliance 201 Session

This 201 workshop will present on the legislative and RWHAP fiscal responsiveness and accountability specific to Uniform Guidance Cost Principles requirements, Direct and indirect cost allowability per legislative and RWHAP requirements and highlight the principles for determining costs applicable to federal grants and other agreements.



Learning Objectives

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

1. Identify the regulatory requirements that clarify and standardize federal grant cost allowability.
2. Describe how to test for compliance of Uniform Guidance cost principle requirements for federal grant awards and cooperative agreements.
3. Describe corrective actions to address cost principle non-compliance of federal grant awards and cooperative agreements.

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 challenged



HRSA does this 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 with HIV, pregnant people, mothers and their families, and those otherwise unable to access quality health care

HRSA's HIV/AIDS Bureau Vision and Mission

Vision

Optimal HIV care and treatment for all to end the HIV epidemic in the U.S.

Mission

Provide leadership and resources to advance HIV care and treatment to improve health outcomes and reduce health disparities for people with HIV and affected communities.



HRSA's Ryan White HIV/AIDS Program (RWHAP) Overview

- Provides a comprehensive system of HIV primary medical care, medications, and essential support services for low-income people with HIV.
- Funds grants to states, cities, counties, and local community-based organizations to improve health outcome and reduce HIV transmission.
 - Recipients determine service delivery and funding priorities based on local needs and planning process.
- Provided services to over 566,000 people in 2022—more than half of all people with diagnosed HIV in the United States.
- 89.6% of RWHAP clients receiving HIV medical care were virally suppressed in 2022, exceeding national average of 65.9%ⁱ. This means they cannot sexually transmit HIV to their partners and can live longer and healthier lives.



Fiscal Responsiveness and Accountability

Session 2

Fiscal Compliance

- 2 CFR Part 200 - aka the Uniform Guidance – the Holy Grail for all Federal Awards
- Health and Human Services (HHS) Awards fall under this and are specifically codified in 45 CFR 75
- Part 75 covers Uniform Administrative Requirements, Cost Principles and Audit Requirements for HHS Awards

Fiscal Compliance – A Closer Look

Cost Principles 45 CFR 75 Subpart B

- Definition
- Testing for Cost Principles
- Identify Cost Requirements
- Corrective Action



Cost Principles Definition

Federal Cost Principles as stated in 45 CFR 75 Subpart E govern the costs (expenses) that may be charged to the federal award either directly or indirectly.

Cost Principles

Primary Objective: All expenses charged to a federal grants are allowable, allocable and reasonable

Why worry about this?

Federal Financial transactions will be evaluated against these principles when auditors determine disallowed costs.

Cost Principles

Key Components

- Allowability
- Allocability
- Reasonableness
- Direct and indirect costs
- The function of the selected items of costs section found in each set of cost principles

Total Amount of Eligible Costs in a Federal Grant Award



They are the sum of the following:

- allowable direct expenses
- allocable indirect expenses
- less any applicable credits

Key Factors Affecting Allowability

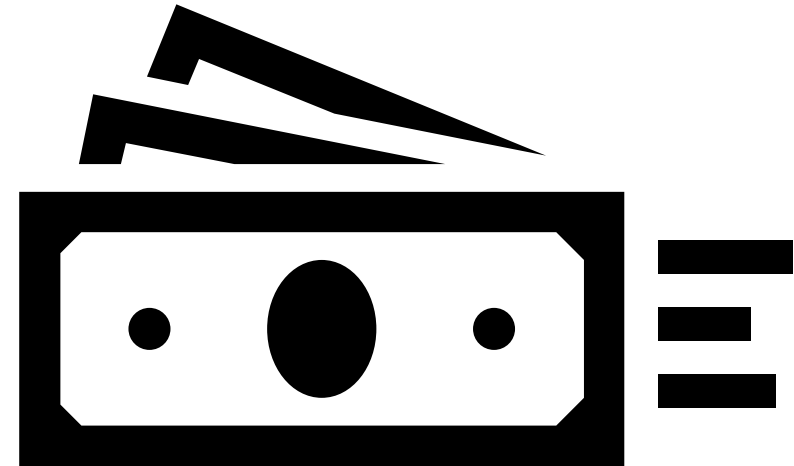
1. It is necessary and reasonable for the performance of the award.
2. It conforms to any limitation or exclusion noted in the cost principles, legislation or program requirements.
3. It is consistent with documented policies and procedures.
4. It accords consistent treatment. A cost may not be assigned as a direct cost for one grant if any other cost for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

Key Factors Affecting Allowability

5. Determined according to Generally Acceptable Accounting Principles (GAAP).
6. It is not used to meet cost sharing or matching requirements of any other federal award.
7. It is adequately documented.

Cost Based or Cost-Related Principle

- Costs charged the Federal Award must be reasonable and not exceed the actual costs incurred to deliver the service contracted for.
- Some recipients and subrecipients produce annual cost reports for other regulated payers, which may be used to substantiate the costs/unit charged to the Federal Award.
- Cost-related situations may exist when the services under contract are included in regulated payers fee schedules as determined by submitted cost reports for like provider types



Key Factors Affecting Allocable Costs

1. Expenses must be chargeable or assignable to the federal award
2. Incurred specifically for the federal award
3. Can only distribute with a reasonable methodology
4. Necessary to the overall operation and assignable in part to a federal award

Key Factors Affecting Allocable Costs

- 5. Avoid using one federal fund to supplant another or to overcome general fund deficiencies
- 6. The direct cost allocation principles must be applied
- 7. When distributing costs to different sources, the methodology needs to be documented, determined without undue effort, and allocated based on proportional benefit to the service provided

Principles for the Proper Allocation of Indirect Costs

- The portion of direct and indirect facilities' expenses related to core medical and support services provided to RWHAP clients would not count toward the 10% limit on administrative expenses.
- All indirect costs would count toward the 10% limit on administrative expenses.

Principles for the Proper Allocation of Administrative Costs – Time and Effort Reporting

Confirm that the budget estimates used to charge labor costs to the different funding sources or program categories is allowable.

When allocating salaries between administration and program categories the recipient or subrecipient must have a system of internal controls over the records which:

- Justifies the cost of salaries
- Is reasonable over the long term
- Ensures timely entries
- Is Consistent
- Documents funded EEs' attestation of effort
- Is Auditable

Principles for the Proper Allocation of Administrative Costs – Allocations

- Permits expenses to be appropriately charged to cost centers, object classes, funding sources and multiple sites.
- For allocations to be valid there should be written methodology that can be replicated and auditable.
- Most common methodologies used with consideration of whether multiple funding streams are in play:
 - Payroll - direct or time and effort
 - Facility - direct or square footage
 - Occupancy - direct or program/cost center
 - Administration - direct or total dollar
 - Communications - program/cost center

Summary to Assist in Properly Allocating and Reporting Costs

Grant Recipient

- Up to 10% of the award may be used for routine grant administration and monitoring, and planning council/body activities
- Portion of direct and indirect costs of facilities utilized to provide RWHAP services are no longer subject to the 10% admin limit—may now be charged to the relevant service category
- Supervisor's time devoted to providing professional oversight and direction regarding RWHAP-funded core medical or support service activities
- Fiduciary agent—all admin costs, exclusive of subawards, count toward the recipient's 10% admin limit

Subrecipient

- Up to 10% of the aggregate amount allocated for all subrecipients may be used for administrative activities including overhead, **indirect costs**, management oversight of RWHAP, and other types of program support
- Includes all indirect costs

Principles for the Proper Allocation of Administration v. Program Costs

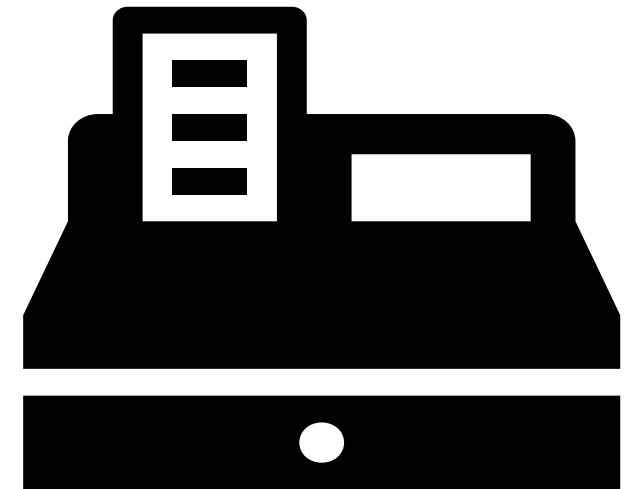
To be allowable, a cost must be authorized by statute and must meet the federal criteria of being necessary, reasonable, allocable and awarded under consistent treatment.

Which Costs are Allowable?

- Rent
- Utilities
- RN Care Coordinator
- Medical case management supervisor
- Postage
- Cash payment to clients
- Office supplies
- Part A program manager
- Syringe Service Program
- Copier
- Printing
- Purchase of vehicles
- Lobbying activities

Principles for the Proper Allocation of Administration v. Program Costs

- **Direct cost**—A cost that can be accurately traced to a program/service activity with little effort.
- **Indirect (F&A) cost**— A cost that is not directly traceable to a program/service activity.
- **Indirect cost rate** – Is a device/methodology for determining fairly and conveniently how much of the common (hard to trace) cost each program should bear.



Principles for the Proper Allocation of Administration v. Program Costs

Category of Expense	Ease of Tracing	Direct or Indirect
Program office rent	Difficult	Indirect
Utilities	Difficult	Indirect
RN Care Coordinator	Easy	Direct
Postage	Difficult	Indirect
Office Supplies	Difficult	Indirect
Program Manager	Easy	Direct
Copier	Difficult	Indirect
Audit Fees	Easy	Direct
HIV Program Call Center Staff	It depends!	Could be both
IT Network	Difficult	Indirect
HR Department Staff	Difficult	Indirect

Cost Principles Findings from Site Visits

A Part A recipient contracts with several organizations in their EMA to provide clinical services to Ryan White eligible residents in the EMA.

Finding: Upon review, the HAB site visit team determines that the Recipient's contracted Administrative Agency is paying for the same set of clinical services across the EMA at various provider organizations and the variation in invoices paid for the same clinical encounter type per unit approaches 200%.

Cost Principles Findings from Site Visits

What is our next issue to explore given this scenario?

45 CFR 75.404.

The recipient is presently not conducting a test of reasonableness to determine that rates paid to its subrecipients/contractors on a fee-for-service basis are either cost based or cost related. The rates paid for various clinical services for the same clinical service have a great deal of variability and do not pass a test of reasonableness when considering the cost of the clinical professionals providing the services

Cost Principles Findings from Site Visits

The recipient must:

Have systems in place to assure that the reimbursable fee must:

- Not exceed the actual cost of providing the service;
- Include only expenses that are allowable under RWHAP requirements;
- Use a formula for the calculation of unit cost and the reconciliation of that projected cost to actual annually;
- Include financial data that relates to performance data (actual cost divided by actual unit of service);
- Identify any administrative expenses included in the fee and add the cost to the sub

When Cost Principles Collide with the 10% Administration Limitation

Finding: The recipient administration cost is over the 10% limitation (17%). The administrative costs for the contracted third party administrator and fiduciary are allocated to the subrecipient aggregate administrative costs rather than to recipient's administrative costs. In addition, a review of the recipient FY 2022 budget reveals the improper allocation of such administrative activities as program evaluation, monitoring, data collection, quality assurance and data management for service utilization purposes.

Recommendation: The recipient must allocate the costs of fiscal intermediary or third party administrator contracts and the quality assurance activities to administration; decisions must be made to lower the administrative costs to the 10% limit

Finding and Recommendation – Reasonableness, Allowability, Allocability of Costs

Cost principles Subpart E 45 CFR 75 403 Factors affecting allowability of costs. 303

(g) Be adequately documented; 45 CFR 75 404 Reasonable costs; 45 CFR 405

Allocable costs.

Finding: The recipient is not compliant with cost principles; therefore the recipient cannot ensure that allocation of expenses to the grant is allowable. In addition, the recipient does not require the subrecipient to provide documentation with monthly invoices. Thus, the recipient cannot ensure that the payment of subrecipient invoices are allowable, allocable, and reasonable. For example: unit cost is not used to document the reasonableness of the service.

Finding and Recommendation – Reasonableness, Allowability, Allocability of Costs



Recommendation: The Part B recipient as well as the subrecipient staff must develop procedures that address the methodologies to be used when allocating expenses to the RWHAP to test for the reasonableness of a payment or an expense and to test for the allowability of the charge or payment.

Questions, Anyone?



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Contact Information

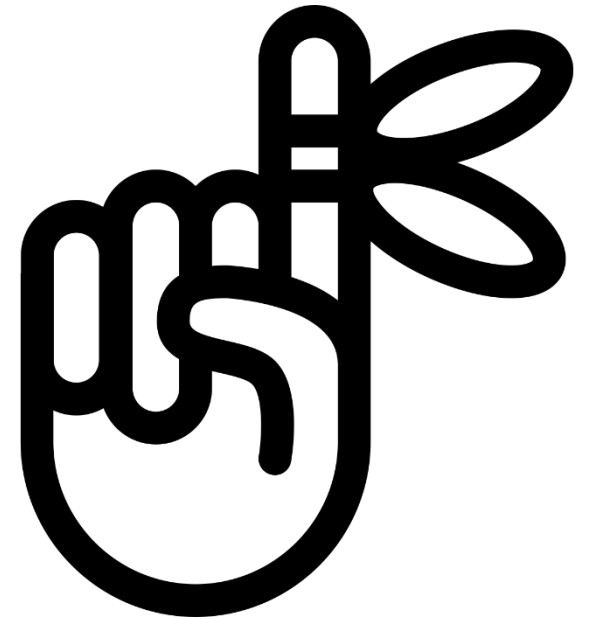
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Reminders

Please join us at the conference for the following session:

- Compliance 301: Fiscal Responsiveness and Accountability
 - Thursday, August 22 - 2:45 PM – 4:15 PM ET



Connect with the Ryan White HIV/AIDS Program

Learn more about our program at our website:

ryanwhite.hrsa.gov



Sign up for the Ryan White HIV/AIDS Program Listserv:

<https://public.govdelivery.com/accounts/USHSHRSA/signup/29907>

Connect with HRSA

Learn more about our agency at:

www.HRSA.gov



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