



## **POLICY AND PROCEDURE NOTICE: FPPN-007**

### **FISCAL MONITORING AND FISCAL SITE VISITS**

**Summary and Purpose of PPN:** To guide the administration of the Ryan White Part A Program to ensure legislative, contractual, fiscal and programmatic requirements are followed by Part A-funded subrecipients and to verify that funds are expended in an appropriate manner. Site visits also seek to verify that eligible clients receive the highest quality care possible in accordance with all applicable federal, state, and local governing bodies and current Standards of Care.

#### **Authority:**

- Title XXVI of the Public Health Service Act, 42 USC. Section 300ff11s as amended by the Ryan White HIV/AIDS Treatment Extension Act of 2009 (P.L.111-87) 45 CFR 75.351-75.353
- The OMB Uniform Guidance 2 CFR 200/HHS Title 45 Subtitle A, Sub-chapter A, Part 75
- 45 CFR 74.51(a)
- 2 CFR 215.51(a)
- 2 CFR 75 Subpart F – Audit Requirements
- HIV/AIDS Bureau, Division of Metropolitan HIV/AIDS Programs National Monitoring Standards for Ryan White Part A Grantees: Fiscal – Part A NOA Program Specific Terms
- Fulton County Ryan White Part A Contract/Agreement
- GAO Report on Oversight of Ryan White Part A/B Grantees
- HRSA/HAB policy notices, letters, and guidelines
- Department of Health and Human Services (HHS) Grants Policy Statement
- Manuals and Guidelines issued by HRSA/HAB including the National Monitoring Standards

Subrecipients are contractually required to participate in site visits/programmatic and fiscal reviews conducted by Ryan White and County Staff. Subrecipients must ensure that the CFO and fiscal designees and other appropriate staff as requested by the County are in attendance at all site visits and that all requested documentation is provided including descriptions of payroll (time and effort), accounting operating systems, internal controls, accounts payable and receivable policies.

## Policy:

1. All subrecipients providing Ryan White Part A supported HIV client services funded by Fulton County shall receive no less than one annual pre-arranged site visit, to include a review of compliance with financial requirements. Additional site visits may be conducted as needed, particularly if indicated by the most recent Risk Assessment performed by Fulton County's Grants Administration Division. A formal written report on the site findings shall be provided to the subrecipient within 20 business days of the completion of the site visit. Subrecipients have 20 business days in which to respond in writing to findings unless another timeline is given as part of the site visit report. Fulton County retains the right to make unscheduled site visits at any time when a need is indicated by specific circumstances.
2. Due to the complexity of compliance requirements, all newly funded subcontractors will receive additional guidance in the form of an Orientation Site Visit and an Initial Site Visit.
3. Supplemental Site Visits will be conducted for any established subrecipient as needed to assess compliance with new guidelines.

## Overview

Monitoring is a test of compliance with federal and program regulation and expectations and which prevents subrecipient non-compliance issues that might result in future disallowment by auditors. Demonstrating compliance describes how subrecipients demonstrate to the recipient their compliance with federal, state, and local regulations. Non-compliance informs the assessment of program sustainability and future program funding. As a pass-through entity, Fulton County's Ryan White Program does not audit subrecipients but tests their compliance with federal grant requirements. Monitoring also serves as an opportunity for technical assistance and for improvement.

Per 45 CFR §75.351-353 recipients must monitor the activities of their subrecipients as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, Ryan White HIV/AIDS Program legislative requirements, regulations and the terms and conditions of the subaward and that subaward performance goals are achieved. Recipients must ensure that subrecipients track, appropriately use, and report program income generated by the subaward. Recipients must also ensure that subrecipient expenditures adhere to legislative mandates regarding the distribution of funds.

### Requirements for monitoring by the non-Federal entity<sup>1</sup>

- 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

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<sup>1</sup> In this instance Fulton County Government

- Monitoring by the non-Federal entity must cover each program, function, or activity. Also see: §75.352.

Monitoring is accomplished in two ways:

- (1) Through regular and routine desk audits
- (2) Through fiscal site visits

The awarding agency, HHS, prescribes the frequency of the monitoring activities. The monitoring standards for Ryan White Part A recipients require, at a minimum, an annual comprehensive monitoring site visit to each subrecipient as delineated in Section I.E. of the Part A and B Universal Standards. Site visits must test compliance with Fiscal, Programmatic, and Universal Standards. The usefulness of desk audits and any timelines for their use are determined by the recipient; however, desk audits may not be used as a substitute for comprehensive annual site visits.

To accomplish this, the Fulton County Ryan White Part A Program or other entities on behalf of the Fulton County Ryan White Part A Program will conduct site visits to test compliance with grant rules and regulations. The subrecipient will receive no less than one (1) site visit annually during the period of performance. Key personnel involved in implementation of the Scope of Services at any and all locations where funded activities occur should be available for site visits, and must make all appropriate records available to the site visit team. Additional information will be requested prior to, at, or subsequent to the site visit. The subrecipient will have a reasonable time to produce such information. The Subrecipient will also receive reasonable notice prior to each site visit.

### Scope

Fiscal monitoring of subrecipients shall encompass, at a minimum, the review and evaluation of fiscal policies and procedures, accounting systems and records, payroll systems and time keeping records, expenditures specific to sampled population, audit reports, methodologies used to calculate administrative costs or to apply an indirect cost rate and program income. If applicable, prior year fiscal corrective action plans will be reviewed for implementation and compliance.

## Desktop Review

- Examine contracts, related correspondence, requests for reimbursements, budget revisions and other appropriate documents.
- Check to ensure expenditures are allowed.
- Test several employees in a pay period for correct calculations.
- Ensure that no overtime was charged to the program.
- Review policies and procedures submitted by subrecipients.
- Review of audit/independent financial statement.
- Policy which forbids use of Ryan White funds for cash payments to service recipients/clients.

## Process

1. The monitoring process is as follows:
  - A. Site Visit Review Team plans a calendar of visits.
  - B. Communications with subrecipients to establish visit dates, draft an agenda, and explain the process once on site. (The Fulton County Ryan White Part A Program retains the right to make unannounced/unscheduled site visits at any time when a need is indicated by specific circumstances.)
  - C. Site visit tools and documentation are explained.
  - D. Pre-site visit documentation is solicited.
  - E. Visits will start with an entrance conference (opportunity to explain visit and sub-recipient has an opportunity to present its program).
  - F. Visits end with an Exit Interview where the monitoring teams get an opportunity to discuss the strengths and any areas of non-compliance.
  - G. A formal written report on the site findings shall be provided to the subrecipient within one month of the completion of the site visit. Subrecipients have 20 business days in which to respond in writing to findings unless another timeline is given as part of the site visit report.

## Site Visit Preparation

### Preparation

- Review policies and procedures (i.e., service standards)
- Prepare brief presentation for entrance conference
- Inform staff to be interviewed of the process

## LIMITATION ON USES OF PART A FUNDING

Adherence to a 10 percent cap in the aggregate for administration (2617 b (3) (B)); 45CFR75.302, 352, 361, and Subpart E; HAB Policy Notice 15-01 and FAQ. Indirect costs are always administrative and when combined with other administrative costs, must fall under the 10% cap. This cost category can only be used if an agency has received an indirect rate approval from a Federal funding source or the State of Georgia.

For the purposes of this subsection, subrecipient administrative activities include:

- usual and recognized overhead activities, including established indirect rates for agencies;
- management oversight of specific programs funded under this title; and
- other types of program support such as quality assurance, quality control, and related activities<sup>2</sup>

Test: Determine that subrecipient administrative expenses meet legislative administrative definition and, if directly allocated to a service, there is an allowable cost.

- Does the subrecipient have documentation that administrative expenses do not exceed 10% of the awarded grant?
- Did the subrecipient utilize awarded funds only for allowable expenditures?
- Does the subrecipient have policies and procedures to prevent use of Ryan White funds for cash payments to clients/service recipients?

Review:

- Expense and budget reports
- Job descriptions for administrative positions charged to Part A
- Approved HHS-negotiated Certificate of Cost Allocation Plan or GA approved Certificate of Indirect Costs

Interviews:

- CFO or Finance Personnel.

## UNALLOWABLE COSTS

Test: Ensure that budgets and expenditures do not include any unallowable costs.<sup>3</sup>

Review:

- Budget
- File with signed Ryan White contract, assurances, and certifications that specify allowable costs and unallowable costs
- Expenditures reports/invoices

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<sup>2</sup> Part A 2604 h A-B

<sup>3</sup> RW Part A 2612 (f); 2612 (f)); 2615 (b); 2684, DHHS Grants Policy Manual, The Part A Manual.

Interview:

- CFO or Finance Personnel

### INCOME FROM FEES – THIRD PARTY REIMBURSEMENT

Test: Verify the provider/subrecipient tracks and report funds collected from Part A provided services as program income and use it for core, support and administrative services (10% limitation does not apply).<sup>4</sup> Ensure billing, collection and eligibility policies and procedures are being followed and systems are in place to bill, collect, and report and expense program income/third party income. Charges are current and adequate and clients are properly referred to eligibility determination.

Review:

- Billing Collection Manual
- Contract
- Charges, payments, adjustment reports
- General Ledger of Revenue
- Documentation that the subrecipient bills, tracks, and reports to the recipient all program income (including drug rebates) billed and obtained. Reported program income documented by charges, collections, and adjustment reports or by the application of a revenue allocation formula.
- Documentation of service provider retention of program income derived from Ryan White-funded services.

Interviews:

- CFO or Finance Personnel

### IMPOSITION AND ASSESSMENT OF CLIENT CHARGES

Test: For individuals with an income greater than 100 percent of the official poverty line, verify that the provider imposes a charge or nominal fee on each such individual for the provision of such services under RW Part A and imposes the charge according to a schedule of charges that is made available to the public. Ensure a policy has been implemented that limits the charges that can be imposed on a client in a given year for Ryan White services based on the client's income level in relation to the Federal Poverty Level (income less than or equal to 100% FPL, no charge, 101-200% FPL, 5%; 201-300% FPL, 7%; and above 300% of FPL, 10%). Ensure compliance with FCRW FPPN-010.1 Imposition of Charges, Fee Schedule, and Cap on Client Charges.

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<sup>4</sup> RW Part A 2617 (b) (C) (iii)); Clarification Notice 15-03; HHS Grants Policy Statement; 45 CFR 75.307.

Review:

- Policies and Procedures for imposition and assessment of client charges which may include a documented decision to impose only a nominal charge
- Sliding Fee Scale
- Caps on charges
- Current fee schedule
- Charge schedule is made available to the public
- Evaluation of charges imposed, not payments
- Fees received from clients
- Client charts – annual evaluation of income to establish fees and caps
- Ensure no charges imposed on clients with incomes below 100% of the Federal Poverty Level (FPL)
- Documentation that are aware of, and are following, the Policies and Procedures
- Policy is being consistently followed
- Have a process for alerting the billing system that the client has reached the cap and should not be further charged for the remainder of the year
- Documentation of annual training

Interview:

- Enrollment staff
- CFO or Finance Personnel

## PROCUREMENT

Test: Does the subrecipient have adequate policies and procedures in place to govern procurement?

Review:

- Documented policies
- Documentation of fair & open competition (including competitive bids, and small purchases)
- Strict avoidance of conflicts of interest (Is the purchasing function separate from accounting and receiving? Has responsibility for purchasing been assigned to one department, section, or individual within the organization?)
- Documentation of cost and price analyses and vendor selection
- Accounting entries - supported by appropriate documentation, (e.g., purchase orders, vouchers, and vendor payments)?

## ALLOCATIONS

Test: Expenses should appropriately be allocated directly or rational/justification such as:

- Payroll: direct or time and effort
- Facility: direct or square footage
- Occupancy: direct or square footage
- Administration: direct or total dollar
- Communication: program/cost based

Review:

- Compare budgets and expenses for various funding sources

Interviews:

- CFO or Finance Personnel

### **ACCOUNTING PRACTICES AND PROCEDURES:**

Test: Subrecipient has an accounting system established and maintained according to Generally Accepted Accounting Principles (GAAP)

#### **Performance Measure:**

- System must be established to enable tracking of funds.
- Development and consistent implementation of policies and procedures that establish uniform administrative requirements governing the monitoring of awards.
- Review of the following fiscal monitoring documents and actions:
  - Fiscal monitoring policy and procedures;
  - Fiscal monitoring reports
- Do fiscal and program policy and procedural manuals meet Federal and Ryan White program requirements?
- Are there established policies and procedures to ensure compliance with Federal and programmatic requirements?
- Are expenditures for each line item reasonable and show progress to expenditure of total annual allocation?

#### **Agency Responsibility (Items will be reviewed in fiscal site visit):**

- Are staff trained on and have access to current federal policies, procedures and instructions on accounting for and expending Federal funds?
- How are the award funds identified and tracked in the accounting system?
- Are accounting records supported by source documentation?
  - Canceled checks
  - Payroll
  - Invoices



- Are there controls in place to preclude:
  - Over-obligation
  - Under/overstatement of obligations
  - Duplicate payments
  - Inappropriate charges
- Is staff knowledgeable of the requirements for determining activities and costs allowed and costs unallowed?
- Is there adequate segregation of duties for:
  - Reviewing transactions
  - Verification of transactions
- Does the subrecipient use the same policies and procedures for and expending funds?
  - Federal
  - State
- Do financial reports contain expenditures by service category and use of Ryan White funds as specified by RWPA?

#### AUDITING REQUIREMENTS

Test: Verify timely submission of Single Audit by subrecipients receiving more than \$750,000 per year in Federal funds or independent financial statement for subrecipients receiving less than \$750,000 per year in Federal funds.

Review:

- Non-audited interim financial statements
- Audit or independent financial statement
- Documentation that single audit commissioned by Board or auditor independent from agency fiscal staff
- If findings, there is a corrective action plan
- Questioned federal cost have been returned
- Risk Assessment

#### PROPERTY STANDARDS

Verify that tangible nonexpendable personal property with a useful life of more than 1 year and acquisition cost of \$5,000 or more per unit purchased directly with Ryan White Part A funds follows the Federal property standards. Verify the subrecipient has provisions and has implemented policies that identify federal funding on property records by using the Federal award number and disposition policies recognize the federal government's vested interest.

Review:

- Current, complete, and accurate asset inventory list
- Depreciation schedule that lists purchases of equipment by funding source
- Adequate safeguards for all capital assets that assure that they are used solely for authorized purposes
- Property policies and procedures with policies that prevent loss, damage, and theft
- Deposition of Federal Property policy, including:
  - Assurance by subrecipients that title of federally-owned property remains vested in the federal government, and if the HHS awarding agency has no further need for the property, it will be declared excess and reported to the General Services Administration.
  - Title to supplies to be vested in the subrecipient upon acquisition, with the provision that if there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the program and the supplies are not needed for any other federally-sponsored program, the recipient shall retain the supplies for use on non-federally sponsored activities or sell them, and compensate the federal government for its share contributed to purchase of supplies.
- Visual inspection of equipment

Interviews:

- Purchasing supervisor
- CFO or Finance Personnel

### **COST PRINCIPLES: EFFORT REPORTING & COMPENSATION**

According to the Uniform Guidance Subpart E 200.430 “charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.” The subrecipient must have policies and procedures that support the distribution of the employee's salary or wages among specific activities or cost objectives. Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards. There must be a system that documents the estimates and produces reasonable approximations of the activity actually performed.<sup>5</sup>

Test: 1) Payments made to subrecipients/subcontractors for services need to be cost-based and relate to Ryan White administrative, quality management, and core medical and support service costs in accordance with standards cited under OMB Circulars or the Code of Federal

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<sup>5</sup> For examples please refer to the Louisiana State University (LSU) Effort Reporting Policy and the United States Department of Agriculture- Time and Effort FAQ.

Regulations. 2) Payments made for services to be reasonable, not exceeding costs that would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. 3) Written procedures for determining the reasonableness of costs, the process for allocations, and the policies for allowable costs, in accordance with the provisions of applicable Federal cost principles and the terms and conditions of the award. Costs are considered to be reasonable when they do not exceed what would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.

#### Review:

Must have written policy that provides an after-the-fact process that:

- Documents the allocation of salaries and wages to a federal program
- Defines significant changes in the corresponding work activity
- Contains allocations that are reasonable over the long term
- Makes timely and necessary adjustments to the budget and payroll allocations to assure the amount charged to the federal award is accurate, allowable and properly allocated
- Budgets and expenses to ensure conformity with federal cost principles
- Detailed information on the allocation and costing of expenses for services provided
- Calculate unit costs based on historical data. Reconcile projected unit costs with actual unit costs on a yearly or quarterly basis.
- Policies and procedures to determine allowable and reasonable costs
- Reasonable methodologies for allocating costs among different funding sources and Ryan White categories

#### Interview:

- CFO or Finance Personnel: Ensure fiscal staff familiarity with applicable federal regulations

### Exit Conference

The Site Visit Team will have an exit conference which will conclude the site visit. The exit conference will address the identified financial strengths and weaknesses of the subrecipient. The subrecipient will be given an hour to address the initial findings. The designated staff member will review the record/s with the Site Visit Team. All findings not supported by the required documentation will remain and be issued a citation in the site visit report.

### Post Site Visit

### Site Visit Report

1. A final report that will include a summary of the subrecipients accounting systems, the scope of the review, and the results will be emailed or mailed to the subrecipient's Executive Director and Fiscal Designee within 20 business days following the exit conference. This letter will

acknowledge a program's strengths and identify areas in need of improvement including any findings which will need to be addressed.

### Citations and Plan of Corrective Action

1. Subrecipients that are out of compliance will receive citations for the areas in need of significant improvement.
  - A. Subrecipients who receive a citation must respond to the Ryan White Part A Fiscal Manager within 20 business days of the Findings with a formal Corrective Action Plan (CAP). The Plan must detail the timeline and steps that the subrecipient will take to rectify the problem and prevent it from occurring again.
  - B. The subrecipient must have a reasonable timeline (e.g. 45 days from receipt of the site visit report) for implementation of the Plan of Corrective Action.
  - C. The Fiscal Manager will review the plan to ensure the subrecipient has addressed all site visit findings and/or recommendations.
  - D. Any Plans that do not meet the approval of the Fiscal Manager will need to be resubmitted. The Fiscal Manager will submit a written notification of approval/denial of all or parts of the CAP to the subrecipient within five (5) business days.
  - E. A Site Visit Team will conduct a follow-up site visit approximately 30 - 45 days from approval of subrecipient's implementation plan or within 60 calendar days prior to end of grant term to assess the progress of the subrecipient's plan of action.
    - Subrecipients will receive notice within forty-eight (48) hours of the follow-up site visit date. Upon completion of the follow-up site visit, the Fiscal Manager will send a written statement of progress to the subrecipient within 10 working days of the follow-up date.
  - F. While working to addressing the issues cited, program and fiscal designees must be prepared to discuss the progress during monthly calls with the program's Project Officer.
  - G. Likewise, the subrecipient must report on the status of the CAP in all subsequent quarterly reports until improvement can be verified at the next site visit, at which time the citations may be lifted.
2. Persistent issues may result in contract suspension or termination if not corrected. Ryan White Program staff track programmatic and fiscal compliance throughout the contract period.
3. Subrecipient programmatic and fiscal performance history is also factored into Fulton County's consideration for future awards and funding extensions.

Refer also to contractual requirements:

- Contractor shall also permit County and/or representative of County to audit, examine and make copies, excerpts or transcripts from such records of personnel, conditions of employment and other data relating to all matters covered by the Agreement. Contractor's records of personnel, conditions of employment, and financial statements (hereinafter "Information") constitute trade secrets and are considered confidential and proprietary by Contractor.
- Contractor shall maintain all books, documents, papers, accounting records and other evidence pertaining to costs incurred on the Project and used in support of its proposal and shall make such material available at all reasonable times during the period of the Agreement and for three from the date of final payment under the Agreement (longer if an audit or corrective action plan is in place), for inspection by County or any reviewing subrecipients and copies thereof shall be furnished upon request and at no additional cost to County.
- Contractor agrees that the provisions of this Article shall be included in any Agreements it may make with any subcontractor, assignee or transferee.
- The state and federal governments and the County shall have access to pertinent books, documents, papers and records of the Contractor and any sub-contractor respectively, as applicable, for the purposes of verifying, without limitation, the nature and extent of applicable cost, and making audit examinations, excerpts and transcripts. The parties and their respective sub-contractors' record retention requirements are three years from the submission of the final expenditure report. If any litigation, claim or audit is started before the expiration of the three-year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved.

**Approved: October 2016**

**Last Reviewed: January 2021**