CHAPTER V: FISCAL MANAGEMENT

501 FISCAL TEAM

The Fiscal Team of the Substance Abuse Prevention and Treatment Agency (SAPTA) is currently made up of three positions. The team is responsible for the Agency's accounting, budgeting, and financial monitoring and reporting. The team deals with all funded programs related to reimbursement and processing of claims, drafting and amending subgrants, and completing fiscal monitors of funded programs.

The Fiscal team has a dual reporting relationship to the Administrative Services Officer of the Division of Mental Health and Developmental Services (MHDS) and the SAPTA Agency Director.

SAPTA also follows any MHDS administrative and fiscal policies that apply to SAPTA. MHDS policies are located on the web at: http://mhds.nv.gov. Follow the link for 'Publications and Policies' and then 'Division' to obtain the most current MHDS policies.

502 FUNDING

SAPTA is funded by State of Nevada General Funds, Liquor Tax, federal funds from the Substance Abuse Prevention and Treatment (SAPT) Block Grant, and other smaller federal grants and contracts. The Agency acts as a pass-through agency and subgrants the majority of its funding to nonprofit and other governmental agencies to provide direct services. The organizations that receive funding through SAPTA are referred to as "providers" and "subgrantees" and the terms are used interchangeably throughout this document. The requirements and restrictions of state and federal funding are passed to the providers. Providers are responsible for understanding and complying with federal and state regulations in implementing the program. SAPTA is charged with the responsibility of verifying that all the requirements are met by the subgrantee, including 45 CFR parts 74 and 96, Appendix B4, B6, and OMB Circular A-133, Appendix B5. The primary method used in meeting this responsibility is the required annual audit for all funded programs, discussed in more detail later in this document. Another method is the fiscal monitor by SAPTA of providers, also discussed in more detail later in this document.

Funds are awarded on a competitive basis through a Request for Application (RFA). Major RFAs will be issued for treatment and prevention on a three year cycle. One year prevention will be issued, the next year treatment will be issued and the third year only supplemental RFAs will be issued based on funding and need. Programs which are awarded funding in a RFA will have the opportunity to continue their subgrant for the following two years with a noncompetitive continuation. As long as the program is in good standing, meeting its scope of work and funding source requirements, it will be eligible to submit a progress report and plan for the following year to continue its subgrant. RFAs may be issued between the standard funding cycles for new funds that become available, deobligated funds, and special initiative funding. Subgrant agreements follow the State Fiscal Year (July 01 – June 30). Funds are allocated for prevention and treatment services

based on requirements of the sources of funding. The commitment period of these funds will depend on availability of funding and the goals of any special initiatives.

503 RFA PROCESS

RFAs will be issued approximately six months prior to the beginning of a funding cycle. The RFA will outline the following:

- Eligibility
- Purpose
- Funding sources
- Strategies and priorities
- Restrictions and requirements
- Target populations
- Evaluation plan
- Special initiatives
- Scope of work development
- Budget

Each RFA will have the most current information relating to that cycle of funding. A sample of a treatment RFA is included as Appendix H1

Applications are reviewed on a competitive basis by objective reviewers and Agency staff. Point score assignments are outlined in each RFA and are applied in the review/award process.

The fiscal team's role in the RFA process is to complete technical reviews on all budget-related documents within an application. Each document is reviewed for accuracy, completeness, reasonableness, and consistency between the forms. There are three fiscal forms which are normally included in an application budget; a Budget Summary form, a Budget Request and Justification form, and a Fund Map. The fiscal team also prepares the final award documents.

504 BUDGET SUMMARY FORM

This form is a summary of the categorical detail outlined in the Budget Request and Justification form, and is broken out by funding source(s). This form will be different in each RFA based on the number of funding sources which are available. The total request must be the same on both forms. This form is usually completed after the detail on the Budget Request and Justification form is complete. An example of a budget summary form is included as Appendix G1a.

505 BUDGET REQUEST AND JUSTIFICATION FORM

This is the detail of cost and justification by category. All costs should be estimated to the nearest dollar. Each category should have a complete narrative justification as outlined in the budget form instructions. Equipment is not included as a category because it is the

Agency's policy that equipment is an asset that may last longer than the subgrant and expenses should be directly related to the support of the services provided during the project period. Based on state regulations, equipment is defined as any item with a unit cost of \$5,000.00 and over, and a useful life of over one year. We encourage programs to look into leasing their equipment and including them as an operating expense. The following budget categories are included in the budget.

- <u>Personnel</u>: Includes all related salaries and wages. Note that funding from federal sources has a maximum allowable salary requirement. Therefore, if a percentage of a salary is calculated, the salary used for the calculation cannot be over the maximum salary limitation. Also, direct or indirect payments made to or on behalf of full time federal or state employees are not acceptable, including consultant fees and supporting costs.
- Payroll Taxes and Fringe Benefits: Includes details of how these amounts were calculated. If a percentage is used, the method to determine the percentage should be outlined.
- Consultants and Contract Services: Includes consultants and contract personnel, accounting contracts (except A-133 audits which should be included in the *Other* category) and other agreements. Travel and other expenses should be inclusive in the contract and not put into other categories, such as Travel. Also, consultant fees shall not be paid to individuals who are employed under the grant or who are otherwise paid with grant funds.
- <u>Travel Costs</u>: Includes required travel to complete the programs scope of work. Refer to Appendix G8 for one example. Do not include travel relating to training or consultants in this category.
- <u>Training</u>: Includes all related staff training costs including registration fees, books, supplies, and travel.
- Operating: Includes all costs relating to operating the program including insurance, supplies, leases, utilities, rent, printing, etc. Expenses and calculations for Agreed Upon Procedures audits (Limited Scope) go into this category. Please note, A-133 expenses and calculations go in the *Other* category.
- Other: This category is for A-133 audit costs and approved indirect costs up to a maximum of five percent (5%). A cognizant Federal agency is responsible for approving indirect cost rates for recipients based on an indirect cost proposal submission.

The Agency prefers direct costs, and any indirect costs must be approved by SAPTA after a federal agency has approved the rate. If the Agency approves an indirect rate, the maximum that will be allowed is 5% of the subgrant award. This amount relates to administrative cap restrictions in the block grant. Instructions for the budget request and

justification form is included as Appendix G1, and the budget request and justification form is included as Appendix G1a.

506 FUND MAP

This form lists revenue and expense information for the period that the program identifies within the header of the form; usually the last completed fiscal year. In large organizations or government agencies, it may be difficult and meaningless to include every source of funding. It may be necessary to list funding sources for related services only. In this case, it is important to make a statement to the effect of the requirement for an A-133 audit. If the organization expends \$500,000 or more in funds that originated from federal sources, it is required to have an A-133 audit. If an audit was required for that year, please note it on the form. In addition, this form gives the Agency an overview of the sustainability of the program and how the program's resources are leveraged. Instructions for completing the fund map is included as Appendix G9, and the form is included as Appendix G9a.

507 SUBGRANT APPLICATION REVIEW PROCEDURES

A. Overview

SAPTA uses a multi-stage grant application review process. The first level of review is called a completeness review. This process identifies those applications that have met the requirements of the RFA to be passed on to the next review. Applications that do not pass the completeness review or are turned in late are returned to the applicant along with a letter of explanation.

The second level consists of SAPTA staff technical reviews and the objective review committee. Staff technical reviews are conducted by the fiscal team and the program team responsible for oversight of the programs being funded (treatment, prevention, etc.). The teams produce a report which will be presented at the Objective Review Committee meeting. Objective reviews are conducted by professionals in the community who do not have an apparent conflict of interest with the applicant. SAPTA conducts a brief orientation and training telephone conference for the Objective Review Committee members, which covers the review process and forms. The members of the committee receive the applications and information on the performance of applicants that were funded in the past. The members independently review the applications and bring completed score sheets to the meeting.

The third level of review is conducted by MHDS. This review determines the final funding recommendations along with key Agency staff; typically the Agency Director, the Health Program Manager, the Administrative Services Officer, and any required program staff.

B. Agency Technical Reviews

The purpose of the technical reviews conducted by SAPTA staff is to ensure that applicants provide evidence in their applications that they have complied with the various requirements contained within the RFA for each type of funding requested. Also, staff conducts detailed reviews of the financial information submitted by applicants to ensure that their budgets meet federal and state requirements. It is important to note that the provider is responsible for budget and/or actual item costs that do not meet federal and state regulations. An unallowable item that mistakenly makes it through the budget review process cannot be reimbursed.

- 1. Technical review areas and/or sections reviewed include:
 - a. If previously funded, do applicants have state approval (certification) status, and if not previously funded is there an application for approval on file?
 - b. Does the applicant generally follow instructions on the RFA format?
 - c. If previously funded, did the program perform at an acceptable level, including timely and accurate submission of required reporting elements?
 - d. Does the application adequately address all state and federal requirements?
- 2. Fiscal review areas and/or sections reviewed include:
 - a. Ensuring expenses listed within the budget are allowable, allocable, and reasonable.
 - b. If an A-133 audit is required, or if an Agreed Upon Procedures audit is necessary, is there an Engagement letter attached to the application?
 - c. Are budget figures consistent throughout the application?
 - d. Is the math correct?
 - e. Are computations shown according to the instructions?
 - f. Are budget justifications adequate to support budget amounts?

C. Objective Reviews

Objective reviews are conducted by professionals in the community who do not have an apparent conflict of interest or an affiliation with one of the applicants. Reviewers are sent the applications at least two weeks in advance and asked to prepare preliminary review sheets for each application. Typically, reviewers are divided into review teams who meet for up to two days to review assigned applications, arrive at group consensus on each application, and make funding recommendations to the Agency. Scoring sheets that are divided into sections are prepared for each application. Sections have space for comments on strengths and weaknesses, and point totals for each section are added to arrive at a total score. Space is also provided for preliminary funding and scope of work recommendations.

D. Mental Health and Developmental Services Review

Once the objective review is completed, information is entered into the Agency database. An internal staff team then meets to review the consensus scores, group

comments, and funding recommendations. Funding levels are then prepared for presentation to the MHDS Administrator by the Agency Director, Health Program Manager, and Administrative Services Officer.

E. Award Notification

Once the decisions have been announced, the MHDS Administrator will direct SAPTA to contact successful applicants and begin scope of work and budget negotiations. Applicants not receiving funding will also be contacted at this time.

F. Funding Decision Appeal Process

- 1. Programs not receiving funding approval may appeal to SAPTA's Agency Director.
- 2. If the program is not satisfied with the decision of SAPTA's Agency Director, then the program may appeal to the Administrator of the Division of Mental Health and Developmental Services (MHDS). All decisions of the Administrator of MHDS are final.

G. Budget and Scope of Work Negotiations

Within two weeks of award notification, Agency staff begins the process of completing negotiations on funding and scopes of work so that subgrant award documents can be prepared and executed.

508 NOTICE OF SUBGRANT AWARD

Matching and cost-sharing requirements are not required in Agency subgrants. However, in- kind contributions and volunteer services are encouraged.

Examples of the Notice of Subgrant Award documents are provided as Appendix G2, G2a, and G2b. The actual award may differ from the example, but it will have a cover page, assurances, and any special conditions. The assurances within the award provide information on complying with audit and other requirements specific to the award. The assurances and other conditions are important parts of the award document. Performance criteria, including reimbursement expectations, are included in the award.

509 SUBGRANT AMENDMENT PROCESS

Subgrants may require amendments for various reasons including budget adjustments or changes in scope of work. Some changes do not require amendments but may require authorization by the Agency. To facilitate the process, the Agency developed a Change Request Form, provided as Appendix G3a. Instructions are provided as Appendix G3.

1. If an adjustment needs to be made to the budget the program will first contact the Program Analyst assigned to their program. The Program Analyst will discuss the

proposed changes with the program and make a determination about the course of action that needs to be taken to accommodate their request. Approval of subgrant budget by the Division constitutes prior approval for the expenditure of funds for specified purposes included in this budget. Requests to revise the approved subgrant must be made *in writing* using the appropriate forms and provide sufficient narrative detail to determine justification. Expenses that are incurred without prior SAPTA approval may not be reimbursed. SAPTA has the authority to require an amendment for any change, but will generally follow these parameters in the process of determining whether an amendment is needed:

- a. Any overall increases or decreases to the award will require an amendment.
- b. All increases to the Personnel category will require an amendment.
- c. Any changes to the Scope of Work will require an amendment.
- d. As long as there are no changes to the Scope of Work, increases to Personnel, or overall changes to the subgrant amount, minor categorical changes (including shifting funds to previously unfunded categories) can be accomplished as a simple change request.
- e. Numerous changes to the budget over the course of the budget period and the nature of the changes could result in SAPTA requiring an amendment.

Any changes to the approved subgrant that will result in an amendment must be received 90 days prior to the end of the subgrant period (no later than March 30th) and completed 60 days prior to the end of the subgrant period (no later than April 30th). Change requests that will result in an amendment received after the 90 day deadline will be denied.

The Subgrantee will return the original signed amendment documents to the Agency for final approval and signatures by the Agency Director and the MHDS Administrator. One original will be returned to the Subgrantee with all signatures.

Please refer to Appendix G4 for an example of a subgrant amendment document. Need to include the SFY 13 subgrant template.

510 FINANCIAL REPORTING REQUIREMENTS

The Agency's policy is that Subgrantees will be reimbursed for allowable expenses on a monthly basis. Allowable expenses are those that are approved within the Budget Request and Justification form, Appendix G1a, and is included as part of the Notice of Subgrant Award document, Appendix G2, G2s and G2b. Instructions for the Budget Request and Justification form are provided as Appendix G1. All Requests for Reimbursement must be filed by the 15th of the month for the previous month's expenses. Reimbursement is also dependent on all other required reporting being considered current. Reimbursement requests are submitted through the Nevada Health Information Provider Performance System (NHIPPS). Applicants that receive funding are provided additional instructions on submitting a reimbursement request.

Advances will not be allowed unless the Subgrantee can demonstrate a compelling reason why the program's viability is in jeopardy without an advance. An advance must be paid back over the balance of the funding period. The backup documents must explain how the advance was used. Interest earned will be treated appropriately under the applicable federal regulations. The Agency Director must sign off on any advance request.

511 RETENTION OF SUBGRANT RECORDS

Refer to Appendix G2, G2a, and G2b, Notice of Subgrant Awards, Section A, for a discussion of records retention.

512 AUDIT REQUIREMENTS

Refer to Appendix G2, G2a, and G2b, Notice of Subgrant Award, Section A for a discussion of audit requirements. The information below is taken directly from that document:

Agency subgrants are subject to inspection and audit by representatives of the Division, Nevada Department of Health and Human Services, and the State Department of Administration, the Audit Division of the Legislative Counsel Bureau or other appropriate state or federal agencies to:

- a. verify financial transactions and determine whether funds were used in accordance with applicable laws, regulations and procedures;
- b. ascertain whether policies, plans and procedures are being followed;
- c. provide management with objective and systematic appraisals of financial and administrative controls, including information as to whether operations are carried out effectively, efficiently and economically;
- d. determine reliability of financial aspects of the conduct of the project; and
- e. chapter 218 of the NRS states that the Legislative Auditor, as directed by the Legislative Commission pursuant to NRS 218.850, shall conduct a special audit of an entity which is not an agency of this State but which receives an appropriation of public money during any fiscal year. The subgrantee agrees to make available to the Legislative Auditor of the State of Nevada all books, accounts, claims, reports, vouchers or other records of information that the Legislative Auditor determines to be necessary to conduct an audit pursuant to NRS 218.

Three months after the beginning of the program's fiscal year, an e-mail will be sent reminding funded providers that a fiscal audit report is due nine months after the end of the program's last fiscal year and requesting a copy of the engagement letter for the audit. Another e-mail will be sent 90 days prior to the due date as a reminder that the report needs to be completed and submitted to SAPTA by the due date.

Additional e-mails will be sent as necessary regarding the audit due date. Delinquent reports place the program out of compliance with their subgrant agreement and may result

in withholding of payment of any request for reimbursement and/or termination of current funding.

All funded programs must submit to the Agency one copy of their last audit, whether it was an A-133 or an Agreed Upon Procedures audit (Limited Scope); see Appendix G10 for guidance on items that must be included in a Limited Scope audit. An A-133 audit is required if a program expends \$500,000 or more in a year in federal awards. If a program was not audited, it must submit a statement from its board of directors that no audit was completed and state when it last had an audit, or that it has never been audited. All funded programs must also submit a letter of engagement for their next audit. Management letters or other recommendations submitted under separate cover must also be forwarded to the Agency.

Any disallowed cost recommended from an audit, site visit, internal review, or monitor by the Agency, MHDS, other state agencies, the state legislature or the federal government is the responsibility of the Subgrantee to repay. The Agency may use the right of offset of current and future awards or any other legal remedy which may be required to recover any disallowed cost. An example of a cost which may be disallowed would be a lease, purchase, consulting contract, or rental agreement with a board member or employee of the organization which is considered not to be an arm's length transaction, or a family member. All costs specifically disallowed by the cost principles that apply to the organization type are also unallowable. It is the responsibility of the Subgrantee to be familiar with the cost principles. Non-profit organizations must follow the cost principles as defined in 2 CFR 230 (formerly OMB circular A-122). Universities follow 2 CFR 220 (formerly OMB circular A-21). States and local governments, and Indian Tribal governments follow 2 CFR 225 (formerly OMB circular A-87).

513 FISCAL MONITORS AND SITE VISITS

The purpose of the fiscal monitor is to determine whether subgrantees have financial management systems capable of meeting all federal and state requirements. It is used in conjunction with an independent annual audit of the provider to help verify subgrantees are compliant with all rules and regulations. The Fiscal Team is responsible for completing fiscal monitors of funded programs. Fiscal monitors may be conducted in conjunction with program monitors or separately, based on available staff. It is the intention of the Agency that each Coalition will have an annual fiscal monitor, and all other funded programs will have a fiscal monitor at least once every two years. The fiscal monitor is performed in addition to annual program monitors and program certifications. The fiscal monitor may review similar information covered in program monitors and certifications. The Fiscal Team will attempt to limit duplication or complete fiscal monitors in conjunction with other site visits whenever possible.

Selection of programs for fiscal monitors may be based on a risk assessment. The risk assessment will be developed from input from program or certification analysts, age and experience of the program, complexity of the program, audit results, length of funding

commitment, time since last monitor, prior problems or reporting difficulties, geographic location, agency priority, and program request for technical assistance.

Regulations found at Title 45, Code of Federal Regulations (CFR), Part 74 and Part 92, are the rules and requirements that govern the administration of Department of Health and Human Services (HHS) grants. Subgrantees are responsible for complying with all of the following requirements:

- 45 CFR, Part 74, Appendix B4, for non-profit organizations or Part 92 for State, local, and federally recognized Indian Tribal governments
- Cost principles: 2 CFR 230, 220, or 225 as applicable to the provider
- Administrative requirements: OMB circular A-110
- Audit requirements: OMB circular A-133, Appendix B5
- SAPT block grant requirements: 45 CFR, Part 96, Appendix B6
- State statutes and regulations, Appendix B1, B2, B3
- MHDS policies that further define state regulations
- Requirements in the subgrant award document

A priority of review required by the federal government relates to maintaining systems of internal controls in areas of accounting, procurement, personnel, property management, and travel. A self evaluation checklist is provided as Appendix I1 as a technical assistance guide. The Agency's Fiscal Monitor Instruments are provided as Appendix G6 and Appendix G6a.

The result of a fiscal monitor may be a Compliance Action Plan. The Fiscal Team will communicate the required corrections and provide technical assistance, if necessary, to assist programs in meeting any requirements. If a program fails to correct deficiencies, meet requirements and adhere to restrictions, the Agency may invoke sanctions. The sanctions may include cost disallowance, temporary withholding of funds, termination of the subgrant, denial of continued funding, and recommendation of debarment and suspension of access to federal funds under Executive Order (EO) 12549.