HRSA
Health Resources & Services Administration

Financial Management Review Process Overview

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Vision: Healthy Communities, Healthy People

Agenda

- Financial Management Review
- Limited Financial Management Review
- Policies and Procedures
- Review Process
- Management Control Areas
- Tips for Success

Financial Management Review

What is a Financial Management Review (FMR)?

- FMRs ensure recipients financial systems are capable of adequately administering federal awards across 18 Management Control Areas (MCAs)

- HRSA reviews recipients' compliance with the MCAs to:
  - Determine if written policies and procedures (P&Ps) conform to standards prescribed under Subpart D, 2 CFR 300
  - Identify control weaknesses
  - Assist recipients with strengthening P&Ps

Financial Management Review (Cont.)

Who is Eligible for a FMR?

- Recipients under the $750,000 Single Audit requirement threshold,
- Recipients with a HRSA grant program that is not reviewed during a single audit, and
- Recipients with known financial management control weaknesses.

Limited Financial Management Review

What is a Limited FMR?

- A limited FMR reviews the internal controls in place for the top 5 MCAs that a grant recipient should have in place to ensure effective management of the awarded grant dollars
- Conducted as a desk review

Who is Eligible for a Limited FMR?

- Recipients under the $750,000 Single Audit requirement threshold with a 1 year or less project period
- Recipients receiving an award under $100,000 with a multi-year project period

Financial Management Policies and Procedures

What are Policies and Procedures?

- Policy
  - A statement of intent and is implemented as a procedure to guide and determine present and future decisions (What we do?)
- Procedure
  - A particular way of accomplishing something or of acting (How we do it?)

Why are Policies and Procedures Important?

- Compliance with federal regulations and grant requirements
- Document internal controls
- Used to train staff

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Financial Management Review Process

Eligible Recipients

- Recipients with a multi-year project period under the $750,000 Single Audit threshold requirement

Process

- EHB notification requesting submission of annotated P&Ps covering 18 MCAs
- Recipient submits the self-certification to HRSA within 30 business days of the notification email
- Confirmation letter will be emailed to the recipient regarding the self-certification
- For FMRs that identify internal control weakness we will work with you to strengthen P&Ps

Limited Financial Management Review Process

Eligible Recipients

- Recipients with a 1-year project period under $100,000

Process

- Email Notification requesting self-certification for the following 5 MCAs:
  - Disbursements/Procurement
  - Timekeeping
  - Allowability of Costs
  - Cash Management
  - Accounting System
- Recipient submits the self-certification to HRSA within 14 business days of the notification email
- Confirmation letter will be emailed to the recipient regarding the self-certification

Limited Financial Management Review Process (Cont.)

Eligible Recipients

- Recipients with a multi-year project period under $100,000
- Recipients with a 1-year project period over $100,000

Process

- Email notification requesting the following:
  - Submit P&Ps for 5 MCAs
    - Cash Management
    - Accounting System
    - Disbursements/Procurement
    - Timekeeping
    - Allowability of Costs
- Recipient submits the policies and procedures to HRSA within 14 business days from the date of the notification email
- Confirmation letter will be emailed to the recipient regarding the P&Ps

Annotated Policies and Procedures

2A, 2B

- Accounting software: QuickBooks for Non-Profit Organizations (Enterprise). This software, the chart of accounts, and class functionality provide a system for accumulating and recording receipts and expenditures by each grant, whether federal or non-federal, separately and by natural expense. The chart of accounts and class list include each federal grant program and allow the accounting system to show to which federal grant, if any, each receipt and expense is allocated.
- Each fiscal year is closed in the accounting system and is password protected within 30 days of the end of the fiscal year.

2C

- Multiple years of financial data are housed in XYZ's accounting software. Reports can be generated by grant and natural expense for any year with corresponding data in the accounting system. Currently more than 15 years of financial data are reportable in QuickBooks.

2C

- Source documentation of all receipts and expenditures, bank statements, and financial statements are scanned and electronic documentation is kept at XYZ indefinitely.

Management Control Areas for FMRs

Management Control Areas

Standard Financial Management Review

Cash Management	Credit Cards
Annual Audits	*Timekeeping*
Accounting System	Travel
Bank Statements	Property Control
Disbursements/Procurement	Conflict of Interest
Matching or Cost Sharing	Mandatory Disclosures
Consultants and Contractors	Limitation on Use of HRSA Funds
Expenditure Analysis	*Allowability of Costs*
Indirect Costs	Program Income

Management Control Areas

Limited Financial Management Review

Cash Management	Credit Cards
Annual Audits	*Timekeeping*
Accounting System	Travel
Bank Statements	Property Control
Disbursements/Procurement	Conflict of Interest
Matching or Cost Sharing	Mandatory Disclosures
Consultants and Contractors	Limitation on Use of HRSA Funds
Expenditure Analysis	*Allowability of Costs*
Indirect Costs	Program Income

Cash Management

The P&Ps must minimize the time elapsing between the transfer of funds from the Payment Management System (PMS) and the disbursement of those funds by the recipient. The written P&Ps must reference the process for drawing down funds from PMS and the funds drawn down should:

- Be limited to the minimum amounts needed to cover allowable project costs,
- Be timed in accordance with the actual immediate cash requirements of carrying out the approved project, and
- Not be used to cover future expenditures.

Reference: 2 CFR 200.302; 2 CFR 200.205

Accounting System

The P&Ps must include a detailed description of the accounting system(s), including:

- The ability to report revenue and expenditures separately by federal program,
- Identification in its chart of accounts of all federal awards received and expended separately by federal program, and
- The process of maintaining records pertaining to the source and application of receipts and disbursements, federal awards, authorizations, obligations, unobligated balances, assets, expenditures, and income and interest, which must be supported by source documentation.

Reference: 2 CFR 200.302

Disbursement/Procurement

The P&Ps must require that:

- Documentation be maintained to support all disbursements and describe applicability to the grant(s),
- Disbursements be pre-approved and indicate the approving official for both small and large dollar purchases,
- Expenditures be reasonable and explain how this should be accomplished (bids, quotes, etc.),
- Blank checks be safeguarded and define how they are safeguarded,
- Segregation of duties over financial activities are outlined, and
- The signature authority for financial transactions are adequately outlined and include the designated organization officials by signature level.

Reference: 2 CFR 200.318

Timekeeping

Based on 2 CFR 200.430, the P&Ps must:

- Describe timekeeping controls and plans to monitor compliance with federal statutes, regulations, and the terms and conditions of the federal award,
- Describe the distribution of salary and wages charged to federal awards, which should be based on actual employee activity as reflected in personnel activity reports (timesheets), prepared after-the-fact, that include the total activity for which employees were compensated, and
- State that timesheets need to be certified as accurate by either the employee or a supervisor familiar with the employee's activities.

Non-profit organizations cannot charge salary and wages to federal award based on budget estimates. However, States, Local or Indian Tribal Governments may allocate salary and wages charges to federal awards based on budget estimates, other distribution percentages, or use substitute systems if certain conditions are met.

Reference: 2 CFR 200.430

Allowability of Costs

Based on, the P&Ps must address the allowability of costs per the specific program to be allowed under a federal award. Costs should be reasonable, allocable, and adequately documented. A cost is:

- Reasonable if it does not exceed what a prudent person would incur under similar circumstances,
- Allocable to a federal award to the extent the goods or services benefited the program, and
- Adequately documented if it is supported by accounting records and source documentation such as purchase orders, vouchers, invoices, payroll allocation reports, payroll summaries, timesheets, etc.

Reference: 2 CFR 200.403-405

Tips for Success

- Review and update P&Ps at least annually

- Manage your Grant
  - Provides tools and resources to assist with development of P&Ps
    - https://www.hrsa.gov/grants/manage-your-grant/financial-management

Questions

Contact Information

FMR Questions

FMRQuestions@hrsa.gov

CPF/CDS Programmatic Questions

CDSProgram@hrsa.gov

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