MEDICAID FRAUD CONTROL UNITS (MFCU) GRANTS 101

By Alexis Crowley, Grants Management Officer (GMO)
U.S. Department of Health & Human Services
Office of Inspector General
Office of Management and Policy
Grants Life Cycle

- Pre-Award
- Award
- Post Award
- Closeout
- Communication
Pre-Award

- **Pre-Award** is The time period prior to each new Federal Fiscal Year grant period.

- Where does the money come from?
- What do you need to do to receive the funding?
Grant Funding Flow

- CMS
- OIG
- PMS
- MFCU
What to Submit

- **Preliminary Budget Estimates**
  - Units’ budget estimates for the next two Federal fiscal years.
    - No detail needed*.
  - Used as funding request to CMS and to gauge any significant increases or decreases of Unit staff and operations.

- **Application Budget Request**
  - Formal request for Federal funding.
  - Includes a budget detail.
  - Used to fund the next fiscal year’s grant award.
IMPORTANT APPLICATION INFORMATION

- Applications must be complete and timely.
  - It MUST be signed.

- All applicants must be actively registered in the System for Award Management (SAM) prior to the start of the Period of Performance for that grant year.
  - Registrations need to be renewed yearly.
  - [http://www.sam.gov](http://www.sam.gov)
CONTENTS OF APPLICATION BUDGET REQUEST

- Required documents to be submitted:
  - SF-424M - Mandatory cover pages
  - SF-424A - Budget Summary
  - Detailed Budget Justification
  - Federally Negotiated Indirect Cost Rate Agreement
    - Only required if you are requesting indirect costs.
APPLICATION REVIEW

- Signed application
- Budget Review
- Risk Assessment
  - No Active Exclusions
  - Director is not on Excluded Parties List
  - Federal Awardee Performance and Integrity Information System (FAPIIS)
  - No outstanding A-133 findings
Budget Overview

- Look at major in/decreases, or changes in budget categories and line items from previous year.

- Make sure costs are allowable, justified, and detailed.

- Verify calculations.

- Correctly categorize items per the categories listed on the SF-424A.

- Check to ensure Non-Federal share (match) is guaranteed at the required % of total budget.
DETERMINING ALLOWABLE COSTS!

Allowable. Costs must be authorized or not prohibited under the cost principles, program regulations, and State laws and regulations as well as the terms and conditions of the Federal award.

- Necessary. The cost is generally recognized as ordinary and necessary for the operation of the organization or to support the mission of the grant program and the performance of the award.

- Reasonable. A cost is reasonable if, in its nature and amount, it does not exceed market prices for a comparable good or service at the time the cost is incurred.

- Allocable. A cost is allocable to an award if the goods or services involved are chargeable or assignable to the cost objective in accordance with relative benefits received.

- Consistent. Costs must be treated consistently for all work of the organization under similar circumstances, regardless of the source of funding.
## SF-424A
### BUDGET CATEGORIES

<table>
<thead>
<tr>
<th>6. Object Class Categories</th>
<th>GRANT PROGRAM, FUNCTION OR ACTIVITY</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>a. Personnel</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>b. Fringe Benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Travel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Supplies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Contractual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. Construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>h. Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Total Direct Charges (sum of 6a-6h)</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>j. Indirect Charges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>k. TOTALS (sum of 6i and 6j)</td>
<td>$</td>
<td>0.00</td>
</tr>
</tbody>
</table>

| 7. Program Income          | $                                   |       | $     | $     | 0.00  |

**Authorized for Local Reproduction**
PERSONNEL

- Provide **title, name, salary, and start date** of ALL MFCU employees.
  - If a non-professional employee is shared between different offices, it should be noted and only the allocable salary for time working in the MFCU should be requested.
  - **EX.** Full Salary $50,000, works 50% (.5 FTE) at the MFCU, can only allocate $25,000 to the MFCU budget.

- **Vacancies:** provide **title, salary level, and estimated start/hire date**.
  - If known a vacancy won’t be filled until later in the grant year, you can list the position but prorate the salary to estimated hiring date.
  - **EX.** Hiring freeze Q1 and Q2. Can only charge 50% of full salary for estimated hiring/start date in Q3.
PERSONNEL

- **Staffing Requirements [42 CFR 1007.13]**
  - Must employ at least 1 of each of the following professional employees:
    - Attorney
    - Investigator, including a senior investigator.
    - Auditor

- Only list staff who are employed by the MFCU.
**Fringe Benefits**

- Needs to be separate from salary. It is its own budget cost category.

- Costs must be required by law, State agreement, or established policy of your State.

- Should be allocable to the proportion of amount of time and effort the employee devotes to MFCU activities.
  - **Shared Part-Time Employee Ex.**: Can only charge 50% of the total fringe they receive overall.
  - **Vacant position**: request allocable portion to amount requested in salary.
**Example**

**PART (A) For Benefits Determined as a percentage of salaries**

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>PERCENTAGE OF SALARIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Insurance</td>
<td>9.35%</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>3%</td>
</tr>
<tr>
<td>Retirement</td>
<td>4%</td>
</tr>
<tr>
<td>Employment Security</td>
<td>4%</td>
</tr>
<tr>
<td>FICA</td>
<td>7.65%</td>
</tr>
</tbody>
</table>

**TOTAL PART (A) 28% X $845,000 salaries = $236,600 allocable fringe**

**PART (B) For Benefits Determined as a dollar amount per employee**

- $1,000 for family coverage/mo. x 8 employees = $8,000 per mo.
- $300 for single coverage/mo. x 6 employees = $1,800 per mo.

**TOTAL PART (B) $9,800 per mo. x 12 = $117,600**

**TOTAL PART (A) 236,600 + PART (B) $117,600 = Total Fringe $354,200**
TRAVEL

- Must follow your State’s travel policy.
  - Do not include training registrations unless State policy charges it as part of travel.
  - Registrations generally go in OTHER.

- Costs must be reasonable and necessary for MFCU staff only.

- If costs of travel are known, please specify and list costs separately or by trip:
  - Hotel, air, transport, per diem, mileage, incidentals

- Provide cost estimate for each.
  - EX. Medicaid Fraud Trends Training in San Francisco
    - 5 staff x $400 RT air = $2,000
    - 5 staff x $60 per diem x 3 days = $900
    - 5 staff x $110 hotel/night x 2 nights = $1,110
    - Incidentals (rental car, toll) = $450
EQUIPMENT [§75.320, §439]

- **Definition**: Item of **tangible** personal property (including information technology systems) having a **useful life of more than 1 year** and an **acquisition cost** of $5,000 or more.
  - Threshold could be in an established written policy or in the organization’s federally negotiated indirect cost rate agreement at a lower amount.

- If it doesn’t meet this definition, it is NOT equipment (for purposes of the federal budget request) and should not be placed in the equipment cost category. Place in SUPPLIES.
**EQUIPMENT CONTINUED**

- Specify equipment requests per unit and cost.
  - 2 Vehicles (Impalas) x $19,000 each = $38,000
  - 1 Pole Camera x $7,000 = $7,000

- Property/Inventory Records should be maintained and regularly updated.

- If equipment is needed during the course of the year but was not requested and approved in the application and award, you must request prior approval through the Grants Officer.
States are to follow .320(b)

- A State must use, manage, and dispose of equipment acquired under a Federal award in accordance with State laws and procedures.
- If a State’s procedures are not adequate, the MFCU can use (c) through (e) of this section as guidance.
Equipment Disposition

- If you sell equipment and receive proceeds, this amount should be accounted for by offsetting current expenditures. [§.307(d)]
  - By definition, this is NOT program income. On the SF-425’s REMARKS box #12, you can state that it offsets costs.

- If equipment is donated or surplused but still has a fair market value of $5,000 or more, the Unit needs to credit the grant the Federal portion of the fair market value (FMV).
PROHIBITION ON CERTAIN SURVEILLANCE EQUIPMENT AND SERVICES (§200.216)

Recipients may not obligate or expend grant funds to procure or enter into a contract to obtain telecommunication equipment or services produced by

- *Huawei Technologies Company,*
- *ZTE Corporation,*
- *Hytera Communications Corporation,*
- *Hangzhou Hikvision Digital Technology Company,* or
- *Dahua Technology Company* (or any subsidiary or affiliate of such entities).
**Definition:** All tangible personal property other than those described in *Equipment*. A computing device is a supply if the acquisition cost is less than the capitalization level established by the non-Federal entity for financial statement purposes or $5,000, regardless of the length of its useful life.
Follow State’s policies and procedures regarding procurement. (§75.326)

**Contractual**

- **Contract Definition:** Legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award.
  - The term does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a subaward.
  - **Subaward** means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out programmatic duties of the Federal award.
CONTRACTUAL CONTINUED

- Have you described the services to be rendered and for what cost?

- Examples of common items in Contractual:
  - Translation services
  - Database design, maintenance, and training services
  - Legal services
  - Consultants- see next slide
CONSULTANTS

- An individual or firm who possesses a special skill and can provide professional advice or services for a fee.
  - Use when the Unit does not have an employee who can provide the skill.

- If in budgeting, provide:
  - Type of service to be rendered
  - Estimated amount of hours
  - Cost per hour/week/etc.
  - Is this cost reasonable and comparable to the market?
Other

- Any costs that do not fit anywhere else in the budget can be placed here.
  - Office space, Professional dues, memberships, conference fees, professional subscriptions, software and license fees, maintenance, training registrations, auto repairs, etc.

- Provide details!
  - Example, for rent of office and storage space:
    - Headquarters: 18,000 sq. ft. x $1.11 per square foot/mo= $19,980 x 12 months= $239,760
    - Satellite Office: 3,000 sq. ft. x $10.50/sq ft/yr= $31,500
    - Total Rent of Space= $271,260
INDIRECT COSTS

Costs incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted.

- Administrative staff
- Accounting, Financial, or HR services
- Facilities costs (janitorial, utilities)
To charge for indirect costs, you MUST provide a federally approved indirect cost rate agreement

-or-

Use the 10% de minimus rate*
If you **do not** have an agreement or cannot use the 10% de minimus, but want to charge indirect, you must begin the process in obtaining a federally approved rate through your cognizant agency.

- DOJ: [http://www.ojp.usdoj.gov/home/contactus.htm](http://www.ojp.usdoj.gov/home/contactus.htm)
INDIRECT RATE AGREEMENT/APPROVAL

- Pay attention to:
  - Effective Period
  - Rate (%)
  - Base

**STATE AND LOCAL GOVERNMENTS RATE AGREEMENT**

**EIN:**

**ORGANIZATION:** Office of the Attorney General c/o Office of the Comptroller

**DATE:** 04/08/2011

**FILING REF.**:
The preceding agreement was dated 10/21/2009

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

**SECTION I: INDIRECT COST RATES**

<table>
<thead>
<tr>
<th>RATE TYPES</th>
<th>FIXED</th>
<th>FINAL</th>
<th>PROV. (PROVISIONAL)</th>
<th>PRED. (PREDETERMINED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFFECTIVE PERIOD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TYPE</td>
<td>FROM</td>
<td>TO</td>
<td>RATE (%)</td>
<td>LOCATION</td>
</tr>
<tr>
<td>FIXED</td>
<td>07/01/2010</td>
<td>06/30/2011</td>
<td>20.10</td>
<td>All</td>
</tr>
<tr>
<td>FIXED</td>
<td>07/01/2010</td>
<td>06/30/2011</td>
<td>29.30</td>
<td>All</td>
</tr>
</tbody>
</table>

*BASE
Direct salaries and wages.
INDIRECT AGREEMENTS AND FRINGE

- HHS agreements include fringe benefit remarks. This is an example of one that actually includes a rate to be used based upon salary.
Most HHS agreements include the threshold value for equipment. This example displays a maximum acquisition cost of $5,000.
CALCULATING INDIRECT COSTS

- **Base**: Direct Salary and Wages

- **Budget**:
  - Personnel = $845,000
  - Fringe = $285,019
  - Travel = $30,000
  - Equipment = $12,000
  - Supplies = $3,500
  - Contractual = $0
  - Consultants = $20,000
  - Other = $48,000
  - Total = $1,243,519

- Base $845,000 x rate 20.1% = Total Indirect $169,845

- $169,845 x FFP% (75%) = $127,383.75
  - Amount allowed to charge the Federal award.
At the end of the grant period, you can only charge indirect on the base amount incurred for that year.
- Do not charge what you were originally approved for in the NOA, that was an estimate.
**Match**

- Match is statutorily required.

- The MFCU program statutorily requires a **25% State share of total expenditures**.
  - “The Secretary shall pay to each State.....for each quarter.....75* per centum of the sums expended”
  - * 90 percent for first 12 quarters

- Matching costs are subject to the same rules as Federal costs under the program.
**Match continued**

- All costs used to satisfy the matching requirement must be documented by the recipient at the same level of detail as Federal funds.

- If a Unit fails to provide the required matching requirement, OIG will require Federal funds that were not matched to be returned.

- Match must be met by the end of the grant period of performance!
AWARD

Grant Agreement

- An official legal document issued to the recipient that indicates an award has been made and that funds are authorized and may be drawn down from the Payment Management System (PMS) account.
- Contains the Terms & Conditions.
- Provides period of performance (10/1 through 9/30).
- Provides quarterly authorized allocation amount and dates funding will be released.

Now What?! What rules are you to follow once you receive the money?
ORDER OF PRECEDENCE

• Statute
  • Social Security Act, Title 19
    • Section 1902(a)(61)
    • Section 1903(a)(6) and (b)(3)
    • Section 1903(q)

• Federal Regulations
  • 42 CFR Part 1007
  • 45 CFR Part 75

• Grant Terms and Conditions
  • General
  • Special
Provides all legal requirements imposed on an award by the awarding office, whether by statute, regulation, or policy. Can be referenced or specified in full text in the Federal Award.

Recipient indicates the acceptance of an award and its associated terms and conditions by drawing down their first dollar from their PMS grant account.
PAYMENT TO GRANTEE

- MFCUs request funds from HHS’ Payment Management System (PMS).
- Payment requests may be made at intervals determined by the organization’s own policies and procedures (weekly, monthly, quarterly).
- As States, payment is governed by the Treasury –State CMIA agreement. (45 CFR 75.305)
- Payment should be requested on an immediate need basis.
  - Any funds drawn should be spent within 3 business days.
ADDITIONAL POLICY GUIDANCE

- **Performance Standards**
  - #11- Fiscal Control

- **Policy Transmittals**
  - 2010-1 [Program Income](#)
    - SHO Letter #08-004 [CMS policy regarding refunding of Federal share in false claims actions](#)
  - 2014-1 [Employment and Reimbursement of Full- and Part-Time Staff and Performance of Non-MFCU Duties](#)
POST AWARD- MONITORING

- Prior Approvals
  - A written (e-mail) request from the Director requesting an action that requires approval and/or a revision to the original NOA.

- Budget Changes that need approval:
  - Supplements
  - Significant re-budgeting
  - Requests for equipment that were not in original application.
SUPPLEMENTS

- Request for additional funding during the Federal fiscal year.
- Look at your budget to see if you can use unused funds to re-budget prior to requesting additional Federal funds.
- Provide justification why you need the additional funds.
- Submit a SF-424, SF-424A, and detailed budget justification for only the amount of additional funds being requested.
**Significant Re-budgeting**

- Cumulative re-budgeting between direct cost categories that are planned to exceed 10% of total approved budget [§75.308(e)].
  - If less than this, it is considered ‘non-significant’ re-budgeting, and you do not need prior approval from OIG, but you can notify the GMO of the budget changes.

- Need justification.

- Include amount that is being re-budgeted and which budget categories are being decreased and increased.
  - For category decreased, explain why funds are now available.
Equipment Purchase

- Must receive approval to purchase equipment.

- If item was not requested in original application budget request and approved through the grant award, the MFCU must request and receive approval from GMO to move forward with purchase.
NOTIFICATION OF STAFF CHANGES

Change in Director

- OIG (GMO and oversight analyst) requires that we receive **timely** notification when there will be a change of Director or disengagement of more than 3 months.
  - Include name of new Director, contact information, and start date.
  - If interim Director is named, include status of plan to hire permanent Director.

Inform OIG (GMO and oversight analyst) if the Unit becomes out of compliance by losing a required professional staff (i.e., lone auditor)

Inform us if there is a major change in staff structure.
FINANCIAL REPORTING

- Report Federal and non-Federal expenditures
  - Must be:
    - Cumulative, including indirect costs
    - Accurate

- Submitted and certified in PMS.
  - Certain fields are auto-populated
  - System tracks delinquent reports
FINANCIAL REPORTING

- Reports required on a quarterly basis.
  - Quarterly reports are due 30 days after the quarter ends.
  - The Final report is due 90 days after the end of the grant’s period of performance.
  - MFCUs’ grant years end on 9/30/xx, so Final reports are due on 12/30/xx of that same year.
  - Final cash payment requests also need to be made by 12/30/xx.

- PMS provides grantee recipient training. See website.
FEDERAL FINANCIAL REPORT

(Follow form instructions)

1. Federal Agency and Organizational Element to Which Report is Submitted

2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)

3. Recipient Organization (Name and complete address including Zip code)

4a. DUNS Number

4b. EIN

5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)

6. Report Type
   - Quarterly
   - Semi-Annual
   - Annual
   - Final

7. Basis of Accounting
   - Cash
   - Accrual

8. Project/Grant Period
   From: (Month, Day, Year)
   To: (Month, Day, Year)

9. Reporting Period End Date
   (Month, Day, Year)

10. Transactions
    (Use lines a-c for single or multiple grant reporting)

Federal Cash (To report multiple grants, also use FFR Attachment)
   a. Cash Receipts
   b. Cash Disbursements
   c. Cash on Hand (Use a minus b)

Federal Expenditures and Unobligated Balances:
   d. Total Federal funds authorized
   e. Federal share of expenditures
   f. Federal share of unliquidated obligations
   g. Total Federal share (sum of lines e and f)
   h. Unobligated balance of Federal funds (line d minus g)

Recipient Shares:
   i. Total recipient share required
   j. Recipient share of expenditures
   k. Remaining recipient share to be provided (line i minus j)

Program Income:
   l. Total Federal program income earned
   m. Program income expended in accordance with the deduction alternative
   n. Program income expended in accordance with the addition alternative
   o. Unexpended program income (line m minus line n or line o)

11. Indirect Expense
   a. Type
   b. Rate
   c. Period From
   d. Period To
   e. Base
   f. Amount Charged
   g. Federal Share

12. Remarks. Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:

13. Certification: By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and intent set forth in the award documents. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001)

   a. Typed or Printed Name and Title of Authorized Certifying Official
   b. Signature of Authorized Certifying Official

14. Agency: (Month, Day, Year)

Standard Form 425 - Revised 5/28/2010
HOW TO CALCULATE MATCH

10i=10g/(1-recipient match %) * (recipient match %)

(10i) Total Recipient Share Required
(10g) Federal Share of Expenditures
Reject

You are required to enter comments in the box provided below. Click Submit when done entering comments.

Based on 10g, line 10i should be $201,067.66, please correct. Match requirement to be reported is based on federal expenditures and obligations as of 12/30/20.

$320,250 would be the match required IF at the end of the quarter, the full $960,753 allotment was expended.
THINGS TO KEEP IN MIND FOR THE FFR

- Report un-liquidated obligations (10f).
  - Federal funds need to be obligated no later than 9/30.
  - 90 days to liquidate obligated funds and draw the cash in PMS.
  - On the Final report, 10f must be $0.
- Use the Remarks box for any explanations needed or if something unusual occurred that quarter.
- By the Final FFR:
  - Match must be met.
  - Federal expenditures (10e) must reconcile with the Federal disbursements and cash drawn in PMS.
**Program Income**

**Definition:** Gross income received by the grantee directly generated by a grant supported activity or earned only as a result of the grant agreement during the grant period.

- Program income is **not** a rebate, credit, or proceeds from the sale of equipment or supplies.

- Must expend and report using the deduction alternative (10m).

- If State CMIA agreement does not address expenditure of program income, such funds must be expended before requesting additional cash payments.
PROGRAM INCOME

- If the Unit receives income from a case that includes NO Medicaid related overpayments, then those monies should be classified as program income.

- The Unit should not record any funds it sends to the State Medicaid agency to return the FMAP as program income.
ASSET FORFEITURES

- State Asset Forfeitures
  - Treat as program income, using the deduction alternative (10m).

- Equitable Sharing Funds from the DOJ/DOT Asset Forfeiture Program
  - Report as program income using the addition alternative (10n).
  - See DOJ/DOT Equitable Sharing Guide for rules that govern these types of funds.
  - GMO will ask for the Unit’s plan on how and when the sharing funds will be expended.
FEDERAL MEDICAL ASSISTANCE PERCENTAGE (FMAP)

- If the Unit receives income from any case that includes Medicaid overpayments, CMS requires the Federal share (FMAP) of the full settlement amount to be returned. [CMS SHO Letter 2008]
  - To ensure the proper return of the FMAP, the MFCU should forward all funds received from a settlement, including investigative costs, to its SSA/SMA for processing and reporting.

- If the MFCU receives any funds back after the FMAP was processed, OIG views these funds as State dollars, and these funds can be used as part of the Unit’s match requirement.
CLOSEOUT

- The process in which OIG reconciles the grants financial records and officially ‘closes’ the grant out in PMS.
  - Final FFR 10g = FCTR disbursements= Cash Drawn

- Unobligated funds will be returned to Treasury through action by OIG grants staff and PMS.
All costs incurred must be adequately documented and supported. Records must be retained!

**Record Retention**

- Per 45 CFR Part 75.361- Retention and access requirement for records:
  - Retain for 3 years starting from the date the MFCU submits the final expenditure report (FFR/SF-425).
  - Each State should also have its own internal record retention policies.
RESOURCES

- OIG’s MFCU website
- MFCU Program Regulations
- Uniform Administrative Requirements, Cost Principles and Audit Requirements for HHS Awards
- Payment Management System (PMS)
- 2 CFR 200