

# Frequently Asked Questions

May 15, 2015

## Policy Clarification Notice (PCN) #15-01

The following are frequently asked questions (FAQs) presented by HRSA's HIV/AIDS Bureau (HAB) on [Policy Clarification Notice \(PCN\) #15-01 Treatment of Costs under the 10% Administrative Cap for Ryan White HIV/AIDS Program Parts A, B, C, and D](#). If there is a question pertaining to the application of the PCN to a particular Ryan White HIV/AIDS Program (RWHAP) award, that question should be addressed to the HAB Project Officer (or grant recipient in the case of a subrecipient). This document is intended to provide additional context and background for PCN #15-01 as grant recipients and subrecipients seek to understand and operationalize the policy changes, and it will be referenced as an addition to PCN #15-01. These FAQs may be updated as additional questions are received.

Note: RWHAP recipients and subrecipients are subject to [45 CFR part 75 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards](#) (the Uniform Guidance). The Uniform Guidance is referenced throughout this document.

### General

1. Rent, supervisory salaries, medical billing, and other costs have been subject to the 10% administrative limit. Now a portion of these costs can be allocated to direct services according to the amount used for direct RWHAP client service. Correct?

Correct. Please review PCN #15-01 in its entirety.

2. How should grant recipients/subrecipients calculate the 10% administrative cost limit?

To calculate the 10% limit, multiply the total grant amount, including all direct and indirect costs, by 10% (or .10). Then make sure that direct and indirect costs that are subject to the 10% administrative limit do not exceed that cap.

3. How should RWHAP grant recipients document the allocation of costs to the 10% administrative limit or direct medical or support service categories? Similarly, how should Parts A and B subrecipients document the allocation of costs subject to the aggregate 10% administrative limit?

Written procedures, allocation journals, and/or manuals should explain the methodology used to allocate and track RWHAP costs, including direct service costs and administrative costs. Allocations should be consistent with PCN #15-01.

4. What sort of information goes in an allocation journal?

An allocation journal should contain the methodology that the entity uses to allocate costs. For example, the journal would document that salaries are allocated based on a time study, billable hours, or some other methodology; facilities expenses are based on square footage or percent of

full time equivalents (FTE); etc. The allocation journal should contain written procedures that are easy to follow and can be “re-performed” by an auditor.

5. If a grant recipient would like to implement these changes immediately, do they need to submit a prior approval request through the HRSA Electronic Handbooks System (EHBs)?

While grant recipients have minor rebudgeting authority, they should consult with their Project Officers prior to amending their budgets to take advantage of the greater flexibilities outlined in PCN #15-01. As noted in the [Department of Health and Human Services \(HHS\) Grants Policy Statement](#), grant recipients *must* submit a prior approval request through EHBs for significant rebudgeting. For grants over \$100,000, the threshold for significant rebudgeting has been reached when:

- cumulative transfers among direct cost budget categories (i.e., Personnel, Fringe, Travel, Equipment, Supplies, Contractual, etc.) for the current budget period exceed 25% of the total approved budget (which includes direct and indirect costs) for that budget period or \$250,000, whichever is less; or
- moving costs between HAB funding categories would result in failure to meet the statutorily required distributions (e.g., exceeding the 10% of the award amount for administration, failure to allocate at least 75% of the remaining funds for Core Medical Services, etc.); or
- budget revisions reflect a change in scope; or
- the grant recipient wants to purchase a piece of equipment that exceeds \$25,000 which was not included in the approved project budget/application.

6. What if a Part A or B grant recipient is also serving as a direct service provider? How should the administrative expenses be allocated?

All expenses associated with administering the RWHAP grant count toward the grant recipient’s 10% administrative limit. A Part A or B grant recipient that is also providing services may take advantage of the greater flexibilities outlined in PCN #15-01 that allow certain costs, which previously counted toward the 10% administrative limit, to be charged to the relevant service category.

7. If a Part A or B grant recipient has contracted with a third party to administer the RWHAP (e.g., a Consortia or Lead Agency), would the administrative expenses of the contracted entity count toward the aggregate subrecipient 10% limit?

No, these costs count toward the recipient’s 10% administrative cost limit. As noted on page 5 of PCN #15-01, “if a RWHAP Part A or B recipient (grantee) has contracted with an entity to provide statewide or regional RWHAP management and fiscal oversight (i.e., the entity has entered into a vendor or procurement relationship with the recipient, and is acting on behalf of the recipient), the cost of that contract, exclusive of subawards to providers, **would count toward the recipient’s (grantee’s) 10% administrative cap**” (emphasis added).

8. Is the cost of a fiscal agent’s time spent reporting on fiscal oversight subject to the grantee’s 10% administrative limit?

Yes. If a grant recipient has contracted with a fiscal agent to provide RWHAP fiscal oversight and subrecipient monitoring, this activity counts toward the grant recipient's 10% administrative limit.

9. How does the 10% administrative cost limit apply to a RWHAP grant recipient that is also a subrecipient under another RWHAP grant?

Statutory requirements related to the 10% administrative cost limit vary at the recipient and subrecipient levels. The entity must adhere to the appropriate requirements. Subrecipients should direct any questions regarding the implementation of PCN #15-01 to the grant recipient that provided the RWHAP funds.

10. What are the major differences between Part C and D with respect to the 10% administrative limit?
- Under Part C, planning and evaluation are included in the 10% administrative limit.
  - Under Part D, ALL indirect costs are included in the 10% administrative limit.

## **IT Infrastructure, Data Entry, and Reporting**

1. Do the costs or fees associated with an electronic health records interface with other providers (for example, clinics or labs) count toward the 10% administrative limit?

Yes. Direct and/or indirect costs associated with the recipient or subrecipient's information technology infrastructure count toward the 10% administrative limit, as appropriate. Consult PCN #15-01 for distinctions related to subrecipients.

2. What types of data entry are subject to the 10% administrative limit?

Any data entry for reporting purposes under the grant count towards the 10% administrative limit, including but not limited to: Ryan White HIV/AIDS Program Services Report (RSR) data, RWHAP Expenditure and Allocation reports, Minority AIDS Initiative (MAI) reports, the Federal Financial Report (SF-425), performance narratives, reports tied to requesting grant funds, and reports related to the single audit.

3. Does client level data entry count toward core medical services, support services, the 10% administrative limit, or Clinical Quality Management (CQM)?

It depends on the purpose of the data entry. The costs of client level data entry in the relevant electronic health record directly related to the individual's ongoing care and treatment are allocable to the relevant core medical or support service. Client level data used to improve the quality of service delivery and thus the health of the people living with HIV are allocable to CQM. Client level data entered to complete the RSR count toward the 10% administrative limit.

4. Does client registration count toward the 10% administrative limit or services?

If the client is eligible for RWHAP services, the costs of registration and client intake activities may be charged to the relevant service category.

5. Does data entry related to client eligibility recertification (i.e., residency, income verification, insurance status) count toward the 10% administrative limit?

No. The cost of data entry related to client eligibility recertification is allocable to the relevant service category (e.g., ADAP, medical case management, non-medical case management, etc.)

6. Does data entry into CAREWare for completion of the RSR report count toward the 10% administrative limit?

Yes. Costs associated with data entry into CAREWare for completion of the RSR report counts toward the 10% administrative limit.

## Malpractice and Other Insurance

1. Is it allowable to charge all malpractice insurance costs related to clinical care as a direct service, or only for physicians who provide HIV care?

The portion of malpractice insurance for all licensed practitioners related to RWHAP clinical care may be charged to the relevant service category. Malpractice insurance for the clinic or facility counts toward the 10% administrative cost limit.

2. Does liability insurance for the clinic count toward the 10% administrative limit?

Yes, liability insurance for the clinic counts toward the 10% administrative limit.

3. Does insurance for vans used for mobile clinics, transportation services, or meal delivery count toward the 10% administrative limit?

Yes, insurance for vans used for mobile clinics, transportation services, or meal delivery counts toward the 10% administrative limit.

4. Under which service category does premium assistance for health insurance in the Market Place fall?

Premium assistance for health insurance in the Market Place should be charged to the core medical service "Health insurance premium and cost-sharing assistance for low-income individuals."

5. May a portion of malpractice insurance for attorneys and other legal staff assisting RWHAP clients be charged to the Legal Services support service category?

No. The cost of malpractice insurance for attorneys and other legal staff counts toward the 10% administrative limit.

6. May a portion of general liability, property, and auto insurance related to the delivery of residential substance abuse treatment for RWHAP clients be charged to the Substance Abuse Counseling – Residential Treatment service category?

No. The cost of general liability, property, and auto insurance related to the delivery of residential substance abuse treatment for RWHAP clients is subject to the 10% administrative limit.

## Rent and Facilities/Occupancy Expenses

### 1. Does mortgage count toward the 10% administrative limit?

Mortgage would be an unallowable expense. However, recipients and subrecipients may be compensated for the use of their buildings capitalized in accordance with Generally Accepted Accounting Principles (GAAP) through depreciation or use allowance. (See [45 CFR §75.436 Depreciation](#). Use allowances are the means of allowing compensation when depreciation or other equivalent costs are not considered.)

For Parts A, B, and C grant recipients, the portion of indirect and/or direct depreciation or use allowance costs for space primarily utilized to provide core medical and support services for eligible RWHAP clients (e.g., clinic, pharmacy, food bank, substance abuse treatment facilities) are not required to be included in the 10% administrative cost limit. Those costs may be charged to the relevant service category.

For Parts A and B subrecipients and Part D grant recipients, the portion of direct depreciation or use allowance costs for space primarily utilized to provide core medical and support services for eligible RWHAP clients (e.g., clinic, pharmacy, food bank, substance abuse treatment facilities) are not required to be included in the 10% administrative cost limit. They may be charged to the relevant service category. As a reminder, all indirect expenses must be considered administrative expenses subject to the 10% limit for Parts A and B subrecipients and Part D grant recipients.

### 2. Are security costs allowable? If so, do security costs count toward the 10% administrative limit?

As noted in [45 CFR §75.457 Plant and security costs](#), necessary and reasonable expenses incurred for protection and security of facilities and personnel are allowable. Such costs include, but are not limited to, wages and uniforms of personnel engaged in security activities; equipment; barriers; protective (non-military) gear, devices, and equipment; contractual security services; and consultants. Security expenses for the facility are subject to the 10% administrative limit. Security costs necessary to ensure the safe and effective delivery of core medical or support services are not subject to the 10% administrative limit and can be allocated to the appropriate direct service category (example: security that may be necessary to accompany home health staff when making home visits).

### 3. Do janitorial services count toward the 10% administrative limit?

“Other facilities costs” referenced in PCN #15-01 include janitorial services as part of facilities operation and maintenance. These costs are typically treated as indirect costs. See page 2 of PCN #15-01 for treatment of other facilities costs for:

- Parts A, B, and C grant recipients
- Parts A and B subrecipients and Part D recipients

4. If facilities expenses are included in the indirect cost pool, can they be charged as direct costs and allocated to the appropriate service category?

It is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (facilities and administration or "F&A") cost in order to avoid possible double-charging of Federal awards. See page 2 of the PCN #15-01 for the treatment of indirect facilities costs. If facilities expenses are included in the indirect cost pool, they must be charged as indirect costs.

5. If you own your facility and it is fully depreciated, can you charge it to the grant as a facility expense?

No. Per [45 CFR §75.436 \(d\)\(4\)](#), no depreciation may be allowed on any assets that have outlived their depreciable lives.

## Time and Effort

1. Suppose there is a staff person who works 100% delivering RWHAP services. They earn two weeks of leave per year. Is the pay they earn while on leave allocable to direct services?

Yes. Since the staff person is dedicated solely to the provision of RWHAP services, 100% of their salary and fringe benefits may be charged to the applicable service category. Reminder: Per the General Provisions of the annual Health and Human Services appropriation laws, award funds may not be used to pay the salary of an individual at a rate in excess of the Executive Level II salary of the Federal Executive Pay scale.

## Other Direct Costs

1. Do costs associated with Clinical Quality Management (CQM) count against the 10% administrative limit?

No. Costs associated with CQM do not count against the 10% administrative limit.

2. Are the Pharmacy Benefits Manager (PBM) fees attributable to ADAP claims charged to ADAP direct services (instead of administration)?

Yes, the PBM may continue to be charged to the ADAP direct service.

3. Do costs associated with cell phones, tablets, or computers that are used solely by Case Managers count toward the 10% administrative limit?

The portion of the expense allocable to providing case management services to eligible RWHAP clients may be charged to the applicable service category. If the cell phone, tablet, or computer is used for other purposes unrelated to case management, that portion of the expense is subject to the 10% administrative limit.

4. If a clinic has a cell phone that is solely for texting clients for clinic reminders and six-month eligibility recertification, can the associated cost be charged to direct services?

Yes, associated costs may be charged to the applicable service category. However, if the clinic provides care to RWHAP clients and non RWHAP clients—only the portion of costs allocable to RWHAP clients may be charged to the grant.

5. Does the Executive Director’s time spent marketing the program count toward the 10% administrative limit?

Yes. The Executive Director’s time spent marketing the program is subject to the 10% administrative limit.

6. Are costs incurred by subrecipients to generate progress reports for the recipient subject to the 10% administrative limit?

For Parts A and B subrecipients, the cost of generating monthly progress reports is subject to the aggregate 10% administrative limit. See page 2 of PCN #15-01.

For Part C and D subrecipients, the 10% administrative limit does not apply. See page 4 of PCN #15-01. Grant recipients should ensure that the costs to generate these reports are reasonable.

7. How are RWHAP third-party billing expenses allocated?

RWHAP third-party billing should be charged to the relevant service category.

8. May costs associated with attending the National Alliance of State & Territorial AIDS Directors (NASTAD) or similar training conferences be charged to a service category?

No. Such travel is subject to the 10% administrative limit. Please see [Policy Notice 11-04: Use of Ryan White HIV/AIDS Program Funding for Staff Training](#) for additional information.

9. Do costs associated with paying membership dues to national HIV/AIDS service organizations count toward the 10% administrative limit?

Yes. Membership dues are subject to the 10% administrative limit.

10. Where is additional information on the basic allowability of costs?

Information regarding the basic allowability of costs, as well as “reasonableness” and “allocability” can be found in [45 CFR 75 Subpart E – Cost Principles](#).

## Indirect Costs

1. Do all indirect costs count toward the 10% administrative limit?

For Part D grant recipients and Parts A and B subrecipients, all indirect costs count toward the 10% administrative limit. For Parts A, B, and C grant recipients, a portion of indirect costs may be charged to the relevant direct service category, as describe in PCN #15-01.

2. Are recipients and subrecipients required to have a federally negotiated indirect cost rate?

Governmental departments or agency units receiving more than \$35 million in direct Federal funding MUST have a federally negotiated indirect cost rate. Other recipients or subrecipients that do not have a federally negotiated indirect cost rate may do one of the following:

- Direct cost all expenses
- Recipients would negotiate a rate with the Federal government; subrecipients would negotiate a rate with the recipient consistent with the requirements outlined in 45 CFR 75. (Grant recipients should contact HHS's Division of Cost Allocation (DCA). Visit DCA's website at <https://rates.psc.gov/> to learn more about rate agreements, the process for applying for them, and the regional offices which negotiate them. Subrecipients should contact the RWHAP grant recipient who would be responsible for negotiating their rate.)
- Apply the 10% de minimis rate on a base of modified total direct costs per [45 CFR §75.414\(f\)](#). If this methodology is chosen, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both.

3. Do the costs incurred by the grant recipient to negotiate an indirect cost rate for their subrecipient(s) count toward the 10% limit?

Yes, the costs incurred by the grant recipient to negotiate indirect cost rates for subrecipients that do not have a federally negotiated indirect cost rate would count toward the recipient's 10% administrative limit.

## Effective Date of PCN #15-01

1. When will these changes take effect?

Recipients may implement these changes for grants awarded on or after January 1, 2015.

2. Can these changes be applied to a multi-year award that was originally awarded prior to January 1, 2015?

The changes may only be applied to the noncompeting continuation award issued on or after January 1, 2015. As an example, if the multi-year grant competed and was awarded in 2014, the changes outlined in PCN #15-01 could be applied to the 2015 award for the second budget period. Changes may not be retroactively applied to the first budget period.

3. If our contract year is May 1, 2014 – April 30, 2015, can we apply the changes outlined in PCN #15-01 to contract expenses from January 1, 2015 – April 30, 2015?

No. Changes are in effect for grants awarded on or after January 1, 2015. They cannot be applied to a portion of costs from a grant awarded prior to January 1, 2015.

4. May a grant recipient retroactively revise its 2014-2015 budget to adjust for the changes outlined in PCN #15-01?

No. Changes are in effect for grants awarded on or after January 1, 2015. Changes may not be retroactively applied to a previous budget period.

5. May a grant recipient delay implementation?

Yes. Implementation of the policy is at the discretion of the grant recipient. Grant recipients may continue the less flexible approach to the 10% administrative cost limitation especially if they are concerned about not having enough grant funds for direct services.

6. May Part C grant recipients with a January 1, 2015 start date implement changes outlined in PCN #15-01 for those FY15 awards?

Yes. Part C grant recipients with a January 1, 2015 start date may implement the changes outlined in PCN #15-01 for those FY15 awards.

7. What should a Part C or D grant recipient do if it elects to immediately implement the greater flexibilities outlined in PCN #15-01, but they are also a subrecipient under Part A or B and the Part A or B grant recipient does not elect to implement PCN #15-01?

The grant recipient elects when to implement PCN #15-01. If the Part A or B grant recipient chooses not to implement the greater flexibilities, they must advise their subrecipients that the more restrictive policies remain in effect. In this instance, the Part C or D grant recipient would need to properly account for the 10% administrative limit separately as a recipient and subrecipient.