



POLICY AND PROCEDURE NOTICE: FPPN-012

10% ADMINISTRATIVE CAP

FOR RYAN WHITE PART A SUBRECIPIENTS

Summary and Purpose of PPN: To guide the administration of the Ryan White Part A Program to provide a standard and centralized system for ensuring subrecipient administrative expenditures do not exceed 10%.

Authority:

- HRSA PCN#15-01
- Frequently Asked Questions for Policy Clarification Notice 15-02
- 2 CFR 225, Appendix A, section F
- Fulton County Ryan White Contract/Agreement
- 45 CFR §§ 75.412 – 414, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards for information regarding the classification of costs as direct or indirect.
- §§ 2604(h)(4)(A), 2618(b)(3)(D)(i), and 2671(h)(1) of the PHS Act.
- §§ 2604(h)(5)(B)(ii), 2618(b)(3)(E)(ii)(II), and 2664(g)(3) of the PHS Act
- §2604(h)(3)(B) of the PHS Act. 5 See §2671(h)(1) of the PHS Act. 6
- §§ 2604(h)(2) and 2618(b)(3)(B) of the PHS Act. 7
- §§ 2604(h)(4) and 2618(b)(3)(D) of the PHS Act.
- Information regarding the basic allowability of costs, as well as “reasonableness” and “allocability” can be found in 45 CFR 75 Subpart E – Cost Principles.
- Fulton County Ryan White Part A Contract/Agreement

Policy and Procedures:

1. Of the total amount of funds awarded to a subrecipient through Part A, the total expenditures for administrative expenses shall not exceed 10 percent including federally approved indirect cost or government authorized cost allocation plan. For the purposes of the 10% aggregate cost cap, administrative activities include:
 - Usual and recognized overhead activities, including rent, utilities, and facility costs.
 - Costs of management oversight of specific programs funded under this title, including program coordination; clerical, financial, and management staff not directly related to patient care; program evaluation; liability insurance; audits; and computer hardware/software not directly related to patient care.
2. During the contracting process, Project Officers will work with their first-line entities (subrecipients) to negotiate a final budget that appropriately classifies funded activities,

personnel, supplies, material, etc., as administrative costs or service costs. Administrative costs count against the 10 percent aggregate cost cap; service costs do not.

- For those situations in which a unit cost system is used to pay a contractor, the unit cost must be broken down so that administrative and service costs can be distinguished. The administrative cost of the unit cost is part of the contractor administrative cost and subject to the 10% administrative cap.
3. The recipient will maintain file documentation on all subrecipients including their current operating budgets and expense/allocation reports, with sufficient detail to identify and calculate administrative expenses. The subrecipient will prepare a project budget and track expenses with sufficient detail to allow identification of administrative expenses. The recipient shall review subrecipient budgets to ensure proper designation and categorization of administrative costs, calculate the administrative costs for each subrecipient, and calculate the total amount of administrative expenses across all subrecipients to ensure that the aggregate administrative costs do not exceed ten (10) percent.
 4. Subrecipients are expected to maintain documentation of the following which shall be made available to the recipient and HRSA upon request and during Ryan White Part A site visits:
 - Document, through job descriptions and time and effort reports, that the administrative activities are charged to administration of the activities under this contract and cost no more than 10% of the total grant amount.
 - Document that no activities defined as administrative in nature are included in other Part A budget categories.
 - If using indirect cost as part or all of its 10% administration costs, obtain and keep on file a federally approved HHS-negotiated Certificate of Cost Allocation Plan, Certificate of Indirect Costs, or government authorized cost allocation plan.
 - An allocation journal which contains 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. Treatment of “Rent” and Other Facilities Costs Incurred to Provide Core Medical and Support Services to Eligible RWHAP Clients:
 - The portion of indirect and/or direct facilities expenses such as rent, maintenance, and utilities for areas 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 cap.

- The following programmatic costs are not required to be included in the 10% limit on administrative costs; they may be charged to the relevant service category directly associated with such activities:
 - Biannual RWHAP client re-certification;
 - The portion of malpractice insurance related to RWHAP clinical care;
 - The portion of fees and services for electronic medical records maintenance, licensure, and annual updates, and staff time for data entry related to RWHAP clinical care and support services;
 - The portion of the clinic receptionist's time providing direct RWHAP patient services (e.g., scheduling appointments and other intake activities);
 - The portion of medical waste removal and linen services related to the provision of RWHAP services;
 - The portion of medical billing staff related to RWHAP services;
 - The portion of a supervisor's time devoted to providing professional oversight and direction regarding RWHAP-funded core medical or support service activities, sufficient to assure the delivery of appropriate and high-quality HIV care, to clinicians, case managers, and other individuals providing services to RWHAP clients (would not include general administrative supervision of these individuals); and
 - RWHAP clinical quality management (CQM). However, expenses which are clearly administrative in nature cannot be included as CQM costs.

6. Direct and/or indirect costs associated with the subrecipient's information technology infrastructure count toward the 10% administrative limit, as appropriate.
7. 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, performance narratives, reports tied to requesting grant funds, and reports related to the single audit.
8. The cost of data entry related to client eligibility recertification is allocable to the relevant service category (e.g., medical case management, non-medical case management, etc.).
9. 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.)

10. "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.
11. 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.
12. Subrecipients shall prepare a project budget that meets administrative cost guidelines. In addition, subrecipients shall prepare expense reports tracking administrative expenses with sufficient detail to permit review of administrative cost elements.
13. Subrecipient administrative expenses may be individually set and may vary; however, the aggregate total of subrecipients' administrative costs may not exceed the 10% limit. In general, the recipient has limited administrative costs of each subrecipient to $\leq 10\%$.
14. The Fulton County Ryan White Part A Contract/Agreement includes the following language:
 - "Contractor shall maintain job descriptions and time and effort reports sufficient to document that the activities defined in legislation and guidance as administrative are charged to administration of the program and cost no more than 10% of Contract award amount. Contractor is expected to maintain documentation supporting the allocation of employee time to administrative and non-administrative duties."

Verification:

1. Review subrecipient budgets and expense reports to determine the use of the indirect cost rate and adherence to the 10% administration cap.
2. Review subrecipient budgets and expense reports to determine administrative charges and adherence to the 10% administration cap.
3. Review subrecipient budget revision requests to determine administrative charges and adherence to the 10% administration cap.
4. Review subrecipient budgets to ensure no duplication of cost covered in indirect rate and other line item expenses.
5. Review of allocation journal.

Approved: October 2016

Last Reviewed: April 2021