

REVENUE AND EXPENDITURES (RER) INSTRUCTIONS
Fiscal Year (FY) 2015

1. **REVENUES AND EXPENDITURES REPORT (RER): Initial and Final**

The fiscal year initial and final RER will be used to provide a standardized format for reporting the financial status of individual programs. Reporting of revenues and expenditures must be consistent with Generally Accepted Accounting Principles (GAAP). All amounts entered on the RERs must be whole dollars.

The MDCH must allocate and manage state-administered funds in a way that assures compliance with all federal and state requirements, including SAPT Block Grant expenditure requirements. Each PIHP will receive its initial FY allocation letter. Initial SUDS allocations are in compliance with all federal and state requirements at the beginning of the fiscal year.

The main purposes and applications of the RER include the following:

- Display revenue sources and expected amounts, and how these are budgeted at the start of a fiscal year;
- Enable management and monitoring of federal and state spending requirements; and
- Enable reconciliation of prepayments and expenditures on an annual basis.

A. Initial RER

The fiscal year initial RER is submitted electronically to: MDCH-MHSA-Contracts-MGMT@michigan.gov. The due date is listed in Attachment P7.7.1.1. **No State Agreement allocation changes will be allowed during this initial SUDS Agreement processing phase.**

In reviewing the fiscal year initial RER, the Contract Manager will assess Local Match compliance, using the initial and final Match Computation tables completed by the PIHP and included in the RER workbook. The PIHP must achieve at least a 10% match. If not met the initial RER will need to be revised and resubmitted for approval.

B. Final RER

The fiscal year, final RER must be submitted electronically to: MDCH-MHSA-Contracts-MGMT@michigan.gov. The due date is listed in Attachment P7.7.1.1.

Budgets on the final RER must be the same as those presented on the final fiscal year amendment.

All actual expenditures and revenues (including Medicaid, Healthy Michigan Plan, MI Child, Local, Fees and Collections, and Other Contracts and Sources) for the particular program must be reported on the final RER.

On the final RER, Community Grant expenditures for AMS, Treatment, and Women's Specialty Services (WSS) are fungible, once required targets and match requirements are met.

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The PIHP is granted limited discretion in moving State Agreement expenditures between allocated categories without prior approval by MDCH. Under this discretion, \$50,000 is the annual, maximum net change.

In reviewing the fiscal year final RER, the PIHP's Contract Manager will assess Local Match compliance, included in the RER workbook. If at least 10% match is not achieved, the fiscal year final RER will require revision and resubmission.

2. REVENUES

For State Agreement allocation categories, Revenues are as listed in the PIHP's initial allocation letter and subsequent amendments.

For most other allocation categories, Revenues are estimates. In some cases, the PIHP may not be planning to expend all fiscal year Revenues.

On the final RER for the fiscal year, actual revenues and expenditures must be reported. It is understood that, for non-State Agreement allocation categories, total actual expenditures may be less than total Revenues.

3. INITIAL OR FINAL ANNUAL BUDGET PLAN

There are links and formulas within the RER form which will automatically populate the Local Match Computation table and all of the Composite Page, except for the Revenues Column (B).

On the final RER for the fiscal year, 1) Actual revenues and expenditures must be reported; and 2) Budgets must be the same as those presented in the final fiscal year amendment. It is understood that, for non-State Agreement sources, total actual expenditures may be less than total planned budgets.

4. REPORTING FEES AND COLLECTIONS

The MDCH/CA Agreement requires agencies to report actual fees and collections associated with services that the PIHP purchases. Expected revenues from fees and collections must be reported on the initial fiscal year RER. The final fiscal year RER must report actual revenues. If there is no expectation of revenue from fees and collections by the due date of the Initial RER, a footnote explaining the rationale is required. The same is applicable if no revenues from fees and collections are collected by the due date of the Final RER.

Some agencies reimburse providers net of co-pay amounts, whether or not the co-pays are actually collected by providers. Please do not report uncollected co-pay revenues. Report only the revenues actually earned.

Food stamp revenue, in conjunction with residency, should be reported in Fees and Collections—Section F on the initial and final RERs.

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5. LOCAL MATCH—HOW TO BUDGET FEES/COLLECTIONS AND LOCAL FUNDS

Amounts for Local Match are reported in the initial and final RERs. Please be sure that the amounts entered meet Local Match criteria, per Part II (B), Section 5.0.

The following Local Match Computation table is included in the RER workbook for initial and final completion. Formulas calculating each revenue category are embedded to assist in computing PIHP Local Match percentage:

Match Computation – Must Be At Least 10%

a. GRAND TOTAL (RER Composite)		\$ _____
b. LESS:		
Section B. Medicaid subtotal	\$ _____	
Section C. MIChild subtotal	\$ _____	
Section F. Other Contracts & Sources (incl. direct Federal)	\$ _____	
c. TOTAL (Subtotal of b.)		(\$ _____)
d. FUNDS SUBJECT TO MATCH (a. minus c.)		\$ _____
e. MATCH FUNDS:		
Section D. Local Subtotal	\$ _____	
Section E. Fees & Collections Subtotal	\$ _____	
f. TOTAL MATCH FUNDS (Subtotal of e.)		\$ _____
g. MATCH PERCENTAGE (f/d * 100 = 00.00%)		_____ %

6. POSTING MEDICAID AND HEALTHY MICHIGAN PLAN (HMP) REVENUES

Medicaid and HMP revenues and associated expenditures should be entered on the final RER-Composite Page/Revenues Column (B).

7. MI CHILD

The PIHP must account separately for expenses related to MIChild enrollees. Reporting of MIChild revenues and expenditures will be through the RER.

In the event that program costs are less than PECPM revenues the PIHP may retain the balances as Local funds. These unexpended funds (savings) will become Local Funds in the fiscal year following the year in which savings were earned. The funds become Local funds only after Department acceptance of the final RER.

The funds must be expended consistent with requirements in this Agreement, to support the PIHP's substance use disorder programs.

8. EARMARKED FUNDS

Special, earmarked funds will be identified in the PIHP's initial fiscal year allocation letter and subsequent amendments. Earmarked funds may include Odyssey House, Sacred Heart, or other identified programs. The PIHP must budget separately these special earmarked funds in the initial fiscal year RER,

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subsequent amendments, and the final RER. When it has been determined that a PIHP will not expend all special, earmarked State Agreement funds (including the earmarked allocations for the Odyssey programs), these unspent funds must be returned to the Department.

If those unspent funds are Odyssey House (WSS) funds, the Department will reallocate the funds to other PIHPs who can appropriately use these funds for WSS programs within their PIHP regions within the current fiscal year.

9. WOMEN'S SPECIALTY SERVICES—REQUIRED TARGET

Each PIHP's Women's Specialty Services (WSS) funds are combined with the Community Grant allocation. For the purpose of assuring statewide compliance with the SAPT Block Grant minimum expenditure requirement for Women's Specialty Services, each PIHP is given a minimum expenditure target for these services, as stated in its initial fiscal year allocation letter. All program/services objectives related to Women's Specialty Services remain in place.

The expenditure target can be reached through expenditures of a combination of SAPT Block Grant and state funds (Community Grant), State Disability Assistance, and Medicaid state share for specialty treatment services for eligible individuals. Eligible individuals are pregnant women, primary caregivers with dependent children, or primary caregivers attempting to regain custody of their children. Use of federal and state funds must be consistent with applicable SUDS Agreement requirements.

MDCH extends the five federal requirements to primary caregivers attempting to regain custody of their children or at risk of losing custody of their children due to a substance use disorder. These individuals are a priority service population in Michigan and; therefore, the five federal requirements shall be made available to them.

Attainment of the expenditure target and program/services objectives is a contract performance requirement. The target can be amended by mutual agreement. MDCH will not approve budget revisions or amendments that appear to create risk of failing to meet the Women's Specialty Services Maintenance of Effort.

If a PIHP reports Medicaid funds for WSS on the initial and final RERs, the PIHP must post both Medicaid federal and state shares for WSS—not just the Medicaid state shares.

The federal and state Medicaid Federal Medical Assistance Percentages (FMAP) percentages for each fiscal year will be updated, as needed, by MDCH on an annual basis or as rates change.

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As a check, when adding Medicaid, federal and state shares for WSS (budgets or expenditures), the total amount multiplied by the current-year state or federal Medicaid FMAP percent must be the amount posted in the PIHP's RER budget and final RER expenditures. See the example below.

FUND SOURCE	BUDGET	FINAL EXPENDITURES
B. Medicaid		
1. Current Year PEPM (Federal & State)		
2. Federal share only for WSS	\$87,344	\$69,572
3. State share only for WSS	\$44,357	\$35,331
4. Reinvestment Savings		
B. Subtotal	\$131,701	\$104,903

\$131,701 x .3368 (FY14 FMAP) = \$44,357 (state share for WSS budget)
 \$104,903 x .3368 (FY14 FMAP) = \$35,331 (state share for WSS expenditure)

10. PREVENTION ALLOCATION

The Prevention allocation is 100% federal SAPT Block Grant. There are no separate allocations for Tobacco Vendor Education or Non-Synar Tobacco Retailers Inspections. PIHPs are expected to use their Prevention allocations to meet tobacco-related performance objectives and to accomplish other Prevention plans developed through the Annual Plan Guidelines.

11. SUDS TREATMENT ADMINISTRATION MINI REPORT

On the bottom of Page 5 (worksheet titled Adm_AMS_Tx_Prev_WSS) there is a mini report labeled "SUD Treatment Administration." This report contains links/formulas which automatically populate all three cells. The information provided here is needed by the Department in order to complete the annual SAPT Block Grant application.

12. ADMINISTRATIVE BUDGETS AND EXPENDITURES

PIHP budgets and expenditures for Administration must be reasonable, prudent, and commensurate with meeting the requirements of this Agreement, consistent with 2 CFR Part 225 (previously OMB Circular A-87) or 2 CFR Part 230 (previously OMB Circular A-122), as applicable.

The PIHP's Access Management System (AMS) is considered an administrative operation, and cannot be a direct service operation. To assure accurate classification of AMS expenditures and in the interest of reporting consistency, AMS expenditures must be reported separately on the initial and final RER, on Page 5, worksheet titled Adm_AMS_Tx_Prev_WSS, in the indicated column.

All of the PIHP's administrative costs must be entered in the General Administration or the AMS column on page 5, worksheet titled Adm_AMS_Tx_Prev_WSS of the RER. This includes costs for all PIHP personnel (Prevention Coordinators, Treatment Coordinators, etc.), information and data systems, financial audits, and other administrative costs.

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If the Administration budget contains a central cost allocation amount or rate, this allocation must have been developed consistent with 2 CFR Part 225 (OMB Circular A-87). Payments are subject to recovery, based on audit findings.

Whenever a central cost allocation is introduced or is revised, or every two years, whichever is sooner, the PIHP must submit on letterhead, a Certificate of Cost Allocation Plan. This Certificate of Cost Allocation Plan should be developed using the format shown below and submitted electronically to: MDCH-MHSA-Contracts-MGMT@michigan.gov.

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(Printed On CA Letterhead)
Certificate of Cost Allocation Plan

This is to certify that I have reviewed the Cost Allocation Plan and to the best of my knowledge and belief:

(1) All costs included in this proposal to establish cost allocations or billings for October 1, 2014 through September 30, 2015 are allowable in accordance with the requirements of 2 CFR Part 225, "Cost Principles for State, Local, and Indian Tribal Governments", and the Federal award(s) to which they apply. Unallowable costs have been adjusted for in allocating costs as indicated in the Cost Allocation Plan. 2 CFR Part 225 can be found at the following link:

http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fedreg/2005/083105_a87.pdf

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the awards to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.

I declare that the foregoing is true and correct.

PIHP Name: _____

Signature: _____

Name of Official: _____

Title: _____

Date of Execution: _____

This Certificate of Cost Allocation Plan should be used for certification of the PIHP's Cost Allocation Plan. This form must be signed by the Executive Director or Finance Director of the PIHP.

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A. HOW TO REPORT GENERAL ADMINISTRATION

On Page 5, Column C (worksheet titled Adm_AMS_Tx_Prev_WSS), enter expenditures charged to PIHP General Administration for each of the applicable funding sources (Column A). “Administration” includes the seven administrative functions listed and defined in the document entitled, “Establishing Administrative Costs Within and Across the PIHP”. General Administration does not include AMS. (See below.)

The Administrative Rules for the Substance Use Disorders Service Program prohibit PIHPs from providing services. Any activity or function that is carried out within the PIHP or that is allocated to the PIHP is considered an administrative activity or function, and expenditures must be reported as such. For example, all PIHP personnel expenditures for employees and contractors are administrative expenditures, including expenditures for Prevention Coordinators, Treatment Coordinators, and others.

If a PIHP purchases administrative functions from a vendor or subrecipient, these contractual expenditures must be reported as PIHP administration. This would include audit services, data reporting functions, building maintenance, and so forth. Refer to the document entitled, “Establishing Administrative Costs Within and Across the PIHP”. The administrative costs of service providers, whether vendors or subrecipients, are not counted as PIHP administrative costs.

B. HOW TO REPORT ACCESS MANAGEMENT SYSTEM (AMS)

On Page 5, Column E (worksheet titled Adm_AMS_Tx_Prev_WSS), enter expenditures charged to AMS functions for each applicable fund source (Column A). AMS functions are as described in Treatment Policy #07 – Access Management System, which may be found in the SUD Services Policy Manual. All AMS functions are administrative. The AMS column (category) can be considered a subcategory of Administration, for RER purposes.

AMS budget and expenditures must be reported in AMS/Column E, whether the functions are carried out within the PIHP, by another entity, by a contractor, or by a combination of these.

If a PIHP purchases AMS functions through a contractor, and if the contractor also provides direct services under the contract, expenditures associated with AMS functions are to be reported in AMS/Column E on the RER. Expenditures associated with services are to be reported in the appropriate services category column(s).

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13. HOW TO COMPLETE THE MDCH ADMINISTRATION AND SERVICE COORDINATION REPORT

The RER has a sub-category of Administration called “Service Coordination” (worksheet titled Admin_Service Coord Report). This captures the work and funds that PHPs apply to activities that are administrative, but that may engender more direct benefit to the community. Service Coordination does not involve the delivery of direct services. Service Coordination may include activities conducted by PIHP employees or by contractors, but only includes activities that otherwise would be categorized as administration.

Examples of Service Coordination:

- collaborative planning with community stakeholders;
- work with community coalitions;
- development of new services and supports (such as recovery services);
- developing media campaigns;
- sustaining and expanding promising practices and methods; and
- providing consultation and technical assistance regarding services.

14. DISTRIBUTION

The initial RER (submitted with initial agreement) and final RER should be completed and distributed as follows:

- One Copy -Electronic or printed copy of each RER should be retained by PIHP.
- One Copy - Submitted electronically to: MDCH-MHSA-Contracts-MGMT@michigan.gov.
- Submission dates of the RERs shall be in accordance with the instructions in Attachment P7.7.1.1.

15. RETENTION

All RERs should be retained for a period complying with the retention policies established in the Agreement.

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Final Year-End Reporting

1. FINAL REVENUES AND EXPENDITURES REPORT (RER)

The final RER is due by January 31 following the end of the fiscal year. The form must be marked "FINAL" on the Face Page.

The final RER will be used for final cost settlement purposes.

Budgets on the final RER must be the same as those presented on the final amendment for the year.

While budgets must be consistent with those provided on the final amendment for the fiscal year, expenditures may differ as a result of the following scenarios:

- 1) On the final RER, Community Grant expenditures for AMS, Treatment (IP, OP, Case Management, Early Intervention, Recovery Support, Methadone, Detox, and Residential as listed on the worksheet titled **Adm_AMS_Tx_Prev_WSS**), and Women's Specialty Services (WSS) are fungible, once required targets and match requirements are met.
- 2) When required targets and match requirements are not met, final year-end expenditures can be more than the corresponding budget, within a \$50,000 Discretionary Revision Allowance.

The PIHP is required to footnote the RER identifying when they have chosen to implement any of the 2 revisions above.

2. RECONCILIATION OF FINAL REPORTS

Financial information must be consistent and reconcile between the following final year-end reports:

- a. Legislative Report;
- b. Primary Prevention Expenditures by Strategy Report;
- c. Revenues and Expenditures Report (Final), including:
 1. Administration and Service Coordination Expenditures Report.

The PIHP is required to liquidate all accounts payable and encumbrances by December 31 (see definitions below).

Exceptions may be granted for one-time obligations that cannot be liquidated within this time period. However, should this be the case, an additional fifteen (15) days may be provided if a written request for an extension, with the reason why additional time is needed, is submitted by the due date of the final RER. Please submit such requests to the PIHP's contract manager.

Failure to meet these final reporting deadlines may result in the State's inability to reimburse the full amount of the State's share of the gross expenditures.

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In addition to submitting initial and final RERs, other financial information will be requested to assist MDCH in properly closing the State's fiscal year (September 30). This information will help ensure sufficient funds have been reserved by the State to make reimbursement for the Agreement in the State's upcoming fiscal year. The additional financial information required will include an estimate of open commitments and obligations incurred as of September 30, but not yet paid. The MDCH/Accounting Division will provide detailed instructions for reporting additional financial information by mid-August of each year.

3. DEFINITIONS

Accounts Payable - Obligations for goods or services received, which have not been paid for as of the end of the agreement period.

Encumbrances - Commitments at the end of the agreement period related to unperformed (executor) contracts for goods and services.

Note: If an agreement does not end on September 30, it is still necessary to estimate accounts payable as of September 30.

All inquiries regarding financial reporting issues should be directed to the Expenditure Operations Section of the MDCH/Accounting Division.

References:

Michigan Department of Management and Budget

- Guide to State Government (1210.27)
- Year-End Closing Guide
- Federal OMB Circular A-102 (Revised & DHHS Common Rule).