



Working with the Department of Health and Human Services

Funder Partnerships



Outline

- Who are we and why are we here?
- Understanding public entity partners
 - Interests
 - Constraints
- How to be prepared for a partnership with a public entity
 - Understanding our processes
 - Questions you should be prepared to answer
 - Budgets
 - Reporting



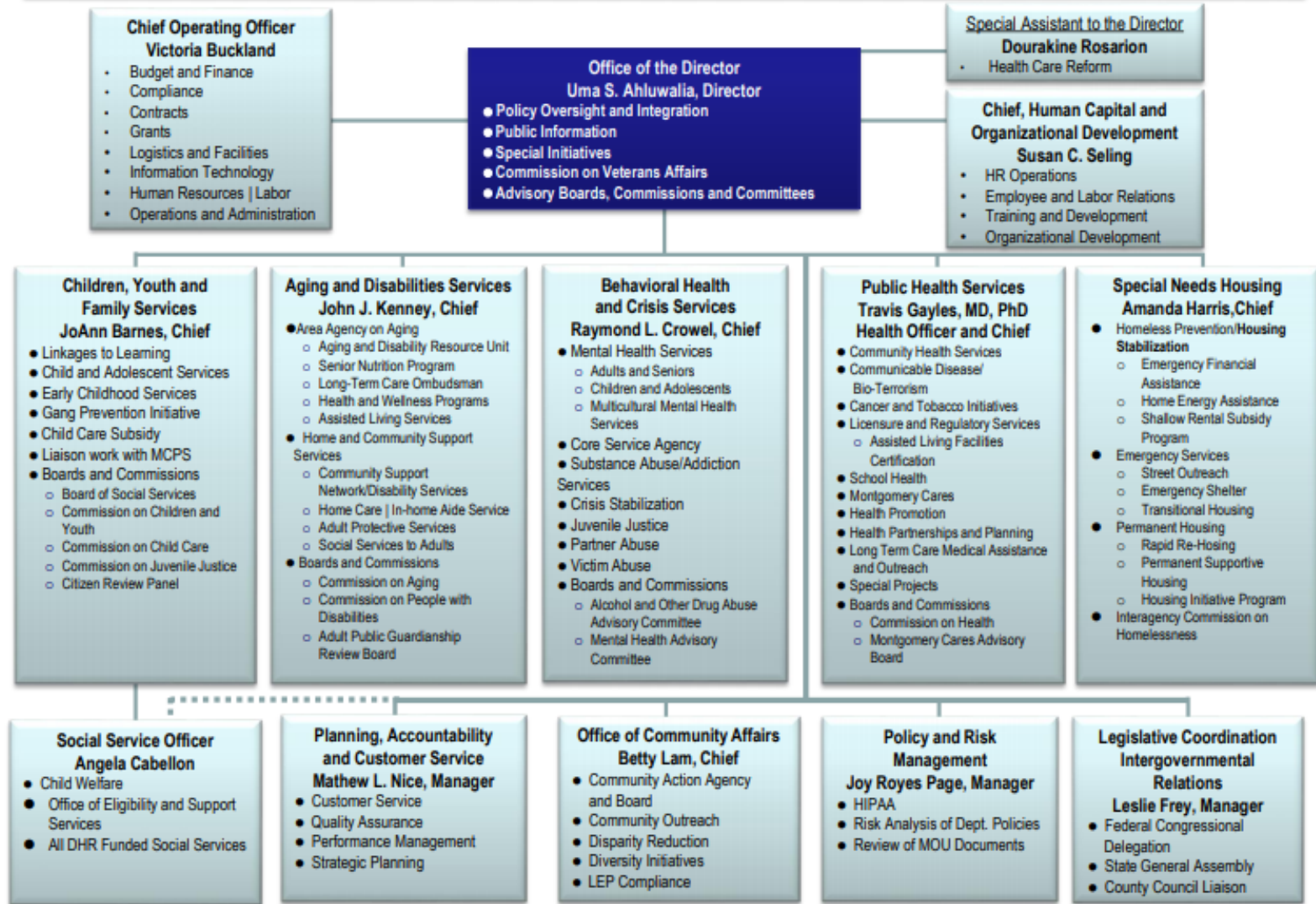
Who are we?

- Victoria Buckland, Chief Operating Officer
- Sue Cymek, Compliance Team Manager

- All part of the Montgomery County Department of Health and Human Services (DHHS) in the Office of the Chief Operating Officer



Department of Health and Human Services – Organizational Chart



Last Update 10.01.2017

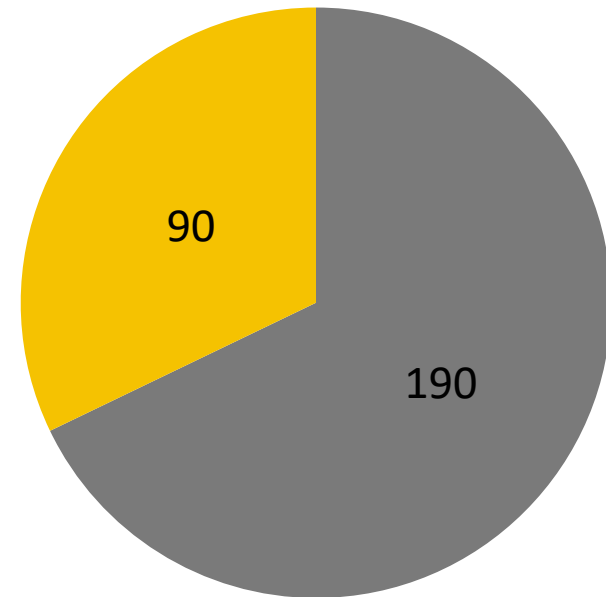


Why are we here?

Health and Human Services Perspective

- Contracting is a major component of how DHHS supports service delivery
 - About one-third of the DHHS budget supports contracts
 - Have about 535 contracts
 - Most contracts are with nonprofits

Budget by Method of Service Delivery (in \$million)



- Direct Services
- Contracted Services

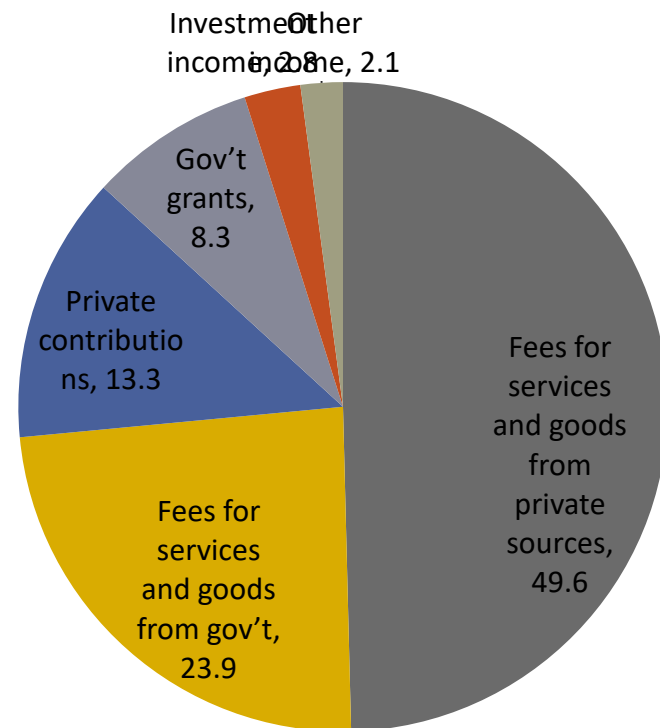


Why should you care that we are here?

Nonprofit Perspective

- Government is a major source of revenue
 - 32% of revenue in 2010 across all public charities*
 - Over 65% of total revenue among human services nonprofits in 2012**
 - 60% of human services nonprofits with government grants and contracts in 2012 counted those grants and contracts as their largest funding source**

Revenue Sources for Reporting Public Charities, 2010 (%)



*Blackwood, Roeger, and Pettijohn. 2012. "The Nonprofit Sector in Brief: Public Charities, Giving, and Volunteering, 2012." Washington, DC: The Urban Institute.

**Boris, de Leon, Roeger, and Nikolova. 2010. "Human Service Nonprofits and Government Collaboration: Findings from the 2010 National Survey of Nonprofit Government Contracting and Grants." Washington, DC: The Urban Institute.



In other words...

- Nonprofits and government have a huge partnership
 - Major portions of our missions are aligned
 - That alignment is worth about \$500 billion annually
- HHS partners with Nonprofit Montgomery to financially support and collaboratively deliver FIRM to
 - Help nonprofits understand the realities of working with government
 - Support nonprofit financial viability and integrity
 - Promote compliance and accountability
 - **Help nonprofits be good partners with us**



Financial sustainability requires you to be a good partner

- Different partners have different expectations
- To make the most of your partnerships, you need to understand your partners



Understanding public entity partners

Common perceptions

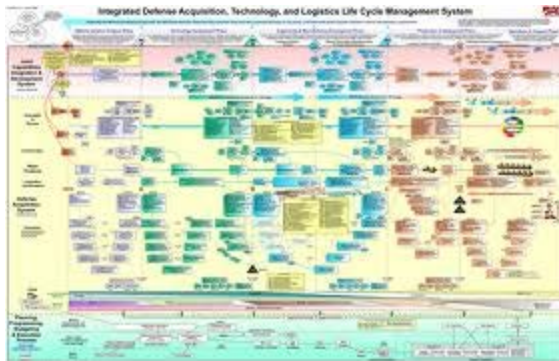
- Lots of paperwork



- Sticklers for details



- Lengthy processes



- Generally demanding



Understanding public entity partners

Public entity interests

- Good stewardship of public funds – this money has been entrusted to us
 - Ensuring funds are spent in the manner intended
 - Ensuring we receive value – a good return on investment
- Equity
- Due process
- Transparency



Understanding public entity partners

Public entity constraints

- Most of our interests have been encoded into our procurement processes and regulations
 - They are therefore lengthy and can be inflexible
- Expectation of extreme transparency
 - Growing trend across all levels of government
 - Salaries and many expenditures are a matter of public record
- Almost constantly being audited by someone
 - This includes audits of how dollars for contracted services are spent
 - Must be able to demonstrate and justify all actions

When you partner with a public entity, you often become subject to both our interests and our constraints



How do you prepare to be a good partner with a public entity?

- Understand the processes you will be going through
 - Granting and funding processes
 - Invoicing and reporting processes
- Understand your organization – be prepared to answer
 - How does your budget tie to your proposed scope of work?
 - Can you sustain what you propose?
 - Will you be able to justify your expenses and meet the burden of proof we will expect?
 - Can you meet our expectations for transparency and accountability?

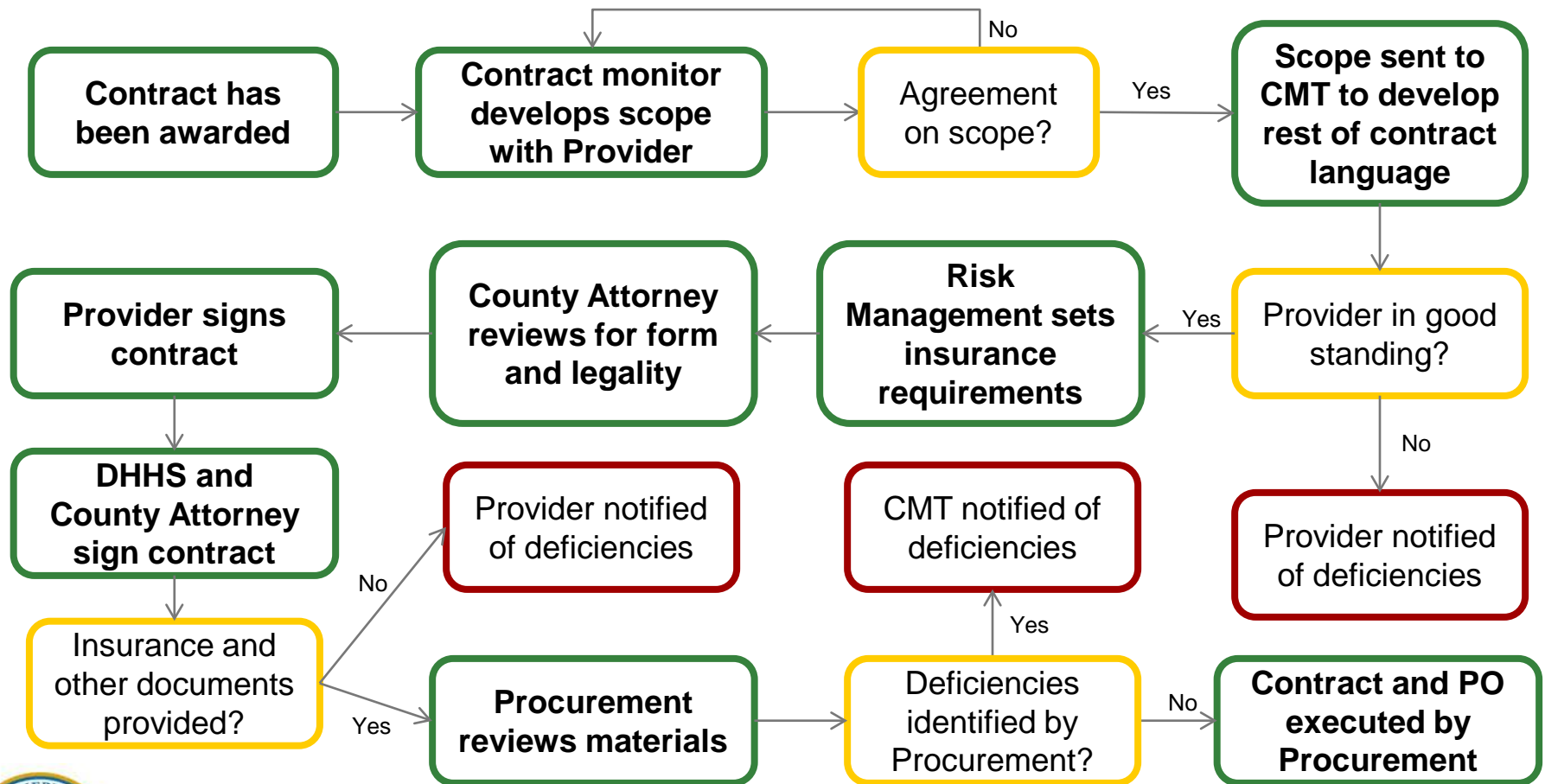


Understanding the processes you will be going through: Granting and funding processes

- Many ways to establish a contractual relationship with the County
 - Competitive procurements (RFP, IFB, informal solicitation, etc.)
 - Noncompetitive procurements (sole source, Community Grants, etc.)
- Note that Community Grants become **contracts**
- Office of Procurement Website (Current Solicitations):
 - http://www6.montgomerycountymd.gov/content/DGS/pro/public_solicitations.asp



Understanding the processes you will be going through: Contracting process



Understanding the processes you will be going through:

Contract types

- Fixed price
 - Firm price – provider bears the full responsibility for profit or loss. All costs are firmly established in writing.
 - Some adjustments such as escalator clauses or incentive clauses may be included
 - Preferred contract method but not used by DHHS much – about 70 contracts
- Requirements
 - Fixed rate – a contract for an indefinite quantity of goods or services to be furnished at specific times or as ordered at fixed unit prices
 - Contract typically includes a requirement for thorough documentation of how the rate was determined
 - Common contract type – about 235 active contracts
- Cost reimbursement
 - Reimbursement of a provider's actual costs
 - Contracts typically include explicit provisions for indirect costs
 - State agencies prefer cost reimbursement contracts, which affect DHHS grants
 - Common contract type - about 230 active cost reimbursement contracts



Understanding the processes you will be going through: Granting and funding processes

- Regardless of what type of contract you have or what process was followed to establish it, there are common elements you will be required to submit to the County
 - Insurance certification
 - Proof of tax-exempt status (i.e. IRS determination letter)
 - Articles of Incorporation or other proof of legal name
 - W-9
 - Registration with the Montgomery County Central Provider Registration System (CVRS), if provider is not already a Montgomery County provider
- Common restrictions
 - Provider must not be debarred with the federal, state or County government
 - Provider must be in good standing with the Maryland State Department of Assessments and Taxation (SDAT)
 - http://sdatcert3.resiusa.org/UCC-Charter/CharterSearch_f.aspx



Understanding the processes you will be going through: Invoicing process at HHS

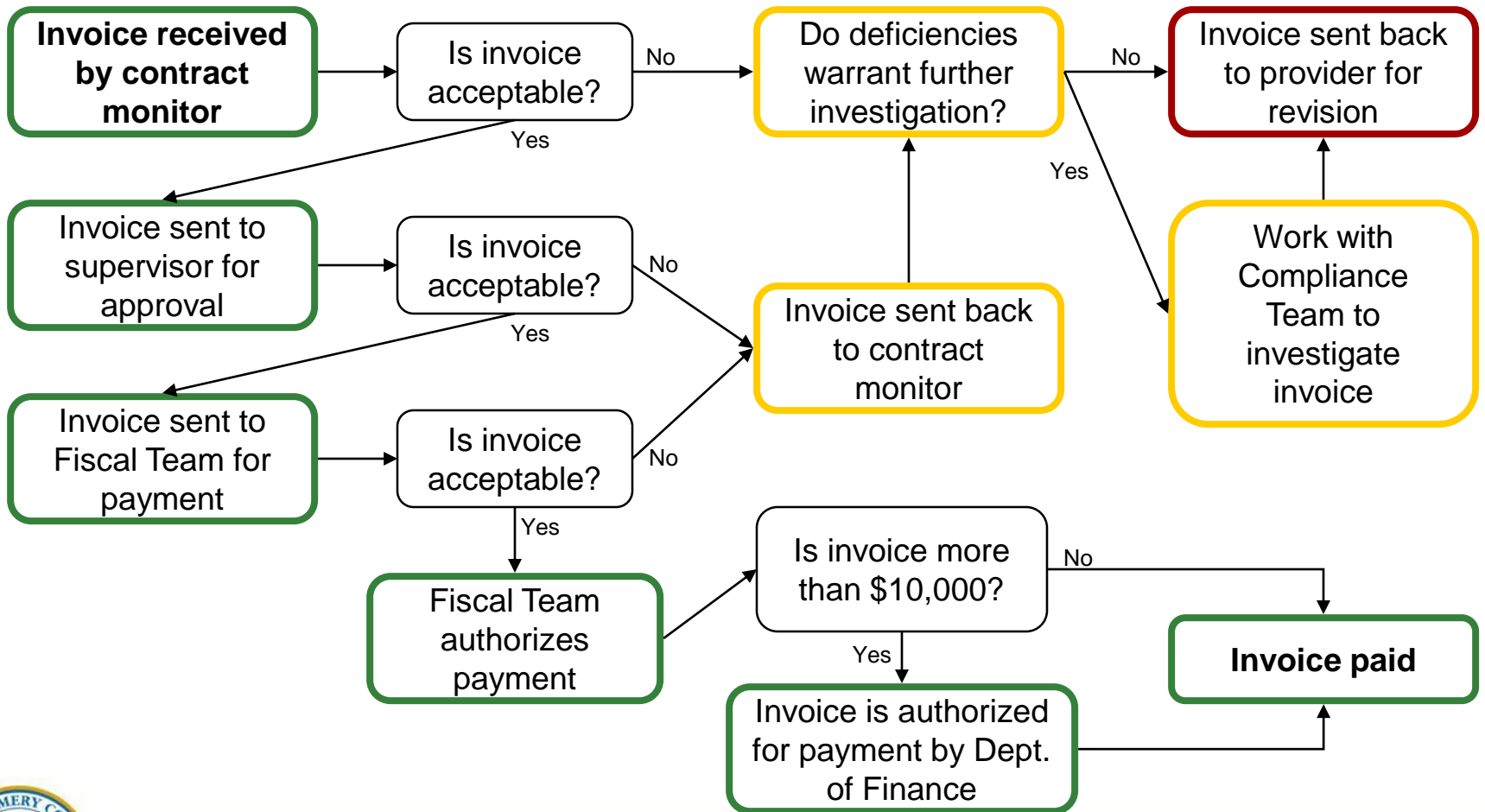
- DHHS has 30 days from receipt of an acceptable invoice to make payment
- What does “acceptable” mean?
 - DHHS has received the goods or services being invoiced
 - Invoice itself contains all required elements
 - Backup documentation and reports have been submitted, if required
 - Backup documentation and reports support the invoice amount

Required elements for all invoices

- Provider name and address
- Date of invoice
- Unique invoice number
- Contract and purchase order (PO) number and PO line under which services are being rendered
- Amount to be paid
- Authorized signature and date
- Description of goods or services being invoiced, including period when services were rendered



Understanding the processes you will be going through: Invoicing process at HHS



Understanding the processes you will be going through: Common problems organizations have when invoicing

- One or more of the required invoice elements is missing
- The amount invoiced exceeds the value of the purchase order
 - It is important for providers to know the value of their purchase order, the total amount that has been invoiced, and what the remaining balance is
- The goods and services being invoiced were not supplied or were not fully supplied to DHHS
- Backup documentation was not submitted or is incomplete
- Backup documentation does not support the amount invoiced
- Amount invoiced includes costs that are not allowed by the contract
- Amount invoiced in each category of a cost reimbursement contract does not match the contract budget
- Amount invoiced includes a period outside of the contract period
 - This happens most often when there are delays in getting contracts executed
 - Remember that services cannot start until you receive official notice to proceed



Understanding your organization: How does your budget tie to your proposed scope?



- You should be able to justify your costs in terms of your scope
 - Personnel costs
 - Operating expenditures
 - Capital purchases
- DHHS has policies around what we will pay for and what we won't (see the Allowable Cost Policy in your handouts)
 - Example: training directly related to your scope of services can be in your budget, but general training costs should be in your indirect rate
 - Example: as a 501(c)(3), we will not reimburse you for MD sales tax
- Don't forget indirect costs
 - DHHS will help you set an indirect rate up to 15%
 - See the example budget in your handouts



Understanding your organization: Can you sustain what you propose?



- You must understand what your organization needs
 - We cannot negotiate for you – you are responsible for making sure you can live with the contract terms
 - You must operate as a business – you are responsible for your organization’s financial health
 - You can and should include indirect costs
- Develop a broad range of funding sources
- Be aware of long-term issues you must plan for
 - Example: inflationary adjustments are subject to the budgeting process and can be unpredictable year to year
- Think beyond finances – you must sustain many things such as staff and facilities



Understanding your organization:

Will you be able to justify your expenses and meet the burden of proof we will expect?



- Expenditures should make sense in terms of your scope
- You should have proof of all expenditures
 - Timesheets for staff members
 - Receipts or invoices for purchases
 - Gift card receipts and distribution logs
 - Subcontractor agreements
 - Proof of payment for things like rent that may not have an invoice
- Your client records should be clean and should support both your invoicing and programmatic reports
- Note that your contract may not require you to submit this much detail to us every month, but you should have all of this just as a good business practice



Understanding your organization: Can you meet our expectations for transparency and accountability?



- Records should be organized and readily available
- Reports and invoices should be submitted on time
- General good business practices should be in place
 - Separation of duties
 - Closer scrutiny for higher-risk items such as cash, gift cards, and general inventory
 - Regular audits of financial statements
- Business policies should be written and shared with all staff, such as HR policies, fiscal policies, etc.

Note that if we get audited or receive a subpoena, your records often are discoverable.



Conclusion and Wrap-Up

- We invest heavily in the nonprofit sector
 - We have an interest in you staying in business and continuing to provide services
 - We have accountability and transparency constraints that we must adhere to that get passed on to you
- It is possible to have a smooth experience with us if you understand how to be a good partner to a public entity
- Questions?

