

March 14, 2019

TO: Selected State Directors\*  
\*Alabama, Arkansas, Illinois, Kentucky,  
Louisiana, Mississippi, Missouri, and Tennessee  
Rural Development

ATTN: Selected Business Program Directors

FROM: Bette B. Brand /s/ **Bette B. Brand**  
Administrator  
Rural Business-Cooperative Service

SUBJECT: Clarifying Requirements Under Delta Health Care Services Program

The purpose of this unnumbered letter is to provide additional guidance and reminders on various processing and servicing items related to the Delta Health Care Services (DHCS) program.

This letter addresses three areas of concern where additional guidance and reminders are needed.

### **General Processing and Servicing Reminders**

DHCS project activities must be monitored in accordance with 2 CFR§ 200.327, 200.328, and 200.329 to assure compliance with applicable Federal laws, regulations and policies and to ensure performance expectations are being achieved. Monitoring a grant recipient requires collecting information, analyzing the information, taking appropriate action, and documenting actions taken. Monitoring responsibilities continue for as long as the Agency retains an interest in the project.

Monitoring techniques include, but are not limited to, assessing project status, conducting site visits, and reviewing required reports. The approved work plan and budget contains a timeline that identifies tasks, deliverables, responsible parties, and cost breakouts that can serve as a checklist against which the grant recipient should be monitored. To determine how well

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FILING INSTRUCTIONS:  
Community/Business Programs

objectives are being met, financial and performance reports should be compared to the approved work plan and budget. Any identified issues should be discussed with the recipient within 30 calendar days. Agency staff are not required to conduct site visits on DHCS projects. (See 2 CFR § 215.51(g)). However, site visits are a valuable monitoring tool that should be considered once an analysis of project risks and Agency resources is completed. Site visits are advisable when warranted by project needs, requested by the recipient, or to provide technical assistance.

Performance reports must be reviewed to determine if the recipient is meeting the objectives and completing the tasks in the approved work plan as described. If you notice that the recipient is not performing as expected, you must immediately contact the organization and discuss any deficiencies, assess whether the work plan needs to be revised, and identify a corrective action plan to give the recipient an opportunity to achieve the project objectives.

Financial reports must be reviewed to determine if the recipient is expending funds based on its approved budget. You should pay attention to the amounts in the budget categories and the rate of spending. The recipient does have flexibility to move funds among existing budget categories (up to \$250,000), but it cannot add new categories or adjust the amounts identified for participant support costs without obtaining prior approval from the Agency. You must also confirm that the indirect cost rate being used matches the organization's negotiated indirect cost rate agreement (NICRA) or the de minimis rate if no NICRA exists and that the base to which the indirect cost rate is applied is correct. Finally, you must confirm that the expenditures, cash balance, unliquidated obligations, recipient share, and other information on the form are correct. If you notice errors or have questions, you should contact the recipient to discuss any deficiencies, assess whether the form needs to be revised, and assess whether a budget modification is appropriate.

DHCS grant recipients must use Form SF-270 "Request for Advance or Reimbursement" to request payment by advance or reimbursement. Recipients are entitled to request payment by advance as long as they meet the conditions identified in 2 CFR § 200.305b(1). When a payment request is received, confirm that the amount requested is appropriate, given the recipient's performance and work plan. Back-up documentation supporting the request should be provided when the request is for reimbursement. If advance payments are made, the supporting documentation should be provided within 30 calendar days once the work for which the payments were made has been completed. Back-up documentation includes payroll information (e.g. hours worked), deliverables (e.g. reports, presentations), cancelled checks, bank statements, and invoices from contractors.

If a payment request cannot be approved as submitted because it includes incorrect information, insufficient supporting documentation, or questioned costs, the recipient should be notified in writing within 30 calendar days of receipt of the payment request. The deficiencies should be identified, and the recipient should be instructed to resubmit the corrected reports in a timely manner. If the recipient is unable to provide sufficient documentation to support some or all its costs, the costs for which sufficient documentation is not provided should be disallowed. A letter

should be sent to the recipient notifying them of the amount of disallowed costs and the reason for disallowance. If the recipient subsequently provides sufficient documentation, the previously disallowed costs can be considered allowable.

Two additional reminders are provided regarding the use of DHCS funds for equipment or construction. Projects that acquire equipment, in whole or in part, using DHCS funds must maintain records that include a description of the property and a serial number or other identification number. The property description and serial number should be recorded in the Financial Assistance Agreement of the recipient. See 2 CFR 200.313 for additional requirements associated with purchasing equipment. The recipient must also provide a status report on any real property in which the Agency retains an interest, in accordance with 2 CFR § 200.329. Additionally, if a project uses DHCS funds for construction, a “Notice of Federal Interest” must be filed on the property. The “Notice of Federal Interest” form is filed in lieu of completing a Universal Commercial Code filing. The “Notice of Federal Interest” form is available on the DHCS SharePoint site located at [https://usdagcc.sharepoint.com/sites/rd\\_bp/cp/gap/dhc/SitePages/Home.aspx](https://usdagcc.sharepoint.com/sites/rd_bp/cp/gap/dhc/SitePages/Home.aspx).

## **GLS Reminders**

### Performance Measures

Annual performance measures have been established for DHCS to evaluate the impact and outcome of the program. Number of businesses assisted, number of jobs created, number of jobs saved, and number of individuals assisted/trained are the key performance measures used to capture the economic development impacts of the DHCS program. The performance measures are reported to Congress, the Office of Management and Budget, and the public so it is essential that the data being reported is accurate, consistent, and verifiable.

For DHCS, grantees will estimate and report performance measures for their project and provide it to the Agency in their application for assistance. The performance measures provided should be recorded in GLS before funds are obligated and verified annually thereafter for the term of the award. The performance measurements received in the final performance report should be inputted into GLS as the final numbers.

### Servicing Actions

Servicing actions are used to document monitoring activities routinely performed for the DHCS program. Some servicing actions pertain to the grant while others relate to the associated project or facility. A set of routine servicing actions should be established in GLS for all DHCS grants once the Financial Assistance Agreement has been signed. The GLS User Guide for Business Programs provides detailed instructions on initiating the setup of routine servicing action for a project. The User Guide is located at [https://gls.sc.egov.usda.gov/rbs\\_index.asp](https://gls.sc.egov.usda.gov/rbs_index.asp). All servicing actions must be documented in GLS within a timely fashion. As a best practice, once a servicing action has been completed, it should be documented in GLS within 3 days of occurrence.

## **Civil Rights Compliance Reviews**

Compliance reviews are audits of the practices of recipients in providing nondiscriminatory services or benefits to a beneficiary, applicant or participant. Rural Development, through pre-award and post-award compliance reviews, is responsible for ensuring recipients of Federal funding adhere to nondiscrimination laws and Executive Orders. Compliance reviews are required for all DHCS grant awards and must be documented on Form 400-8 "Compliance Review." An initial compliance review should be conducted by the Agency prior to funds being obligated, time permitting. If the compliance review is not conducted prior to funds being obligated, it should be completed at the next earliest available opportunity. Grants will require one subsequent compliance review following project completion. This should occur after the last disbursement of grant funds has been made.

The maintenance of race, sex, and national origin (RSNO) data of the recipient is an essential component to evaluating participation in all Rural Development programs. Additionally, the recipient under Title VI and Section 504 is responsible for the collection and maintenance of race, sex, national origin, and disability (RSNOD) data of its membership/ownership, boards, and employees. Data pertaining to Limited English Proficiency will also be collected. This information must be available to conduct compliance reviews in accordance with 7 CFR 1901.204. Furthermore, the recipient is responsible for ensuring equal access to its facilities for persons with disabilities, which includes auxiliary aids and a self-evaluation plan.

If you have any questions regarding the information in this unnumbered letter, please contact Melinda Martin at (202) 720-0054.