

Behavioral Health Services Flexible Funds Usage Policy

10/1/2014

Flexible Funds are intended to be driven by client need and support client achievement of identified plan and treatment goals. Not all clients may require or receive flexible funding. Contractors shall apply the following guidelines for flexible fund usage and report usage monthly to the COR utilizing the Monthly Flexible Funds Report. Contractors shall demonstrate that they have appropriate controls in place to manage flexible funds that include written and applied systems and processes.

1. Flexible Funds budget item shall be negotiated and approved by the COR annually. Flexible funds will be a restricted item on the budgets. Contractors will not be allowed to exceed the restricted line item amount by more than \$1,000 without prior written approval from the COR via an administrative adjustment.
2. **Flexible funds are monies of last resort.** Solutions such as the person's/family's personal resources, donations, low-cost or no-cost community service programs, etc., should always be explored first to meet the client needs.
3. Contractor shall use flexible funds reasonably and cautiously based on client needs to support the client plan goals on an individual basis. There shall be a direct and clear correlation to the service plan and client outcomes for flexible fund usage. Flexible funds shall be utilized when no other funds are available and the need is identified in the client record (e.g., progress note or service plan). Flexible funds shall only be used to purchase items for needs and expenses as supported in the client record. Flexible funds shall not be used for tobacco, lottery tickets, or alcohol. Reasonable tips or gratuities are allowable but must be itemized on the receipt.
4. Contractor shall use discretion when dealing with flexible funds, and provide a clear justification for each expense. All expenditures must be reasonable and are subject to County/COR approval.
5. Contractor shall be responsible for maintaining a copy of all funding requests and authorization of purchases. Contractor shall obtain and keep itemized receipts for all expenditures.
6. Contractor shall pay flexible funds directly to vendors and shall not dispense funds directly to clients, except where a small amount of cash (e.g., \$20) may be given to client in emergency or special need situations when clinically appropriate and consistent with established provider policies (an example would be emergency food for the weekend or a supply of quarters to use for doing laundry when payment for such is otherwise not possible). Clients shall provide itemized receipts for items purchased with emergency cash whenever possible. Note that provision of cash to a client is only allowable after all other reasonable options have been exhausted and justification for such shall be entered into the log and Monthly Flexible Funds Report.
7. All flexible fund expenses exceeding the limits indicated below shall require COR (or designee) written pre-approval. In addition, Contractors shall discuss all unusual or non-customary purchase requests, including those items under the limits indicated below, with the COR in advance to avoid disallowance of the expense after it has been purchased.

- a. **For Children, Youth and Family programs:**
 - i. There is a flexible fund maximum of \$250 per fiscal year per client/family. Contractors are required to track this cap per family. Exceeding \$250 per fiscal year per client/family requires COR and County Program Manager written pre-approval.
 - ii. For Wraparound designated contracts there is a flexible fund maximum of \$500.00 per fiscal year per client/family. Exceeding \$500 per fiscal year per client/family requires COR and County Program Manager written pre-approval. Contractors are required to track flexible funds per family.
 - iii. Rental payments require the pre-approval of County/COR and shall not exceed more than one month. It must be demonstrated that the family can sustain future rental payments.
 - b. **For Adult and Older Adult programs**, there is a maximum of \$1200 per fiscal year per client, except (1) food for indigent clients, and (2) housing rental subsidies. There is a maximum of \$2,400 per fiscal year per client for food subsidies. There is a maximum of \$3,600 per fiscal year per client for housing subsidies paid from the flexible fund. Contractors are required to track these caps per client, and to have made every effort to help the client access any benefits (e.g., CalFresh, General Relief) that could be used for such needs.
8. Contractor shall report all flexible fund expenditures on a monthly basis on the Monthly Flexible Funds report and COR will provide feedback if issues are identified. The Monthly Flexible Funds Report is to be submitted with the monthly reimbursement claim. All fields shall be completed which include date of purchase, item/description, rationale, and cost. Items exceeding the limits described above will include date of COR written pre-approval, and a copy of the approval must be included with the claim.
 9. Contractor Oversight/Monitoring. Contractor shall have adequate internal controls and procedures in place to mitigate misappropriation of flexible funds. At a minimum:
 - a. Item purchases shall be supported by itemized receipts and follow the Contractor's internal purchase policies.
 - b. Disbursement of items purchased with flexible funds shall be accounted for by tracking logs which indicate at a minimum: Name of the recipient, Amount of item, Date disbursed, Signature of Contractor employee authorizing the disbursement and signature of client receiving the disbursement. In the rare occasion that client is not able to sign, a supervisor counter-signature is required. Contractor shall ensure that client is not able to see other client names on the disbursement log. Low-cost items purchased in bulk (e.g., toiletries, undergarments, linens, etc.) should be reported on form. Distribution of low-cost bulk purchased items do not have to be reported on form.
 - c. Contractors shall be prepared to provide back-up documentation for expenses on monthly invoices. Purchase receipts (itemized), tracking logs, COR pre-approvals, and internal policies shall be retained and made available for COR review and inspection at any time.
 - d. Contractors shall monitor all flexible fund requests and discuss all unusual or non-customary purchase requests with the COR. All flexible fund expenditures will be evaluated on a monthly basis by the COR, for possible excessiveness or inappropriate

use of flexible funds, including those items under the limits specified herein to avoid disallowances of the expense after it has been purchased.

10. Misappropriation - In the event Contractor discovers suspected or potential misappropriation of Flexible Funds, Contractor shall contact assigned COR, HHS Compliance Office, and HHS Agency Contract Support within two (2) hours of the discovery.

Items purchased using flexible funds that fall outside of these guidelines shall disallowed by the COR.

Managing flexible funds calls for partnership between contractor's direct service staff and fiscal staff that are often not present during "normal" service delivery. Therefore, it is critical that Contractor be able to track and account for the flexible funds used and to have clear communications between direct service staff, office management staff and the fiscal department.