



## Implementing and Monitoring Financial Management Services in Consumer-Directed Programs

National Resource Center for  
Participant-Directed Services  
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## Financial Management Services

Can be defined as:

*A service/function that assists the family or participant to: (a) manage and direct the distribution of funds contained in the participant-directed budget; (b) facilitate the employment of staff by the family or participant by performing as the participant's agent such employer responsibilities as processing payroll, withholding and filing federal, state, and local taxes, and making tax payments to appropriate tax authorities; and (c) performing fiscal accounting and making expenditure reports to the participant and/or family and state authorities.*



## Different Models, Different Duties

- Models of Financial Management Services include:
  - **Agency with Choice** (co-employment of workers; employment shared between an agency and a participant)
  - **Fiscal/Employer Agent** (participant is common law employer of workers and agent manages payroll and other duties)



## Which FMS Model is Right for your Program?

- Getting the right model of Financial Management Services is a critical first step
- In many ways, these models of Financial Management Services support participants similarly
  - Each model pays participants' workers and other goods/services invoices and manages the tax, insurance and administrative requirements
- However, the models' differences support different program goals
- Page 4 describes the different models
- See page 6 for some questions to start your thinking on which FMS model is right for your program



## “Measure” Twice, “Cut” Once

- It is costly, time consuming and burdensome for participants, workers, state administrators, counselors, vendors and families to work with a poorly performing FMS provider.
- It can be even more costly, time consuming and burdensome for all involved to STOP using an active FMS provider and transfer to a new FMS provider .



## State Tax Agencies

- Working with state tax agencies (State Department of Labor, Department of Revenue or equivalent) before implementing a participant directed program is prudent
- Usually, participant direction programs are different than most employer/employee relationships with which state tax agencies are familiar



## What Do You Need from your FMS Provider?

- Not only will the FMS provider need to perform important tasks to manage participant spending in accordance with budgets, pay workers and manage all employer-related duties
- But, your program may require the FMS to take on other duties
- And, the FMS does not operate in isolation. It's important to ensure that program administration, the FMS provider and other program entities are prepared to effectively collaborate



## Develop an RFP or a Procurement Plan

- Be clear on everything you need from the FMS provider before beginning the procurement process
  - Perform *basic* duties of the FMS function per the chosen FMS model (see pages 29-36 of handout)
  - Determine what *else* you need from the FMS provider
  - Decide your program business rules
  - Determine how you will monitor and measure FMS performance



## What *Else* Does the Program Need from the FMS Provider?

- See Page 19 of your handout
- Insurance and bond requirements
- Ability to advance funds
- Ability to rapidly scale operations
- Physical presence in service area
- Specific data and information exchange requirements
- Customer service requirements



## Decide on Program Business Rules Upfront

- The name of this game is flexibility, but it's good to have some structure
  - See page 21 of your handout
    - Who can be an employee?
    - What services are employee only? What services can be performed by a contractor?
    - Are there any qualifications for paid workers?
    - Any service parameters?
    - Rules for how budgets funds can be spent? Saved?
    - Who can the FMS talk to?
    - What customer service requirements will you have for the FMS?



## Cut Once: The Contract with the FMS Provider

- Clearly identify all tasks, roles and responsibilities required of the FMS provider
  - Set expectations in agreement/contract, including performance metrics, where appropriate
- Address or clarify any gaps in federal or state requirements
- Develop agreement/contract to be used as standards in review, audit, certification



## Performance Metrics

- See handout of sample performance metrics
- In development of performance metrics, remember trade-offs
  - Develop an evaluation plan
  - Perfection might be possible, but at what cost?
  - What must be in place for a program to be successful?



## Operational Program, Operational Monitoring: Programmatic and Financial Review

- Stay close to the program and identify potential problems before they become big, expensive, time consuming, frustrating problems
  - Less laborious, regular monitoring allows you to identify and solve potential problems
    - Contrast to less frequent, more intense audit
- Four **Rs**: **R**equire & **R**eview **R**egular **R**eports



## Seek Red Flags Early and Often



### ■ Reports to Require and Review

(these reports will differ based on FMS model)

- ❑ Bank Statements from FMS' Dedicated Program Bank Account (Monthly)
- ❑ IRS Form 941 for Program and Proof of Submission to IRS (Quarterly)
- ❑ Proof of FUTA Deposit (Quarterly)
- ❑ Summary of State Withholding and Unemployment Tax Payments (Quarterly)
- ❑ Report of Stakeholder Complaints and Grievances (Quarterly)



## Seek Red Flags Early and Often



### ■ Reports to Require and Review

- ❑ Total Budgeted/Allocated Funds for All Participants in Program (Quarterly)\*
- ❑ Total Spent Funds for All Participants in Program (Quarterly)\*

### ■ Compare and Identify Discrepancies

- ❑ Compare Bank Statements to:
  - IRS Reports
  - MMIS Billing Submissions



## Dig Deep Regularly, but Infrequently

- Audit\*, Performance Review, Recertification
  - External auditor or subject matter expert
  - Objective and measurable evaluation plan
  - Confidence level, confidence interval, sample size
  - Collect samples of real data, forms, payments, call logs, file folders, correspondence, tax notices
  - Compare to requirements set forth in contract/agreement and state and federal rules and regulations

\*An Agreed-Upon Procedure Review rather than a GAAP audit usually is the most efficient and effective in PD.



## Intervention

- Regular review, regular intervention
  - Short feedback loops
  - Clarify expectations
  - Collaborative corrective action plan
  - Agree on deliverables and timeline
  - Define 'failure'
  - Develop back-up plan



## Independent Satisfaction Surveys

- Development of effective survey instruments is difficult
- Participant Surveys
  - Reliability of independence
- Counselor Surveys
- Corrective Action Plan



## More Resources

- Mollie Murphy is available to provide one on one Technical Assistance on Financial Management Services
  - Tuesday, 11:15 AM – 12:30 PM, Wright Room
  - Tuesday, 2:30 PM – 3:45 PM, Wright Room
- Complete the “Additional FMS Resources” document and hand it in to me
  - I will email to you the resources you selected
- Contact by phone or email for additional Technical Assistance
  - Mollie Murphy
  - 617-953-3914
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## Thank You

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