

# Presentation to the 2025 Health and Human Services Joint Appropriations Subcommittee

## Business and Financial Services Division



DEPARTMENT OF  
**PUBLIC HEALTH &  
HUMAN SERVICES**

Greg Gianforte, Governor | Charlie Brereton, Director

# Overview

*Corinne Kyler, Division Administrator*



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# Division Overview

- The Business and Financial Services Division (BFSD) oversees essential functions for the entire department, including professional accounting and operational support services, which are vital for delivering timely, affordable, and effective health and human services. BFSD's centralized services enable branches, divisions, and programs to reduce costs while effectively addressing the diverse needs of Montana's most vulnerable citizens.
- BFSD consists of 56 dedicated positions budgeted (PBs) and three modified PBs.
- BFSD comprises two bureaus and a small team of business analysts who support the department's overarching goals and objectives.

# Summary of Major Functions

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# Fiscal Operations Bureau

## Cash Management

- Provides cash management, Federal Financial Reporting (FFR), and grant management services for over 230 federal funding sources and more than 100 state special revenue funds each year.
- Completes financial schedules and reconciliations and provides data to the Department of Administration (DOA) in accordance with the Cash Management Improvement Act (CMIA).

# Fiscal Operations Bureau

## Facility Reimbursement

- This unit handles medical billing for five of the seven state-owned facilities within the department.
- Financial investigators work with clients to determine their financial needs.
- Medical billers track expenses to recover costs from insurance companies, Medicaid, Medicare, and private payers.

# Fiscal Operations Bureau

## Cost Allocation

- Assures that indirect costs are allocated to the benefiting programs as required by the Public Assistance Cost Allocation Plan (PACAP).
- Creates accounting structures for all funding sources within the department.
- Maintains SABHRS security for all employees within DPHHS.
- During SFY 2024, over \$183 million in administrative costs ran through the departments cost pools.
- Administers the Random Moment Time Study (RMTS) for CFSD and HCSD.

# Support Services Bureau

## Accounts Payable/Accounts Receivable

- Accounts Payable:
  - Processed payments for over 800,000 vendors and employees in SFY 2024. Of these payments, over 100,000 vouchers were created for businesses alone.
  - Maintains guidance, transparency, and reconciliation of department-wide payment processes while adhering to fraud prevention measures.
- Accounts Receivable:
  - Over \$285 million was collected through the Accounts Receivable Office in SFY 2024.
  - Tax offsets, over-issuance, and any other incurred offsetting debts.
  - Provides support to workers with disabilities and medically needy clients for spend down payments.



# Support Services Bureau

## Office of Procurement and Contracts

- Provided oversight for more than 15,000 purchase orders that do not fall within the competitive process of procurement, totaling \$23 million in SFY 24.
- Holds delegation authority for contracts valued at under \$200,000.
- Provided oversight and execution of close to 1,500 contracts and contract amendments in SFY 2024. The department has roughly 4,000 active contracts.
- Implemented business process improvements and training to improve timeliness of contract execution.

# Support Services Bureau

## Internal Support Services

- This office oversees lease management, records retention, and provides centralized mailroom functions for the department.
- DPHHS has an internal surplus property management unit located within this office, where surplus property is maintained and managed.

# BFSD Administrator Office

- Federal Funding Accountability and Transparency Act (FFATA)
- PACAP Review, Training, and Submission
- Annual Comprehensive Financial Report (ACFR)
- Testing and reviewing internal controls while collaborating with the Internal Controls and Compliance Office to implement best practices.
- ARPA and COVID-Related Funding Tracking and Reporting
- Provide training and oversight for the fiscal year-end.

# Highlights and Accomplishments During the 2025 Biennium

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# Internal Control Enhancements

BFSD and the Internal Controls Compliance Office (ICCO) have worked diligently during the 2025 biennium to ensure financial compliance and strengthen controls in the following areas:

- Cash Management
- Subrecipient Monitoring
- Strengthening Adherence to Contract Processes

# Contracting Business Process Improvements

BFSD, in conjunction with the State Procurement Division (SPD), has led focus groups in the past biennium to ensure that the DPHHS Office of Contracts and Procurement complies with the State of Montana's procurement rules and regulations.

This process included process mapping, stakeholder engagement, and an analysis of best practices. Enhancements have been identified through this process, and the implementation of these improvements will continue through SFY 2025.

# Implementation of Business process for Facility Management

BFSD was assigned the responsibility of developing and implementing best practices to standardize all financial and accounting processes across the seven state-owned facilities.

Processes that were implemented included:

- Payment processing in accordance with DPHHS standards for all divisions.
- Centralized Accounting and Reporting
- Contract Training
- Montana Operations Manual (MOMS): Guidelines and Policy Development

# Cost Allocation and Indirect Costs

*Corinne Kyler, BFSD Division Administrator*

*Kim Aiken, Chief Financial and Operating Officer*



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# Cost Allocation and PACAP

Federally-financed programs administered by state public assistance agencies are funded predominately by the Department of Health and Human Services (HHS). Requirements for the PACAP are published for the development, documentation, submission, negotiation, and approval of public assistance cost allocation plans in Subpart E of [45 CFR Part 95](#). All administrative costs (direct and indirect) are charged to Federal awards by implementing the public assistance cost allocation plan.

- DPHHS must submit a PACAP<sup>1</sup> describing how DPHHS will allocate administrative costs for approval to the Federal Department of Health & Human Services (HHS)
- A PACAP is a “narrative description of the procedures that the State agency will use in **identifying, measuring, and allocating all State agency costs** incurred in support of all Programs administered or supervised by the State agency

# Cost Allocation (cont.)

The PACAP does the following things:

- **Outlines** the organization and key activities of the entire agency
- **Describes** all administrative costs incurred by DPHHS
- **Identifies** Programs and funding sources administered by DPHHS
- **Explains** methodologies for allocating administrative costs to funding sources

# Cost Allocation Administrative Cost Pools

A cost pool accumulates administrative costs associated with a specific function or program



# Indirect Cost

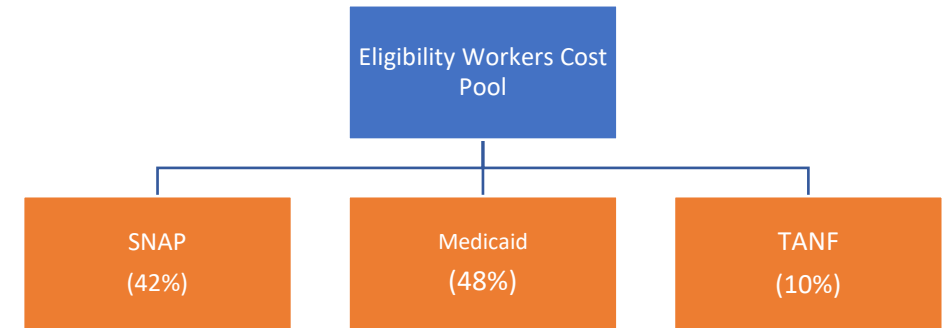
## What is an Indirect Cost/Indirect Fund

### What are Indirect Costs?

- Indirect costs are attributable to multiple state or federal funding sources at a variable rate (i.e., not fixed or static)
- Indirect costs benefit multiple programs: i.e., the function of the staff or contract might benefit Medicaid and TANF and SNAP, etc.
  - Example of an indirect cost: Eligibility workers determine eligibility for multiple programs

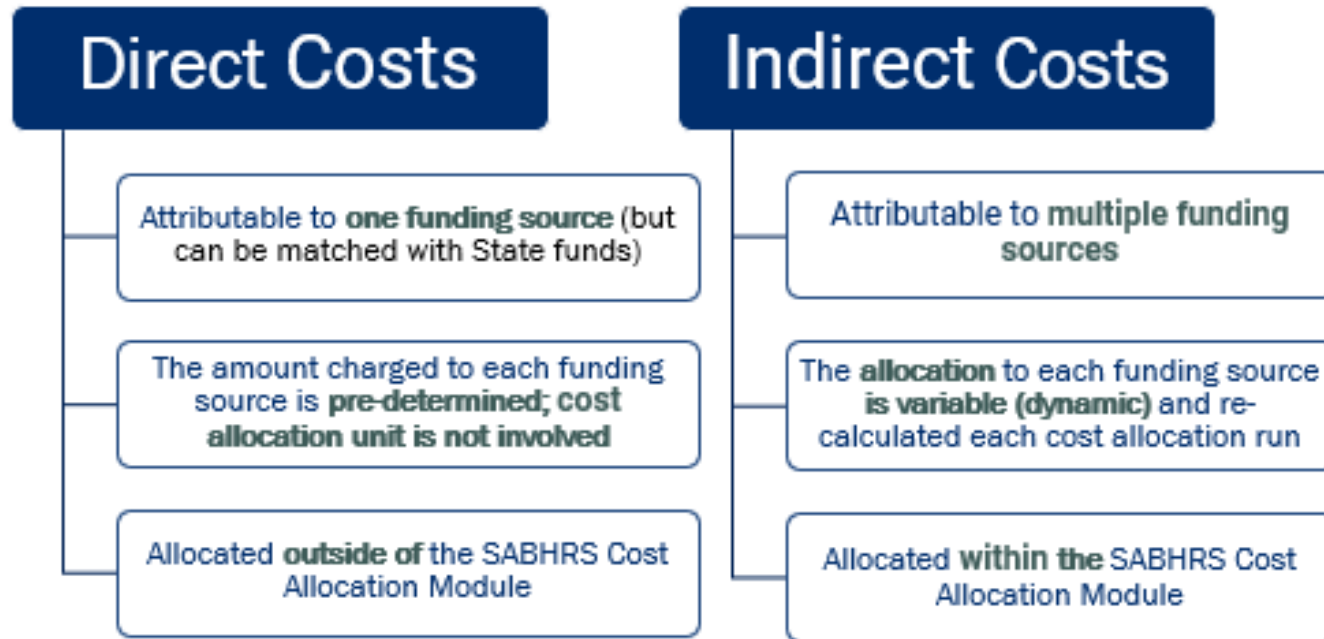
### How are Indirect Costs allocated?

- Indirect costs are accumulated into cost pools each quarter. At the end of the quarter the cost pools are allocated.
- Indirect costs are allocated based on a methodology (select examples described in later slides)



Each cost allocation run the percent allocation is re-determined based on the eligibility workers' time recorded

# Indirect Cost vs Direct Cost



Direct costs are recorded in Direct funds and do not run through cost allocation:

- 03580 Medicaid Admin
- 03530 Title IV-E
- 03109 TANF

Indirect costs are recorded in Indirect funds and run through cost allocation:

- 03382 03 Indirect Activity Program 02
- 03598 03 Indirect Activity Program 09

# Allocation by Division

Sum of Amount	SFYpostedYR			
Pool_Division	2022	2023	2024	Grand Total
01	\$ 881,077	\$ 771,671	\$ 909,189	\$ 2,561,937
02	\$ 29,514,750	\$ 35,161,096	\$ 37,688,195	\$ 102,364,040
03	\$ 33,801,958	\$ 38,957,806	\$ 39,374,985	\$ 112,134,750
04	\$ 9,795,299	\$ 8,825,977	\$ 12,357,231	\$ 30,978,506
06	\$ 13,350,584	\$ 14,693,453	\$ 14,287,528	\$ 42,331,566
07	\$ 1,775,314	\$ 1,670,024	\$ 1,813,212	\$ 5,258,550
08	\$ 2,260,969	\$ 2,518,511	\$ 2,381,561	\$ 7,161,041
09	\$ 73,164,013	\$ 72,339,958	\$ 65,666,564	\$ 211,170,535
10	\$ 3,492,045	\$ 2,721,013	\$ 2,761,463	\$ 8,974,521
11	\$ 465,336	\$ 507,829	\$ 643,737	\$ 1,616,902
12	\$ 5,080,618	\$ 2,635,026	\$ 3,635,936	\$ 11,351,580
16	\$ 917,888	\$ 933,935	\$ 1,400,150	\$ 3,251,973
25	\$ 1,689,345	\$ 1,524,956	\$ 1,503,757	\$ 4,718,058
33	\$ 96,429	\$ 106,128	\$ 413,516	\$ 616,074
<b>Grand Total</b>	<b>\$ 176,285,626</b>	<b>\$ 183,367,384</b>	<b>\$ 184,837,024</b>	<b>\$ 544,490,033</b>

## Allocation Results Examples:

- 02 - Eligibility Assistance – allocated through Random Moment Time Study
- 03 - Social Workers – allocated through Random Moment Time Study
- 06 – BFSD – Department-wide fixed costs, general ledger accounting
- 09 - Technology Services – various allocation methodologies, computer count, eligibility runs, claims payments

# Contracting

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*Kim Aiken, Chief Financial and Operating Officer*



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# Contracting – DOA vs Agency

## DOA RESPONSIBILITIES

- Ensure all entities comply with the Montana Procurement Act
- Issue policies and procedures for contracting
- Drive statewide sourcing for enterprise contracts
- Create statewide contract templates
- Conduct compliance reviews
- Lead all procurement actions above the \$200K threshold
- Lead all sole source actions for the enterprise and approves sole source contracts above \$200K
- Issue and manage delegated agreements
- Provide technical assistance and training to agencies on all contracts and contracting actions
- Manage the statewide vendor system
- Oversee all evaluation committees, ensure fairness, transparency, and compliance with all laws
- Document retention
- Manage protests and litigation

## AGENCY RESPONSIBILITIES

- Comply with the Montana Procurement Act and the DOA Delegation Agreement
- Comply with all policies and procedures as required by DOA
- Participate in compliance reviews
- Purchase goods and services under \$200K in accordance with the procurement act
- Maintain records of all procurement actions
- Submit any contracting actions above \$200K to DOA for review and management through the procurement process
- Payment of all invoices to vendors
- Management of contracts and vendors, report any contract issues to DOA
- Submit any sole source requests to DOA for consideration
- Manage contract renewals in compliance with the law and DOA policies



# Types of Contracts

## Contractor vs Sub Recipients vs Beneficiaries

- **Recipient:** A non-federal entity that receives a federal award directly from a federal awarding agency to carry out an activity under a federal program. The term recipient does not include sub-recipients. (See 2 CFR 200.86 of the Uniform Guidance.)
- **Subrecipient:** A non-federal entity that receives a sub-award to carry out part of a federal award. The sub-award creates a federal assistance relationship with the sub-recipient. (See 2 CFR 200.93 & .330 (a) of the Uniform Guidance.)
- **Contractor:** A non-federal entity that receives a contract for the purpose of providing goods and services for the awarding non-federal entity's use. The contract creates a procurement relationship with the contractor. The Uniform Guidance replaced the term "Vendor" with "Contractor." (See 2 CFR 200.22 & .330 (b) of the Uniform Guidance.)
- **Beneficiary:** A beneficiary is traditionally an individual who is the end user of the assistance (Medicaid claims). With CRF and ARPA SLFRF – businesses, non-profits, etc., may also be beneficiaries of assistance.

# Contracts and Subrecipient Agreements

Health and Human Services Contracting					
Type of Agreement	General Fund	State Special	Federal	Total	Percent
<b>Contract</b>					
In-State	\$ 4,486,479	\$ 2,483,816	\$ 31,442,621	\$ 38,412,916	63%
Out-of-State	\$ 8,188,088	\$ 5,103,681	\$ 9,107,023	\$ 22,398,792	37%
<b>TOTAL</b>	<b>\$ 12,674,567</b>	<b>\$ 7,587,497</b>	<b>\$ 40,549,644</b>	<b>\$ 60,811,708</b>	
<b>SUBGRANT</b>					
In-State	\$ 13,305,211	\$ 11,021,991	\$ 92,605,208	\$ 116,932,410	97%
Out-of-State	\$ 77,540		\$ 3,096,043	\$ 3,173,583	3%
<b>TOTAL</b>	<b>\$ 13,382,751</b>	<b>\$ 11,021,991</b>	<b>\$ 95,701,251</b>	<b>\$ 120,105,994</b>	
<b>Health and Human Service Total</b>	<b>\$ 26,057,318</b>	<b>\$ 18,609,488</b>	<b>\$ 136,250,895</b>	<b>\$ 180,917,702</b>	
<b>Other Contracts</b>					
Information Technology	\$ 12,650,544	\$ 1,114,970	\$ 51,517,932	\$ 65,283,446	
Contracted Facility Staffing	\$ 48,589,247	\$ 2,504,524	\$ 824,856	\$ 51,918,628	

# Subrecipient Activity

In SFY 2024, DPHHS Sub-granted \$120 Million to carry out various functions of federal grants. Over half of those grants were awarded for the following federal functions:

Row Labels	Sum of Amount
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	\$ 3,942,254.85
Block Grants for Community Mental Health Services	\$ 3,206,343.43
Block Grants for Prevention and Treatment of Substance Abuse	\$ 8,073,561.80
Child Care and Development Block Grant	\$ 10,427,189.00
Community Services Block Grant	\$ 3,521,048.42
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	\$ 3,047,076.10
Foster Care Title IV-E	\$ 3,512,961.12
Immunization Cooperative Agreements	\$ 4,792,996.15
Low-Income Home Energy Assistance	\$ 9,483,380.68
Public Health Emergency Preparedness	\$ 2,768,236.00
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	\$ 2,192,468.24
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	\$ 1,648,179.81
Special Programs for the Aging, Title III, Part C, Nutrition Services	\$ 4,206,068.61
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	\$ 5,167,986.43
<b>*Data from the SFY 2024 SEFA</b>	<b>\$ 65,989,750.64</b>

*\*\*information provided is a subset of SEFA reporting and federal award only*

# Health and Human Service Contracts

## Examples of Service Contract Scope

### DETD

- Medical consultation for Disability Determination

### HCSD

- PHE Unwind

### PHSD

- Lab Testing
- Educational materials

### BHDD

- Suicide prevention
- Utilization review

### HRD

- Utilization review and prior authorization
- BCBS claims administration

### SLTC

- Utilization review and Level of care review

### ECFSD

- Innovation for childcare shortages
- WIC outreach

# Funding and PB Information

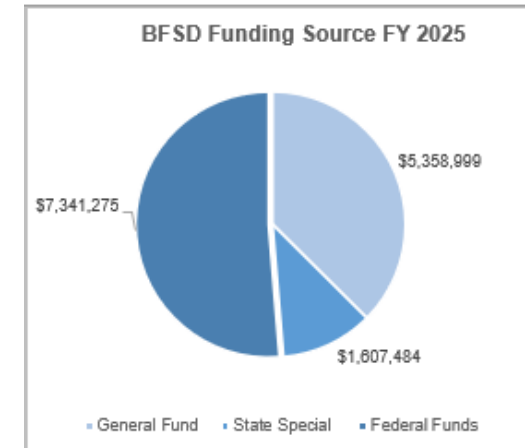
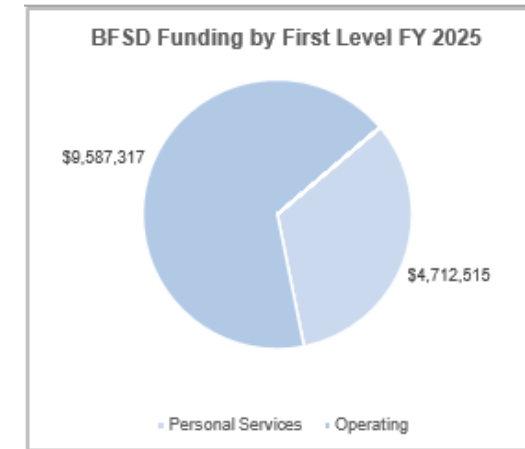
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# Funding and PB Information

BUSINESS & FINANCIAL SERVICES	FY 2025 BUDGET	FY 2026 REQUEST	FY 2027 REQUEST
PB	56	58	58
Personal Services	\$4,712,515	\$4,749,007	\$4,763,463
Operating	\$9,587,317	\$10,341,197	\$9,419,792
Equipment	\$0	\$0	\$0
Local Assistance	\$0	\$0	\$0
Grants	\$0	\$0	\$0
Benefits and Claims	\$0	\$0	\$0
Transfers	\$0	\$0	\$0
Debt Services	\$7,926	\$7,926	\$7,926
<b>TOTAL COSTS</b>	<b>\$14,307,758</b>	<b>\$15,098,130</b>	<b>\$14,191,181</b>
	FY 2025 BUDGET	FY 2026 REQUEST	FY 2027 REQUEST
General Fund	\$5,358,999	\$5,756,171	\$5,269,745
State Special Fund	\$1,607,484	\$1,641,774	\$1,600,600
Federal Fund	\$7,341,275	\$7,700,185	\$7,320,836
<b>TOTAL FUNDS</b>	<b>\$14,307,758</b>	<b>\$15,098,130</b>	<b>\$14,191,181</b>



# Change Packages



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# Change Packages – Present Law (PL) Adjustments

## SWPL 1 – Personal Services

The budget includes reductions of \$122,688 in FY 2026 and \$108,233 in FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

	General Fund	State Special	Federal Funds	Total Request
<b>FY 2026</b>	(\$67,148)	(\$10,388)	(\$45,152)	(\$122,688)
<b>FY 2027</b>	(\$61,253)	(\$9,484)	(\$37,496)	(\$108,233)
<b>Biennium Total</b>	(\$128,401)	(\$19,872)	(\$82,648)	(\$230,921)

## SWPL 2 - FIXED COSTS

The request includes \$744,159 in FY 2026 and a reduction of \$171,858 in FY 2027 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	General Fund	State Special	Federal Funds	Total Request
<b>FY 2026</b>	\$391,766	\$35,235	\$317,158	\$744,159
<b>FY 2027</b>	(\$98,248)	(\$6,542)	(\$67,068)	(\$171,858)
<b>Biennium Total</b>	\$293,518	\$28,693	\$250,090	\$572,301



# Change Packages – PL Continued

## SWPL 3 – Inflation Deflation

This change package includes reductions of \$37 in FY 2026 and \$25 in FY 2027 to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

	General Fund	State Special	Federal Funds	Total Request
<b>FY 2026</b>	(\$37)	\$0	\$0	(\$37)
<b>FY 2027</b>	(\$25)	\$0	\$0	(\$25)
<b>Biennium Total</b>	(\$62)	\$0	\$0	(\$62)

# Change Packages – New Proposals (NP) Adjustments

## NP 6001 - PROCUREMENT OFFICER - BFS

This new proposal requests to make 1.00 PB permanent for a procurement officer in the Business & Financial Services Division. The position is currently a modified position and is necessary to meet increased contract demands, support internal controls, provide training, and enforce centralized processes. This package requests \$332,477 in total funds for the biennium, including \$142,863 in general fund, \$18,585 in state special revenue, and \$171,029 of federal funds.

	General Fund	State Special	Federal Funds	Total Request
<b>FY 2026</b>	\$72,591	\$9,443	\$86,904	\$168,938
<b>FY 2027</b>	\$70,272	\$9,142	\$84,125	\$163,539
<b>Biennium Total</b>	\$142,863	\$18,585	\$171,029	\$332,477



# Conclusion

