Rural Health Transformation Program (RHTP) Funding
Compliance and Single Audit Readiness

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Agenda

1. RHTP Status & Funds Flow
2. Grants Compliance
3. Single Audit Readiness

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RHTP Status & Funds Flow

RHTP Status & Funds Flow

What Is It, and Where Are We Now?

- Authorized by the *One Big Beautiful Bill Act (P.L. 119-21)*; run by Center for Medicare and Medicaid Services' (CMS') Office of Rural Health Transformation (ORHT)
- $50 billion total, with $10 billion appropriated for each fiscal year Fiscal Year (FY) 2026–FY 2030
- All 50 states were awarded funding on December 29, 2025.
- CMS is now in project officer support, technical assistance (TA), and oversight mode

Eligible Uses

- Evidence-based chronic disease interventions
- Provider payments for approved items or services, subject to CMS conditions and anti-supplanting limits
- Consumer technology solutions for chronic disease
- Technology-enabled care delivery improvement
- Rural workforce recruitment/retention
- Health IT advancement
- Right-size care systems
- Behavioral health and SUD access
- Innovative care models
- Sustainable rural access

Source: Rural Health Transformation (RHT) Program | Medicaid

RHTP Status & Funds Flow

How the Funds Flow

- Total Annual Funding to Approved States: $10 billion
  - Baseline Funding: 50%
    - Distributed equally among approved states
  - Workload Funding: 50%
    - Rural Data
    - Application content, data metrics, and state policy

- CMS funds the state as prime recipient; states pass funds to subrecipients and contractors through requests for proposals (RFPs) and subawards
- Contractor vs. subrecipient classification determines which compliance requirements apply
- Year 2 and beyond workload funding is rescored each year on state policy actions and initiative progress. Data-driven factors stay fixed, and continued eligibility depends on performance, compliance, and required reporting
- Category caps: 10% administrative, 15% CMS-defined provider payments, 20% infrastructure. Budget changes require CMS notification; changes above the threshold, changes to restricted categories, or changes that redirect initiative funding require written approval

RHTP Status & Funds Flow

Where the Program Stands Today

- FY 2026 CMS awards to all 50 states range from $147.3M to $281.3M
- All 50 states have held CMS awards since December 29, 2025; what varies is state-level rollout
- These counts track state-level subaward and procurement activity, not CMS awards: a National Rural Health Association (NRHA) tracker (Aug 2026) counts 15 states that have issued or completed a state award opportunity and 30 states that are reviewing applications
- Prominent themes across state plans: technology, infrastructure, workforce, access, and innovative care models

Enhance Technology Infrastructure	• Prominent across state plans; state RFPs include Electronic Health Record (EHR) and cybersecurity projects • Example • Alabama – Regional IT hubs to support Electronic Health Record integration
Expand Access to Care (Telehealth & Digital Reach)	• Included in many state plans; telehealth and remote monitoring RFPs posted in some states • Example • Colorado – Invest in telehealth, mobile health tools and monitoring, equipment, and shared data
Strengthen the Healthcare Workforce	• Prominent across state plans; workforce RFPs posted in Arkansas and West Virginia • Example • Minnesota – Recruit and retain talent in rural communities

Sources: CMS RHT Program State Project Abstracts / HHS award announcement (Dec. 2025)

Methodology *(external, not CMS-derived)*: state counts are from the NRHA tracker cited above; theme prominence reflects Bipartisan Policy Center (BPC) reviews of published state plans.

RHTP Status & Funds Flow
Where We Are and What Comes Next

Through 2025

- NOFO released Sep. 15, 2025
- All 50 states awarded Dec. 29, 2025 for FY2026

Now–Aug. 2026

- Rollouts are active but uneven
- Pace varies with state budget approval and application complexity
- 407 opportunities listed as of Jul. 27, 2026, most at review or award

Fall 2026

- Subawards and contracts may be executed once budget categories are approved and restrictions lifted
- Budget Period 1 ends Oct. 30, 2026; Period 2 begins Oct. 31, 2026
- Obligate FY2026 funds by Oct. 30, 2026; spend obligated funds through Sep. 30, 2027, subject to award terms

Reporting

- Annual report due Aug. 30, 2026; quarterly report due Nov. 29, 2026
- Annual reporting drives rescoring; quarterly reporting supports CMS ORHT monitoring
- Reporting template CMS-10949 was approved by OMB Aug. 14, 2026

FY2027 and beyond

- $10 billion appropriated each fiscal year through FY2030
- Annual rescoring of policy actions and initiative progress sets the variable share; data-driven factors stay fixed

Sources: CMS RHT Program NOFO and award announcement; CMS RHTP FAQs, Part 3 - Finance (Apr. 2026); CMS RHTP compliance and oversight webinar materials; Wyoming Notice of Award; OMB control no. 0938-1498 (Aug. 14, 2026); NRHA RHTP RFP tracker

RHTP Status & Funds Flow
What Drives Next Year's Funding

1

A 23-Factor Framework

- Data-driven factors stay fixed
- Committed policy actions and initiative-based factors are rescored each year
- Rescoring runs against the NOFO matrix

2

Scores Can Rise

- Initial initiative-based scores can increase over time
- States earn the increase by completing additional checkpoints
- Each checkpoint must be documented

3

Policy Deadlines Have Teeth

- Committed policy actions are due by the end of calendar year 2027.
- Missing a deadline can reduce future scoring
- CMS separately retains authority to withhold, reduce, or recover funds based on compliance and use of funds

4

Your Reports Feed the Score

- Annual reporting drives the rescoring
- Quarterly reporting supports monitoring, technical assistance, and compliance oversight
- Subrecipient results roll up into state reports, but scoring applies to the state award

Sources: RHT Program Scoring Calculation Fact Sheet; CMS RHT Program Reporting and Rescoring Webinar (Feb. 25, 2026); RHT Program NOFO

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Grants Compliance

Compliance Considerations
Subrecipient or contractor?

Oversight question: Is the third party carrying out a portion of the award, or selling goods and services that support the recipient?

Subrecipient

Program partner and assistance relationship

- Carries out a portion of the federal award
- Performance is measured against program objectives
- Exercises programmatic judgment or eligibility decisions
- Must follow applicable federal program requirements
- Requires documented risk assessment and subrecipient monitoring

Subject to Single Audit

Contractor

Vendor and procurement relationship

- Provides goods or services for the recipient’s use
- Operates in the normal course of business and in a competitive marketplace
- Services are ancillary to implementing the federal program
- Not subject to program compliance solely due to the contract
- Managed through procurement and contract controls

Not Subject to Single Audit

Monitor’s role: Evaluate substance over title; look for a documented determination, appropriate agreement terms, and evidence that oversight matched the classification.

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Grants Compliance

Five Fiscal Guardrails

1

Award Alignment
(Award Terms and 2 CFR Part 200)

Costs must support an approved RHTP activity and comply with the state agreement, approved budget, and applicable federal requirements.

2

Cost Allowability

Costs must be necessary, reasonable, allocable, consistently treated, and adequately documented.

3

No Duplication

Organizations should prevent the same cost or service from being charged to RHTP and another payer or funding source.

4

Caps and Restrictions

Track applicable administrative, provider payment, technology, capital, and other RHTP limits using the definitions in the controlling award documents.

5

Indirect Costs

Apply the approved negotiated rate or an eligible de minimis rate to the correct base, and separately evaluate how indirect costs affect RHTP administrative limits.

Insufficient documentation and procurement deficiencies can result in questioned costs and potential repayment, even when the underlying activity supported the program.

Five Controls to Establish Before Spending

1	**Governance**	Named program, fiscal, procurement, reporting, and compliance owners.
2	**Financial Tracking**	Separate tracking by RHTP initiative, cost category, funding source, and applicable cap.
3	**Procurement**	Competition and price documentation, conflict-of-interest controls, and written justification for noncompetitive actions.
4	**Reporting and Reconciliation**	Reports supported by the general ledger, program data, management review, and retained source documentation.
5	**Monitoring and Change Control**	Documented third-party classification, subrecipient risk assessment where applicable, monitoring, and written approval for required changes.

Grants Compliance

Prepare for Reporting and Oversight

Award requirement → Responsible owner → Control activity → Supporting evidence → Management review → Report or reimbursement request

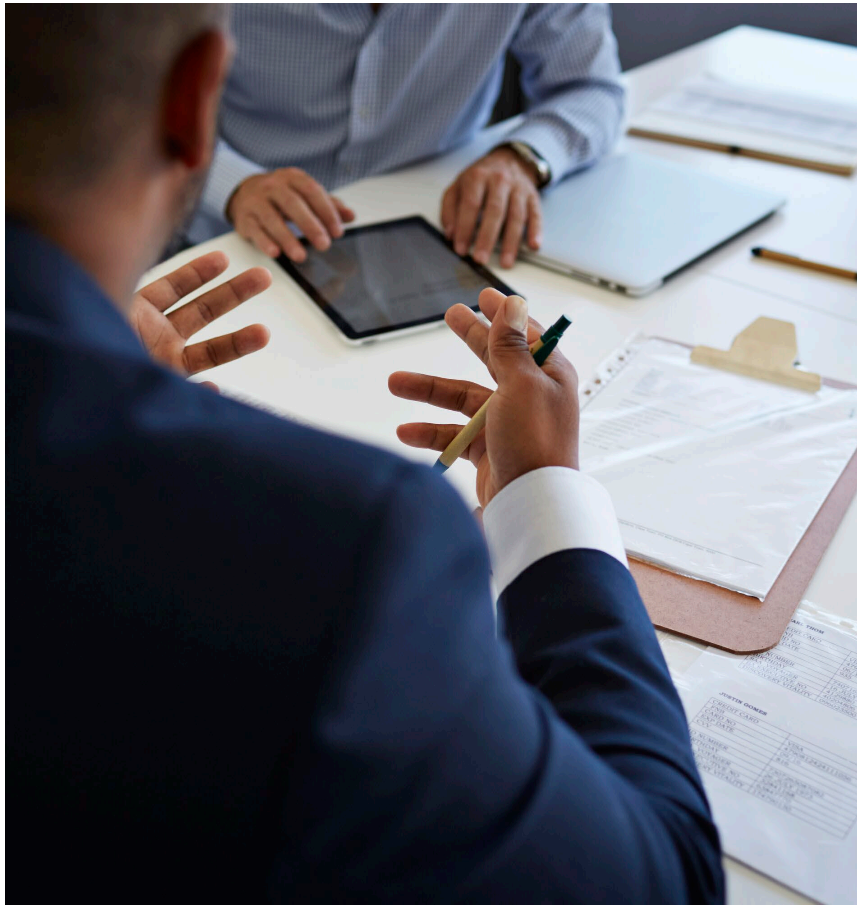
Examples

Payroll charged to RHTP	Payroll record, allocation support, approval
Procurement	Solicitation, bids or quotes, evaluation, contract, exclusion check
Program performance	Baseline, target, source data, calculation, review
Drawdown or reimbursement	General ledger detail, invoice support, reconciliation, approval

Grants Compliance

Implementation Readiness: First 30 Days

1	**Review Award and Subaward Terms**	Read award conditions, approved budget, period of performance, and cost caps before signing.
2	**Assign Governance and Accountability**	Name project, fiscal, procurement, reporting, and compliance owners plus an escalation path.
3	**Establish Grant Files**	Establish a central grant file at the outset. Retain records for the period required by the applicable award terms and federal requirements.
4	**Classify Third Parties**	Determine subrecipient versus contractor relationships and document each determination.



Grants Compliance
Implementation Readiness: First 60 Days

Financial Tracking

Implement separate tracking of RHTP costs by initiative, cost category, and cap.

Compliance Matrix

Map each award requirement to a control, owner, and evidence source under 2 CFR Part 200.

Procurement Documentation

Establish procurement files, quotes, and justification for noncompetitive actions.

SAM.gov and UEI

Verify active SAM.gov registration and UEI, and confirm vendor and subrecipient exclusion checks.

Reporting Calendars

Calendar SF-425 and progress report due dates from your award terms and state pass-through agreement.

Grants Compliance

Implementation Readiness: First 90 Days

1	**Internal Compliance Reviews**	Conduct a self-assessment against award terms and federal grants management policy.
2	**Validate Documentation**	Test that payroll, cost allocation, and drawdown support actually exists and reconciles.
3	**Reporting Readiness**	Confirm reports tie to the general ledger and carry baseline metrics, targets, and checkpoint evidence.
4	**Subrecipient Monitoring**	Assess risk, issue subaward conditions, and begin documented monitoring activities.
5	**Audit-Ready Files**	Organize SEFA support and sustainability evidence; a single audit is required when federal expenditures reach $1 million.

3

Single Audit Readiness

Single Audit Preparation
What Is a Single Audit?

- A Single Audit is an audit of federal awards conducted under the Uniform Guidance.
- Generally required when a nonfederal entity expends $1 million or more in federal awards during its fiscal year.
- Considers financial statements, internal controls, and compliance with laws and regulations surrounding the federal award.
- A Single Audit includes compliance requirements that may apply independently of financial statement materiality and evaluates compliance with the grant agreement and applicable laws and regulations.

The Schedule of Expenditures of Federal Awards (SEFA)

- The SEFA is the key report required by Uniform Guidance for entities that undergo a Single Audit.
- It is a supplemental schedule to an entity's financial statements that recaps expenditures of federal funds for the fiscal year.
- The SEFA is generally prepared using the basis of accounting used for the entity's financial statements, and reported expenditures should reconcile to supporting financial records.
- What is it for?
  - Used to determine which programs will be audited as part of the Single Audit.
  - Informs agencies that award federal assistance that their grants are included in the Single Audit.

Compliance Supplement – Example Testing Requirements

Rural Health Transformation Program (ALN 93.798)

The 2026 Compliance Supplement has not yet been issued by OMB. The compliance areas below are subject to change.

Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Period of Performance	Reporting	Subrecipient Monitoring

- The Compliance Supplement identifies what auditors are required to test for each federal program
- Can provide guidance on areas auditors may test during a Single Audit.
- It covers only what auditors are required to test, not every requirement applicable to the awardee. For example, an award may contain procurement requirements even when the auditor is not required to test them.

What Is a Single Audit Finding?

A quick recap before we review the common findings

1

What a finding is

- A finding is a deficiency or instance of noncompliance the auditor must report.
- A finding may be raised for noncompliance, an internal control deficiency, or questioned costs above the $25,000 threshold.
- It is reported as a ***material weakness***, ***significant deficiency***, or other instance of noncompliance.

2

Impact on the grantee

- A finding requires a ***written corrective action plan*** and management response.
- It can lead to questioned or disallowed costs and ***potential repayment.***
- It may end "low-risk auditee" status and invite closer monitoring.
- ***Repeat*** or serious findings can affect future funding.

3

Other considerations

- Findings are submitted to the Federal Audit Clearinghouse and are ***publicly available.***
- The awarding or pass-through agency issues a management decision on resolution.
- Prior-year findings are tracked on a summary schedule until cleared.
- Timely, well-documented corrective action is key.

Common Single Audit Findings

Activities Allowed or Unallowed – Allowable Costs/Cost Principles

- Lack of appropriate supporting documentation for payroll
- Charging unallowable costs to a grant
- Salaries exceed the Executive Level II cap
- Cost allocation issues
- Use of budgeted costs rather than actual costs

Cash Management

- Funds drawn in advance of expenditures being incurred
- Improper internal controls over compliance (management review of support before the request and/or inadequate internal policies)

Period of Performance

- Failure to identify period of performance within the grant documents
- Allocating costs to grant that were incurred outside the period of performance (questioned costs)

Procurement, Suspension, and Debarment

- Inadequate procurement policies
- Lack of documentation regarding procurement decisions
- Failure to verify that vendors and subrecipients paid with federal funds are not suspended or debarred (SAM.gov)

Common Single Audit Findings

Equipment and Real Property Management

- Failure to identify in the books and records capital assets purchased with federal funds (by funding source)
- Failure to complete required physical inventory count
- Failure to support physical inventory when performed

Matching, Level of Effort, Earmarking

- Inadequate support that the entity has met the matching requirement
- Identified expenditures must take into account both Federal share and matching requirement

Reporting

- Failure to identify required reports, resulting in reports not being filed
- Inadequate support for filed reports and/or reports that do not agree with the financial records
- Lack of management review of report

Subrecipient Monitoring

- Failure to properly monitor the activities of subrecipients
- Failure to obtain Single Audit reports of subrecipients when required and/or not following up in a timely manner on findings reported

Implementation Readiness
Key Takeaways

Documentation Is Critical

Most federal repayments stem from unsupported costs, not fraud.

Internal Controls Matter

The Single Audit tests control design and operation, not just outcomes.

Monitoring Begins Immediately

State, ORHT, and pass-through oversight begins as soon as funds move, and feeds CMS's annual rescoring.

Audit Readiness Starts on Day One

Files built during implementation are the files auditors will request.

Thank you!

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