

Contract Financial Compliance Quick Reference

Why it matters: Strong compliance supports contract retention, continued funding, audit success, provider credibility, and future funding opportunities.

AUTHORITIES & REFERENCES

Primary oversight agencies

- Behavioral Health System Baltimore, Inc. (BHSB)
- Baltimore City
- Maryland Behavioral Health Administration (BHA)
- Maryland Department of Health (MDH)
- Substance Abuse and Mental Health Services Administration (SAMHSA)
- U.S. Department of Health and Human Services (HHS)
- High Intensity Drug Trafficking Areas (HIDTA)
- Department of Justice (DOJ)

Key compliance references (follow the most restrictive rule)

- Behavioral Health System Baltimore contract
- [MDH Human Services Agreement Manual \(HSAM\)](#)
- [2 C.F.R. Part 200 \(Uniform Guidance & Audit Requirements\)](#)
- [28 C.F.R. Part 69](#) (HIDTA)
- [2 C.F.R. Part 25](#) (HIDTA)
- [45 CFR Part 75 \(HHS grant regulations\)](#)
- [SAMHSA grants management requirements](#)
- [HIPAA / 42 C.F.R. Part 2 confidentiality](#)

BEST-PRACTICE CHECKLIST (MONTHLY/QUARTERLY)

- Maintain current policies/procedures
- Train staff
- Periodic internal control reviews
- Track cost and compliance for all funding sources
- Review budget and expenditures
- Keep documentation complete and audit-ready
- Track all reporting deadlines; submit accurate, on-time reports
- Verify subvendors & contractors
- Monitor subvendors
- Escalate compliance concerns promptly to BHSB

BEST-PRACTICE CHECKLIST (CONTRACT CLOSEOUT)

- Reconcile all contract expenditures to the approved budget, ensure all costs are allowable and documented, and submit final reports by required deadlines.
- Resolve any outstanding items (invoices, subrecipient monitoring), confirm asset/disposition requirements, and retain all records for audit readiness.

FINANCIAL & OPERATIONS

Financial management

- Use grant/contract-specific accounting (segregate **ALL** costs by funding source)
- Submit invoices/requests for funds on time
- Charge only costs that are **allowable, allocable, reasonable, and necessary**
- Stay within approved budgets; request modifications when required
- Maintain support documentation by funding source (e.g., GL detail, payroll, time & effort, invoices, contracts, procurement records)

Internal controls

- Document key controls (roles/duties, approvals) and train staff
- Maintain org chart, accounting procedures, and chart of accounts
- Use standardized transaction forms; require consistent approvals
- Support journal entries with clear justification and backup
- Conflict of interest policy
- Board reviews internal controls annually

Personnel & timekeeping

- Payroll must align to actual services provided
- Document time & effort (timesheets/ Personnel Activity Reports) with employee attestation
- Individual allocations across funding sources must not exceed 1.0 FTE
- Ensure proper employee vs. contractor classification

Record retention

- Retain records for the required federal/state/city/contract periods
- Extend retention for open audits, unresolved findings, legal actions, or contract terms

Procurement & contracting of services

- Develop and follow written procurement policies; maintain competition when applicable
- Verify subcontractors/subrecipients eligibility; screen via [SAM.gov](https://sam.gov) and [Maryland business registration resources](#)
- Use written contracts (scope, deliverables, required compliance terms, payment structure)
- Monitor subcontractors/subrecipients

Equipment

- Must be approved in the budget, used solely for program purposes, and tracked in an inventory log (location, condition, and funding source)
- Follow control procedures for equipment (tagging, periodic physical inventory, and safeguarding)
- Follow disposition rules when equipment is no longer needed.

Audit & monitoring readiness

- Submit required annual audits (e.g., 440 audit or single audit, depending on thresholds)
- Be prepared for financial desk reviews: source documentation review; internal controls assessment; policy/procedure verification; subrecipient monitoring

Reporting

- Meet all financial/program reporting requirements and deadlines in the contract
- Track and report all applicable fee collections on interim and final expenditure reports
- Complete the annual/final contract reporting (e.g., 440), as applicable