



# Office Hours for ESG-CV State Recipients

December 16, 2021



# Housekeeping

The slide deck and a copy of the Chat and Q&A content will be shared with registrants within 2-3 business days

Archive of State Recipient Office Hours recording, and meeting materials located at:

<https://www.hudexchange.info/programs/esg/esg-cv/#webinars-and-office-hours>



# Presenters and Resource Advisors

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# Announcements

## New Vaccine Planning and Distribution Resources

- vaccinations for children/adolescents

<https://www.hudexchange.info/resource/6229/covid19-homeless-system-response-vaccine-planning-and-distribution/>

## New Products:

- Helping HMIS Leads Solve Complex Fund Source Problems: EHVs
- Client-Informed Data Collection Best Practices
- Introduction to Home-ARP for CoCs
- Unit Acquisition Strategies and Examples to Support Housing Development
- Allocating ESG-CV to Support Strategies to Prevent and Respond to COVID

<https://www.hudexchange.info/homelessness-assistance/diseases/>



# Agenda

- **Part I**
  - Direct vs. Indirect Costs
  - Key Terms
  - Indirect Cost Methods
  - Q&A
- **Part II**
  - How to Calculate Indirect Costs
  - Key Terms
  - Admin vs. Activity Delivery Costs
  - Q&A



# Applicability to ESG-CV

- The ESG-CV program regulations require grantees to adhere to the Uniform Administrative Requirements at 2 C.F.R. §200
- The Cost Principles at 2 C.F.R. §200.412 – 200.415 contain indirect cost requirements
- These requirements apply to:
  - Grantees
  - Subrecipients
  - Subtier Subrecipients



# Review of Direct and Indirect Costs



# Direct vs. Indirect Costs

- There is no universal rule for classifying certain costs as either direct or indirect under every accounting system
- A cost may be direct with respect to some specific service or function, but indirect with respect to the ESG-CV award
- Treat costs consistently to avoid possible double-charging of Federal awards

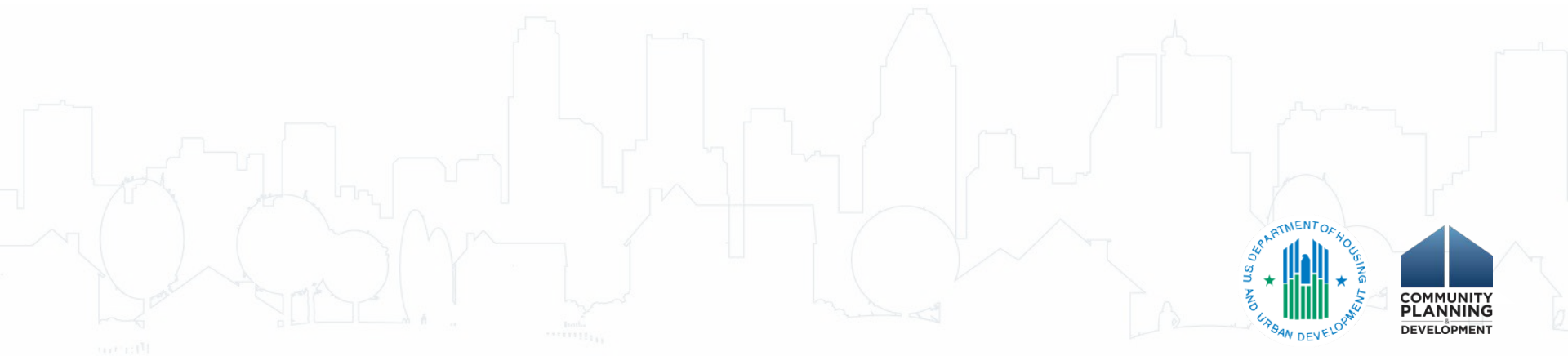




# Direct vs. Indirect Costs

## Direct Costs

Costs that can be identified specifically with a particular final cost objective



# Direct vs. Indirect Costs

## Direct Costs

Costs that can be identified specifically with a particular final cost objective



## Indirect Costs

Costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted



# Cost Objective

- A **program, function, activity, award, organizational subdivision, contract, or work unit** for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc.



# Cost Objective

<b>Program</b>	ESG-CV Funded Program
<b>Award</b>	ESG-CV Grant
<b>Contract</b>	ESG-CV Consultant Contract
<b>Contract</b>	ESG-CV Subrecipient Agreement
<b>Organizational Subdivision</b>	Community Dev. Department
<b>Work Unit</b>	Local government's grants division



# Example Direct Costs



Payroll costs incurred to administer and implement the ESG-CV award



Costs incurred by subrecipients performing services solely for the ESG-CV award



The purchase of supplies and equipment used solely for the ESG-CV award



Direct awards to eligible ESG-CV beneficiaries for eligible ESG-CV activities



# Example Indirect Costs



Rent and utility costs



Accounting and administrative staff



Computers and software



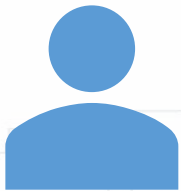
Internal auditing costs



# Direct vs. Indirect Costs

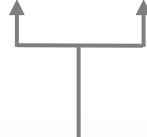
## Direct Costs

Staff Member A is fully dedicated to ESG-CV (100%)



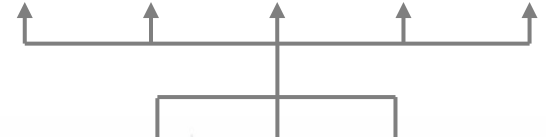
## Direct Costs

Staff Member B works on ESG-CV and another federal grant, and documents their hours spent per grant on timesheets



## Indirect Costs

The Payroll and Human Resources departments process payroll for all of the grantee or subrecipient



# Test Your Knowledge!

Example Cost	Direct or Indirect?
Payroll costs to administer the ESG-CV award	
Rent and utility costs	
Supplies used solely for the ESG-CV award	
Direct awards to eligible ESG-CV beneficiaries	
Accounting and administrative staff costs	
Computers and software	





# Test Your Knowledge!

<b>Example Cost</b>	<b>Direct or Indirect?</b>
Payroll costs to administer the ESG-CV award	<b>Direct</b>
Rent and utility costs	<b>Indirect</b>
Supplies used solely for the ESG-CV award	<b>Direct</b>
Direct awards to eligible ESG-CV beneficiaries	<b>Direct</b>
Accounting and administrative staff costs	<b>Indirect</b>
Computers and software	<b>Both!</b>



# Indirect Cost Methods



# Indirect Costs: Three Methods

OPTION 1

**10% De  
Minimis  
Rate**

OPTION 2

**Cost  
Allocation  
Plan**

OPTION 3

**Indirect  
Cost Rate**



# De Minimis Rate

- Grantees and subrecipients may elect to charge a de minimis rate of 10% of Modified Total Direct Costs (MTDC) which may be used indefinitely
- If chosen, this methodology once elected must be used consistently for all Federal awards until the grantee or subrecipient chooses to negotiate for an indirect rate
- No documentation is required to justify the 10% De Minimis rate



# Cost Allocation Plans

- Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis
- Since federally-supported awards are performed within the individual operating agencies, cost allocation plans provide these process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis



# What is a Cost Allocation Plan?

- An accounting report that calculates agency-wide indirect costs to departments, and grants that receive services from other departments
- A document that identifies and explains the distribution of allowable direct and indirect costs and declares the allocation methods used for distribution
- All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records



# Negotiated Indirect Cost Rates

- Negotiated Indirect Cost Rates are like Cost Allocation Plans, but represent the indirect costs originating in each department or agency of the governmental unit carrying out Federal awards, as opposed to central governmental services
- Can be used by government and non-profit agencies
- A separate indirect cost rate is usually necessary for each department or agency claiming indirect costs under Federal awards



# Negotiated Indirect Cost Rate Proposal

- Grantees and subrecipients wishing to claim indirect costs under federal awards must prepare an **Indirect Cost Rate Proposal** to support those costs
- The Indirect Cost Rate Proposal is used to calculate the rate (expressed as a percentage) that can be applied to a program or grant to determine the amount that can be recovered, and to justify the establishment of an Indirect Cost Rate





# Thresholds

## \$100 Million | Cost Allocation Plans

- Each local government receiving \$100 million or more in direct federal funding is required to submit a cost allocation plan to its cognizant agency for indirect costs on an annual basis

## \$35 Million | Indirect Cost Rate Proposals

- Agencies that receive \$35 million or more in direct federal funding must submit an Indirect Cost Rate Proposal to their cognizant agency for indirect costs

## \$35 Million | De Minimis

- Agencies that receive \$35 million or more in direct Federal funding may not use the 10% De Minimis Rate



# What is a Cognizant Agency?

- All negotiated rates must be approved by the grantee's cognizant agency
- A cognizant agency is the Federal agency responsible for reviewing, negotiating, and approving Cost Allocation Plans and Indirect Cost Rate Proposals
- The cognizant agency is the Federal agency that awards the most funds to the grantee
- If awards provided by HUD represent the largest amount of funds awarded by Federal agencies, grantees should submit their proposed indirect rates to their CPD Representative



# Subrecipient Agreements

- Each subrecipient agreement must include requirements and provisions for charging indirect costs, including the indirect cost rate
- Grantees should require subrecipients to first submit supporting documentation for one of the three methods prior to executing a subrecipient agreement and requesting reimbursement for indirect costs

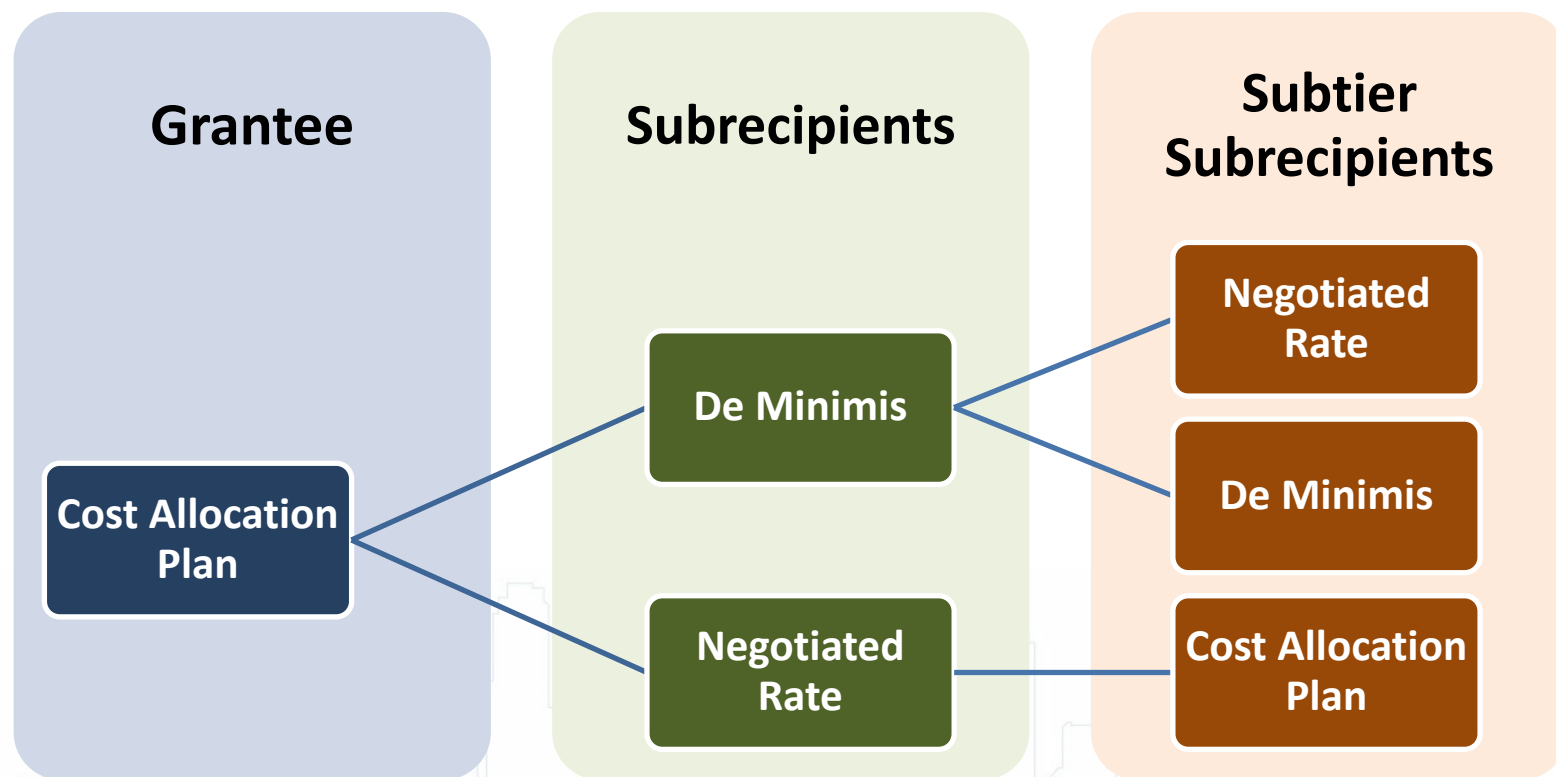


# Other Considerations

- Grantees and subrecipients able to allocate and charge 100% of their costs directly may do so
- Claiming reimbursement for indirect costs is never mandatory
- Grantees cannot require subrecipients to use one method over another or prohibit the reimbursement of indirect costs



# Multiple Tiers and Methods



# Key Take Aways!

- Are any of our subrecipients seeking reimbursement for indirect costs?
- If so, which Indirect Cost Method does each subrecipient use?
- What is each subrecipient's indirect cost rate?



# Q&A



# Calculating Indirect Costs





# Calculating Indirect Costs

- To calculate indirect costs, grantees need:



## Indirect Cost Rate

A tool for determining the proportion of indirect costs each program should bear and is the ratio (expressed as a percentage) of the indirect costs.



## Modified Total Direct Costs (MTDCs)

Also commonly referred to as MTDCs. Predetermined direct costs subject to the Indirect Cost Rate.



# Calculating Indirect Costs



# Modified Total Direct Costs

## MTDCs:

- Direct salaries, wages and fringe benefits
- Supplies and Materials
- Services
- Travel
- Up to first \$25,000 of each subaward

## Not MTDCs:

- Equipment
- Capital expenditures
- Participant support costs
- Rental costs
- Portion of each sub-award >\$25,000



# Additional Considerations

- Grantees and subrecipients using Cost Allocation Plans or Indirect Cost Rates may use a different cost base to determine their Indirect Cost Rate, and therefore, may have a different definition of MTDCs
- Therefore, it is important to analyze Indirect Cost Rates and MTDCs on a case-by-case basis



# Test Your Knowledge!

Line-Item Cost	Direct Costs	Indirect Costs	Total Budget
Staff wages and benefits	\$120,000		
Equipment	\$50,000		
Rapid Rehousing Payments	\$250,000		
Supplies and Materials	\$5,000		
Subrecipient Agreement	\$70,000		
<b>Total</b>	<b>\$485,000</b>		

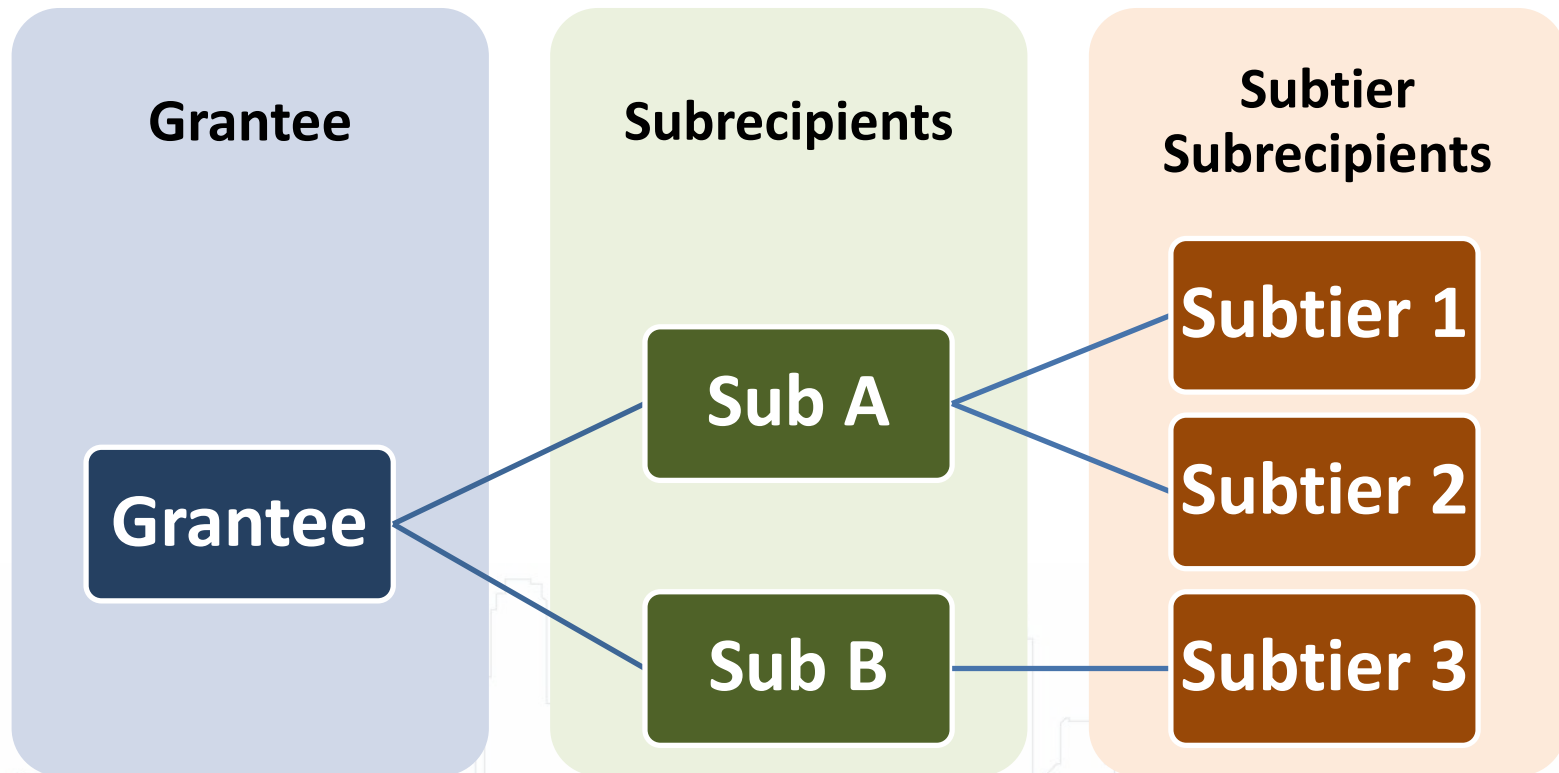


# Test Your Knowledge!

Line-Item Cost	Direct Costs	Indirect Costs	Total Budget
Staff wages and benefits	\$120,000	\$12,000	\$122,000
Equipment	\$50,000	\$0	\$50,000
Rapid Rehousing Payments	\$250,000	\$0	\$250,000
Supplies and Materials	\$5,000	\$500	\$5,500
Subrecipient Agreement	\$70,000	\$2,500	\$72,500
<b>Total</b>	<b>\$485,000</b>	<b>\$15,000</b>	<b>\$500,000</b>



# Case Study: Participant Support Costs



# Case Study: Participant Support Costs

Agency	Direct Costs	Indirect Costs	Total Budget
Grantee			
Subrecipient A			
Subtier 1: Shelter Rehab	1,000,000		
Subtier 2: Public Service	1,000,000		
Subrecipient B			
Subtier 3: Rapid Rehousing	1,000,000		
<b>Total</b>	<b>\$3,000,000</b>		





# Case Study: Participant Support Costs

Agency	Direct Costs	Indirect Costs	Total Budget
Grantee			
Subrecipient A			
Subtier 1: Shelter Rehab	1,000,000	\$100,000	<b>\$1,100,000</b>
Subtier 2: Public Service	1,000,000	\$100,000	<b>\$1,100,000</b>
Subrecipient B			
Subtier 3: Rapid Rehousing	1,000,000	\$100,000	<b>\$1,100,000</b>
<b>Total</b>	<b>\$3,000,000</b>	<b>\$300,000</b>	<b>\$3,300,000</b>



# Case Study: Participant Support Costs

Agency	Direct Costs	Indirect Costs	Total Budget
Grantee			
Subrecipient A		\$220,000	<b>\$220,000</b>
Subtier 1: Shelter Rehab	1,000,000	\$100,000	<b>\$1,100,000</b>
Subtier 2: Public Service	1,000,000	\$100,000	<b>\$1,100,000</b>
Subrecipient B		\$110,000	<b>\$110,000</b>
Subtier 3: Rapid Rehousing	1,000,000	\$100,000	<b>\$1,100,000</b>
<b>Total</b>	<b>\$3,000,000</b>	<b>\$630,000</b>	<b>\$3,630,000</b>



# Case Study: Participant Support Costs

Agency	Direct Costs	Indirect Costs	Total Budget
Grantee		\$363,000	\$363,000
Subrecipient A		\$220,000	\$220,000
Subtier 1: Shelter Rehab	1,000,000	\$100,000	\$1,100,000
Subtier 2: Public Service	1,000,000	\$100,000	\$1,100,000
Subrecipient B		\$110,000	\$110,000
Subtier 3: Rapid Rehousing	1,000,000	\$100,000	\$1,100,000
<b>Total</b>	<b>\$3,000,000</b>	<b>\$993,000</b>	<b>\$3,993,000</b>

**Indirect Costs = 25%!**



# Modified Total Direct Costs

## MTDCs:

- Direct salaries, wages and fringe benefits
- Supplies and Materials
- Services
- Travel
- **Up to first \$25,000 of each subaward**

## Not MTDCs:

- Equipment
- **Capital expenditures**
- **Participant support costs**
- Rental costs
- **Portion of each sub-award >\$25,000**



# Case Study: Participant Support Costs

Agency	Direct Costs	Indirect Costs	Total Budget
Grantee		\$5,000	\$5,000
Subrecipient A		\$5,000	\$5,000
Subtier 1: Shelter Rehab	1,000,000	\$0	\$1,000,000
Subtier 2: Public Service	1,000,000	\$100,000	\$1,100,000
Subrecipient B		\$2,500	\$2,500
Subtier 3: Rapid Rehousing	1,000,000	\$0	\$1,000,000
<b>Total</b>	<b>\$3,000,000</b>	<b>\$12,500</b>	<b>\$3,112,500</b>

**Indirect Costs = 4%!**



# Key Take Aways!

- Which of my subrecipients' direct costs are MTDCs?
- How do I determine how much each subrecipient can be reimbursed for indirect costs from their ESG-CV subaward?



# Indirect Costs as Administration Costs vs. Activity Delivery Costs



# Common Misconceptions



The only way to recoup local staff payroll costs is through indirect costs



All indirect costs must be charged to the Administration Budget





# Indirect Cost as Admin Costs or ADCs

## Activity Delivery Costs (ADCs)

- Costs incurred for the implementation, management or oversight of an eligible activity

## Administrative Costs

- Costs incurred for the general management, oversight, and coordination of the ESG-CV award



# Indirect Cost as Admin Costs or ADCs

## Activity Delivery Costs (ADCs)

- Payroll costs to review applications for eligibility to receive ESG-CV assistance
- Paper to print applications, and pens for applicants to complete applications

## Administrative Costs

- Payroll costs to submit RFFs in Grants Network
- Supplies and materials to monitoring ESG-CV subrecipients



# Case Study: Admin vs. ADCs

Line-Item Cost	Direct Costs	Indirect Costs	Total Budget
<b>Rapid Rehousing</b>	<b>\$1,350,000</b>		
Direct Payments	\$1,150,000		
Staff Salaries	\$190,000		
Supplies and Materials	\$10,000		



# Case Study: Admin vs. ADCs

Line-Item Cost	Direct Costs	Indirect Costs	Total Budget
<b>Rapid Rehousing</b>	<b>\$1,350,000</b>	<b>\$20,000</b>	<b>\$1,370,000</b>
Direct Payments	\$1,150,000	\$0	\$1,150,000
Staff Salaries	\$190,000	\$19,000	\$209,000
Supplies and Materials	\$10,000	\$1,000	\$11,000



# Case Study: Admin vs. ADCs

Line-Item Cost	Direct Costs	Indirect Costs	Total Budget
<b>Rapid Rehousing</b>	<b>\$1,350,000</b>	<b>\$20,000</b>	<b>\$1,370,000</b>
Direct Payments	\$1,150,000	\$0	\$1,150,000
Staff Salaries	\$190,000	\$19,000	\$209,000
Supplies and Materials	\$10,000	\$1,000	\$11,000
<b>Administration</b>	<b>\$120,000</b>		
Equipment	\$20,000		
Staff Salaries	\$100,000		
<b>Total</b>	<b>\$1,470,000</b>		



# Case Study: Admin vs. ADCs

Line-Item Cost	Direct Costs	Indirect Costs	Total Budget
<b>Rapid Rehousing</b>	<b>\$1,350,000</b>	<b>\$20,000</b>	<b>\$1,370,000</b>
Direct Payments	\$1,150,000	\$0	\$1,150,000
Staff Salaries	\$190,000	\$19,000	\$209,000
Supplies and Materials	\$10,000	\$1,000	\$11,000
<b>Administration</b>	<b>\$120,000</b>	<b>\$10,000</b>	<b>\$130,000</b>
Equipment	\$20,000	\$0	\$20,000
Staff Salaries	\$100,000	\$10,000	\$110,000
<b>Total</b>	<b>\$1,470,000</b>	<b>\$30,000</b>	<b>\$1,500,000</b>

**Indirect Costs = 2%!**



# Case Study: Admin vs. ADCs

Line-Item Cost	Direct Costs	Indirect Costs	Total Budget
<b>Rapid Rehousing</b>	<b>\$1,350,000</b>	<b>\$20,000</b>	<b>\$1,370,000</b>
Activity Cost	\$1,150,000	\$0	\$1,150,000
Activity Delivery Cost	\$190,000	\$19,000	\$209,000
Activity Delivery Cost	\$10,000	\$1,000	\$11,000
<b>Administration</b>	<b>\$120,000</b>	<b>\$10,000</b>	<b>\$130,000</b>
Administration Cost	\$20,000	\$0	\$20,000
Administration Cost	\$100,000	\$10,000	\$110,000
<b>Total</b>	<b>\$1,470,000</b>	<b>\$30,000</b>	<b>\$1,500,000</b>



# Case Study: Admin vs. ADCs

Line-Item Cost	Total Budget	Percentage
<b>Rapid Rehousing</b>	<b>\$1,370,000</b>	<b>91%</b>
Activity Cost	\$1,150,000	76%
Activity Delivery Cost	\$220,000	15%
<b>Administration</b>	<b>\$130,000</b>	<b>9%</b>
Administration Cost	\$130,000	9%
<b>Total</b>	<b>\$1,500,000</b>	<b>100%</b>





# Resources

- **Uniform Administrative Requirements**  
[2 Code of Federal Regulations Part 200](#)
- **HUD Resources**  
[CoC and ESG Financial Management Virtual Binder](#)  
[CoC and ESG Indirect Cost Toolkit](#)  
[CPD Notice 13-07: Admin Costs vs. ADCs](#)  
[CPD Notice 16-04: Transition to 2 CFR 200](#)



# Q & A

