



Final Transcript

HUD – US DEPT OF HOUSING & URBAN DEVELOPMENT: Allowable vs. Non Allowable Costs - External

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SPEAKERS

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PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. Welcome to the Allowable vs. Non Allowable Costs conference call. At this time, all participants are in a listen-only mode. [Operator instructions]. As a reminder, this conference is being recorded.

I would now like to turn the conference over to Virginia Holman. Please go ahead.

Virginia

Thank you very much, and welcome everybody to today's really important webinar about what you can and cannot [audio disruption] to your grant, but before I turn it over to our presenters I would like to go over some logistics.

I did out the PowerPoint this morning to all those who had registered, but they're also available on the control panel on the right-hand side of your screen. Click on the name and you can download the document. Because we have many people on the [audio disruption] given instructions, but we do want you to ask questions so there are a couple of ways to do it. Again, on the panel on the right-hand side of your screen, there's a box labeled questions. You just type in your questions. We have staff that are reviewing those and they will at the end of the webinar, they will answer some of the questions. Otherwise, we'll make sure you do get an answer.

You also have the ability after the webinar to send a question or comment to housing.counseling@hud.gov and just put the webinar topic in the subject line so that we get it to the right person. Again, we're not going to have an open discussion because of the large number of people that we have. If you've logged into the webinar, you're going to receive a

certificate of training from GoToWebinar and that's usually sent in about 48 hours so you need to print it out and save it for your records.

Okay, let me now turn it over to Blair Clarke our presenter. Blair?

Blair

Thank you, Virginia. Again, my name is Blair Clarke with Allmond & Company. I will be presenting the Allowable and Non Allowable Cost presentation to you today and like Virginia said, this is a very, very, very important topic that we're going to talk about today, being able to identify and understand what costs are allowable and unallowable. They're very important tools to have for all grantees.

You don't want to end up in a situation where you're charging unallowable costs to the grant and you end up with findings or questionable cost findings that you have to get those corrected. You also don't want to end up in a situation where you have charged costs to a grant and then find out later that those costs were unallowable and you have to refund that money back to the federal agency. In order to prevent that, we're going to understand which costs are allowable and which costs are unallowable today.

Unfortunately, there is no magic list or catch-all document that explains exactly all of these costs are allowable and all of these costs are unallowable. Every scenario, every agency is different, so what we're going to today is understand and build a foundation for how to determine whether costs are allowable or unallowable.

Throughout today, we're going to go through a lot of different guidances and definitions to understand the foundation that is needed in order to make that judgment yourself and determine what the costs that you're charging to the grant are allowable and unallowable.

Let's take a look at our agenda for today. We'll go through introductions for everyone that's on the call. We'll talk about the cross-objectives today and what you plan to learn. We're going to talk about those cost principles and we're going to really build the foundation and go through the fundamentals that need to be known in order to make the determination of whether cost is allowable or unallowable.

We're going start with the fundamentals. We're going to go over the questions that you need to ask yourself whenever you're charging a cost, is this allowable or is this unallowable. We're going to talk about the

allowable costs under the FY2019 Grant Agreement, what the eligible activities are for those costs that must be connected to an eligible activity to determine whether those costs are allowed or not.

We're also going to go over the Uniform Guidance and what that has to say about cost being allowable or unallowable. For those of you that aren't familiar with the uniform guidance, I'll go into a little bit more detail of that in a second, but the Uniform Guidance is the overarching authority on all things federal awards. It's that the authoritative guidance for all federal agencies, all federal awards, and one uniform guidance. So it is very, very important to note, very, very important to understand.

We'll go into a little bit more detail about it later, but cost must be allowable in the Uniform Guidance as well. So, we're going to talk about things that you need to look for and the sections that you need to go to, to determine whether cost is allowable or unallowable.

One of the necessary requirements for cost to be allowable in the Uniform Guidance is that they must be reasonable, so we're going to talk about what it means for cost to be reasonable, what the Uniform Guidance is for determining cost to be reasonable and how do we determine cost to be reasonable? What are the factors that we must consider in order for cost to

be determined to be reasonable.

Then, finally, we're going to talk about properly allocated costs. For costs that are incurred for multiple benefits of multiple programs or multiple uses and cost objectives throughout the agency, those costs need to be properly allocated. They're all one single cost can't go to just one program if it benefits most of the programs, so we're going to talk about how to properly allocate costs, when to properly allocate costs and we're going to go through some examples and scenarios on how to do it.

Finally, once we build that foundation, once we understand the fundamentals that need to be understood to understand what costs are allowable and non-allowable, then we're going to apply that cost principle to some examples. We have some examples to show you, some typical expenses that are usually charged to the Housing Counseling grant. We'll go through those and we'll ask those questions as we go through the lines to understand apply the cost principles that we learn.

Just for a quick introduction, again, my name is Blair Clarke with Allmond & Company. I also have Vanessa McCollum with me on the line as well. She'll be answering your questions in the text box and at the end,

so please feel free to ask any questions throughout the presentation and we'll get to those at the end.

Let's start with our course objective. Our course objective is to understand and apply the cost principles established in the Uniform Guidance and the Housing Counseling Grant Agreement. Again, if you're not familiar with the Uniform Guidance, the Uniform Guidance is the authoritative guidance for all federal awards within the federal government. So, it's a very, very important document to know and to understand.

Now, you also hear the Uniform Guidance referred to as 2 CFR 200. That's the reference number. Throughout the PowerPoint, you'll see us reference 2 CFR 200. That's referring to the Uniform Guidance. You'll also hear it referred to as the Super Circular as well since it does supersede a bunch of different OMB circulars into one big circular, so they call it the Super Circular.

It's very important to understand and know the Uniform Guidance. I have it saved down to my computer, on my laptop, on my desktop, so that I can access it every day. Whenever I have question about anything grant-

related, the Uniform Guidance is the first place I go. It establishes the rules and policies for grantees, for the federal agency pre-award, post-award, auto requirements and then today, what we're going to focus on is the cost principles. So, it's really a catch all for all things within the federal government, all things federal awards.

We're going to understand and apply the cost principles established in the Uniform Guidance and also in the Housing Counseling Grant Agreement. One thing about the Uniform Guidance is because it is a guidance for all federal awards, it can tend to be generalized in a lot of senses or broad in some sense. In instances where the Uniform Guidance is a little broad, then we're going to look at the actual Housing Counseling Grant Agreement and see what specific things are allowable and unallowable in the grant agreement.

We're going to understand and apply those cost principles from the Uniform Guidance and the grant agreement including allowable costs, how we determine whether costs are reasonable and how to properly allocate costs as well, so all those things are going to be important. All those conditions are going to have to be met in order for costs to be allowable, and so once you understand that foundation and the

fundamentals of reimbursement, then we're going to do some examples of typical grant costs that we normally would see.

Let's start with the fundamental principle of reimbursement. To be reimbursed, a cost must meet these conditions: it must be allowable under the terms and conditions of the grant, i.e. it must meet the eligible activity test. We're going to talk about the eligible activities in a minute, but in the grant agreement it determines there are five eligible activities. So, in order for cost to be reimbursed, the cost must be connected to an eligible activity in the grant agreement. We'll talk about the specific eligible activities in a moment, but that's very, very important to remember that a cost should be allowable under the terms and conditions of the grant agreement.

Also, just a note here, intermediaries, state house and finance agencies in multi-state organizations may further restrict eligibility of select costs. So, all the intermediates out there, they can determine whether they want to restrict cost to another level more detailed than a grant agreement, but today we're just going to be concerned with the overall grant agreement in the Uniform Guidance.

Next thing—to be reimbursed, a cost must meet the condition of being allowable under the Uniform Guidance. Allowable under 2 CFR 200, sub part E and we will go into the details on how to look at and how to find the allowable costs in the Uniform Guidance, but the cost must meet the condition of being allowable under the Uniform Guidance.

The Uniform Guidance also states that costs must be necessary and reasonable, so we're going to look at reasonable cost. How do we determine whether something is reasonable or not. What are the factors that we have to look at and consider whenever making the costs of whether it's allowable or unallowable, is that cost reasonable?

Finally, properly allocated. For costs that benefit multiple programs, multiple cost objectives, those costs need to be properly allocated. You're going to take those costs and charge them to the grant award, they must be allocated. If they affect multiple programs then you determine to how much of this costs benefits the Housing Counseling Program. We're going to go in a little more detail about that later, but these are the four conditions that must be met in order for costs to be reimbursed. All four of these conditions must be met. It can't just be one; it can't just be two; it can't just be three.

All four of these cost conditions must be met. All right, we're going to say them over and over again today, going to pound them into your head. You're going to get tired of hearing about it, but you're going to remember whenever you're trying to determine whether cost is allowable or unallowable, these are the conditions that have to be met.

Let's go into detail of these four conditions. Start with allowable under the grant agreement. HUD's Housing Counseling Program FY19 grant agreement establishes the requirement that cost be incurred pursuant to an eligible activity. We'll use the FY19 as a reference here, but the eligible activities are still the same as FY20 going forward. Keep that in mind.

Again, the grant agreement establishes a requirement that costs be incurred pursuant to an eligible activity. We have to understand the difference between costs and eligible activity. So, what are those eligible activities that they must be? Under the grant agreement, it establishes five eligible activities that cost can be incurred for—all right, one, being Housing Counseling in group education. Next one being, oversight, compliance and quality control. Supervision of Housing Counseling staff, Housing Counselor training and certification, marketing outreach of

Housing Counseling program to potential clients. These are the five eligible activities. In order for cost to be allowable under the grant agreement, they must connect and meet too, one of these five eligible activities.

We have to ask ourselves the reasonable nexus [ph] test, can the grantee explain the connection between cost incurred and the eligible activity. It's important to note what the cost is and how it connects to one of those five eligible activities. Let's look at some examples of that. On the left side, we have the different costs. On the right side, we have the activity that it connects to, so let's look at the first one. We have paper. Paper is a cost; so you bought some paper and what is the activity connected to? The activity is paper use to print disclosure forms. That is allowable. It relates to connect to one of the eligible activities which is oversight, compliance and quality control. Therefore, paper is an allowable cost under the grant agreement.

Then our next costs—plane tickets. Plane tickets may be an allowable cost. Let's see how it connects to an eligible activity. The activity is a plane ticket to attend a training conference. Look at your reasonable nexus. How does the cost connect to the eligible activity? This will fall

under training and certification. That makes this call allowable.

Understand that the cost is different from the activity. You have to connect them. A plane ticket to go on vacation is not an allowable eligible activity. So, plane tickets for vacations, unallowable. Plane tickets to attend a training conference, that's allowable. Understand the connection between the costs and the activity.

Our last example here—salaries. Salaries are an allowable cost under the grant agreement if it relates to an eligible activity. Let's look at the eligible activity. Salary for time spent conducting a workshop for first-time homebuyers. That will fall under housing counseling and group education. That is allowable cost. You see how a cost has to connect and relate to an eligible activity—one of those five eligible activities that we just talked about. Salary for time spent conducting the daycare facility is not allowable under the grant agreement. That cost needs to be allocated to time spent conducting the first-time home buyers. That's very, very important to remember.

That takes care of our first condition—allowability under the grant agreement, the terms and conditions of the grant. We have to ask ourselves, does this cost connect to an eligible activity? All right, so our

four conditions were allowable under the grant agreement, allowable under the Uniform Guidance, reasonable and properly allocated, so we covered allowable under the grant agreement, so let's look at what's allowable under the Uniform Guidance. So, we're going to reference section 2 CFR 200 sub-part E alive these next few slides. It's a very, very important section to note. That covers all things, cost principles.

The Uniform Guidance states that cost must meet the following general criteria in order to be allowable and conform to any limitations or exclusions set forth in these principles. So, in deference of these principles, it's talking about the Uniform Guidance.

Let's look at some of those sections. Here is a snapshot of a lot of the sections that are shown in the Uniform Guidance that talk about the general provisions of certain types of costs. This is as close as we're going to kind of get to a catchall for all things cost. So, you look at section 200.420 through 200.475. It encompasses a list of different types of costs and different types of scenarios and whether they're allowable and unallowable. All right? We're just showing like the first 20 or so here, but an open Uniform Guidance, you can look and see if a cost that you're determining is allowable or not is in here.

The Uniform Guidance in sub-part E classifies these costs into three different types. When you're trying to determine whether a cost is allowable or unallowable, these are the three different types of classifications that you're going to see: The first one being, generally allowable, the second one being conditionally allowable, and the last one being generally unallowable.

Generally allowable means that for the most part, these costs are allowable. The Uniform Guidance is saying that these costs are more likely than not, allowable. Let's look at one of the examples that we have here from section 200.473 for transportation costs. The Uniform Guidance states that cost incurred for freight, express, cartage, postage, and other transportation services related to either goods purchased, in process or delivered, are allowable. It states it all right, these costs are allowable. That falls into the generally allowable category.

When you're looking at it, whether a cost is allowable or unallowable, this is a good place to start. This cost is allowable under the Uniform Guidance. Then, you can go back and check to see if it relates or connects to an eligible activity in the grant agreement to further determine whether

it's allowable. The Uniform Guidance is saying these are generally allowable.

Let's look at our next type—conditionally allowable. Conditionally allowable means that it's allowable but only if it is incurred for a certain purpose, or is incurred for a sole reason. That means it's conditionally allowable, so it's allowable depending on what you're incurring the cost for.

Let's take a look at our example here. We have out of section 200.421, advertising and public relations. The term advertising costs means the cost of advertising media and corollary administrative costs. Advertising media includes magazines, newspaper, radio and television, direct mail, exhibits, electronic or computer transmittals and the like. It goes onto state in the next paragraph that the only allowable advertising costs are those which are solely for—and then, it continues on in the Uniform Guidance to list the scenarios in which advertising costs are allowable. So, those are the types of scenarios and those specific costs are allowable for advertising if they are for this purpose only. All right, and it gives an entire list of allowable purposes.

It also follows that with some exceptions, too. It will state that these advertising costs are unallowable for these several different reasons. So, you have to be aware; you have to do a little bit more reading and a little bit more research to find out if your advertising cost is conditionally allowable, maybe unallowable. That takes a little bit more research, a little bit more reading. That covers conditionally allowable.

Our final classification is generally unallowable. These costs, for the most part, are unallowable. For the most part, most of the time, these costs are going to be unallowable. There are some exceptions to these costs being unallowable, but let's read through our example here. For entertainment costs, section 200.438, entertainment costs states cost of entertainment including amusement, diversion, social activities and any associated costs are unallowable, meaning these are normally not allowable. It goes on to list some exceptions—except where specific costs—and it gives some scenarios in which that cost is maybe allowable, but for the most part, these costs are unallowable.

When things state they're unallowable, it takes a lot of hills and a lot of specific requests and prior approval in order for them to be allowable. My

suggestion would be if it's generally unallowable, better to stay away from it unless you can fully support and prove that it is allowable.

Those are our three classifications, when we're trying to determine whether something is allowable under the Uniform Guidance. That's what it's going to say in the Uniform Guidance for each one of these costs.

There are some costs that the Uniform Guidance states explicitly are disallowed. All right, 100% disallowed, no exceptions whatsoever, so let's face that: Alcoholic beverages are disallowed. The federal government is not refunding any money to get you drunk. Contributions and donations, disallowed. Fines and penalties, lobbying costs, fundraising costs, all of these costs are 100% explicitly stated to be unallowed. There's no generally, there's no wiggle room, 100% unallowed. So that's something to just keep in mind.

These are some of the typical expenses that we'll see under the grant agreement for grantees seeking reimbursement. These are generally allowable under sub-part E of the Uniform Guidance: Salaries, fringe benefits, travel, training and professional development, participation costs, materials and supply costs including costs of computing devices and rent

as well. These are things that are typically sought out for reimbursement and they're generally allowable under the Uniform Guidance.

Please, note that materials and supplies and rents—there's a note here that they must be properly allocated. These are costs that are typically incurred for the benefit of multiple programs for multiple uses, multiple different cost objectives. When that's the case, then those costs must be properly allocated. It's hard to determine that the entire rent is just for Housing Counseling. Those costs must be properly allocated to how they benefit the Housing Counseling program. We'll go into a little bit more detail about that in a second, but that's just the key thing to remember. That takes care of the second condition, allowable under the Uniform Guidance.

So far, we have allowable under the grant agreement. It has to pass that eligible activity test and it has to be allowable under the Uniform Guidance. The grant agreement is set up so that it runs parallel just in more details to the Uniform Guidance, so it won't be a lot of situations where the Uniform Guidance contradicts what the grant agreement says. So, the costs that are allowable under Uniform Guidance, costs that are allowable under the grant agreement, right?

The next two we have to also make sure we meet that it must be reasonable and it must be properly allocating. So, let's talk about reasonable cost. How do we determine whether cost is reasonable? The Uniform Guidance states that a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. That means what would a prudent knowledgeable person incur cost for in this same scenario? How much would they pay for it? Does it exceed how much a normal person would pay for this amount in the same circumstance? If the output is the same for something that costs a \$1,000 and something that costs \$10 would a prudent, knowledgeable person make a purchase for \$1,000 when \$100 would have gotten the same outfit [ph]? That's when you determine whether something is reasonable or not.

Let's look at some of the factors when we determine whether cost is reasonable:

A, Cost must be ordinary and necessary for the operation of the Housing Counseling Agency. These are ordinary and necessary expenses that are

necessary for the operation of the Housing Counseling Agency. It does not deviate from the ordinary business practice. This is a cost that's incurred just so you can charge it through to the award. These are ordinary and necessary for the operation of the Housing Counseling Agency.

B, sound business practices. Arm's length bargaining. That means that both parties negotiate at the same level of leverage. That means that one person isn't strong-arming the grantee to spend more money than needs to be spent. It's not like having a cousin or a family member or a friend that runs a business and you're paying more to help the person out just because you could charge it to the grant agreement. You should be practicing sound business practices. No one should be strong arming you to spend more money than necessary.

Also, must consider the market prices for comparable business services for the geographic area. Obviously, things in New York City may cause more than things in Georgia. So, you have to consider the market price for comparable goods and services in that geographic area. So, something to consider about reasonable cost. Also, act with prudence in the circumstance. What would a knowledgeable prudent person decision

make in this same circumstance? You must be prudent in the circumstances.

Finally, no deviations from its established practices and policies. So, if the normal business practice and the normal policies are to do one thing, you should not deviate from that plan or from that policy and procedure just to incur costs on the grant award. That's how we go about determining cost to be reasonable.

Again, our conditions are four conditions for criteria for cost to be met in order to be reimbursed. Cost must be allowable under the grant agreement. Cost must be allowable under the Uniform Guidance. Cost must be reasonable and then, our last one is cost must be properly allocated. So, let's talk about properly allocated.

A cost is allocable to a particular federal award or other cost objectives if the goods or services involved are chargeable and assignable to that federal award in accordance with the relative benefits received. That means we incurred a cost, but that cost affects multiple different cost objectives. It's multiple benefits for the entire agency, but part of it is assignable to HUD; part of it is assignable to Housing Counseling. When

that's the case, it must be allocated and it must also be in accordance with the relative benefit, so if a program benefits more than another program, then it must be proportionately allocated so that the expenses incurred won't be program that incurs more benefit. It should be proportionate to how the benefit is received.

If Housing Counseling only receives 20% of the actual benefit, then they shouldn't be getting 80% of the incurred cost. It should be 20% of the incurred cost. So, it must be allocable to the relative benefit received.

Just to note, there is no universal rule for classifying certain costs as either direct or indirect under every accounting fiscal [ph]. The Uniform Guidance is letting you know that there is no one kind of rule or catch-all for everything to be determined as direct and everything to be determined as indirect. Since everybody's agency and accounting system is different, that the purpose for incurring the cost is different. In some situations, cost can be considered direct. In other situations, cost can be considered indirect. There is no universal rule for understanding that.

Note, if a grantee can delineate that a cost uniquely benefits their Housing Counseling program, they can be reimbursed for that good of service as a direct cost. Not all costs, need to be necessarily indirect, but if you can

allocate that cost, and show how it uniquely benefits the Housing Counseling program, then that cost can be taken at as a direct cost. That's important to note. Also, note that cost incurred for the same purpose must be treated consistently in like circumstances either as direct or indirect cost. It can't go back and forth. Once you determine that cost incurred for this circumstance should be treated as direct, the next period, that cost shouldn't be treated as indirect. It should be consistently treated across the board.

Let's look at how some direct costs can be properly allocated to the grant agreement. If a direct cost serves multiple programs, then it needs to be properly allocated. There are multiple ways in which a grantee can calculate the proportion reimbursable for each funding source and it gives a few examples on how to allocate these certain costs. Program expenses—the grantee can divide the costs of their Housing Counseling program by the agency's total budget.

A program expense that you want to charge the grant as a direct cost, but the cost benefits multiple different programs, you can determine how much of Housing Counseling budget versus a total budget. That'll give you a percentage of how much benefit it is to Housing Counseling. You'll

take your program cost and then you can multiply that percentage to get the cost that can be charged to the grant award. Same thing with square footage. A grantee can divide the square footage dedicated to the Housing Counseling program by the agency's total square footage being occupied by the entire agency. That will let you know this amount of the building or the space is being dedicated to Housing Counseling. That's where you can maybe expend some of your rent charges to the grant program, but you must determine how much of that cost is dedicated or how much of that space is dedicated to Housing Counseling.

Finally, labor allocations. The grantee can divide the number of hours spent on Housing Counseling activities by a total number of hours worked in the building. So, if there is an employee who does multiple labor things, maybe multiple oversights, they can divide the number of hours spent on Housing Counseling by the total hours they worked to see how much is allocable to the Housing Counseling program. So, these are just a couple of different ways that cost can be allocated as direct.

Each of these approaches is a reasonable method of allocating costs. Like I said, it will result in a percentage to be reimbursed from the Housing Counseling grant. Note, that these are just some acceptable approaches.

There's not just listed and meant to be exclusive. There are several different ways you can allocate cost. As long as you can provide supporting documentation and how you're coming out with these calculations, provide real numbers from prior year or the year before. Like this is how much is being used on Housing Counseling program, this is how much we determined is chargeable to the Housing Counseling grant. That documentation is important to have.

Here we have an example of an allocation methodology that properly divides the proportional of benefit across different grants. So, we have a rent cost of \$2,000 a month and the grantee decided to divide its square footage dedicated to each program by the agencies entire square footage. So, you see a 25% of the square footage to Housing Counseling, 50% to youth mentorship, 15% to Headstart and then 10% to Fatherhood Initiative. You take 25% of that \$2,000 and \$500 are chargeable to the Housing Counseling program. Fifty percent of the youth mentorship, \$1,000 are chargeable to youth mentorship and then Headstart 15% for \$300, Fatherhood Initiative for \$200, and so on. So that's how you properly allocate cost or for rent based on the square footage dedicated to each program. This is an example that you can use going forward. But again, there's not just one catch-all allocation methodology.

Different methodologies can be used. It just depends on if you can document it and how you can provide support to how you came up with this allocation methodology.

Again, a recap—the four conditions that must be met in order for cost to be reimbursable must be allowable under the terms and conditions of the grant. It must meet the eligible activity test. The cost incurred must be connected to some sort of eligible activity—one of those five eligible activities that are noted in the grant agreement. Cost must also be allowable under the Uniform Guidance under 2 CFR 200 sub-part E. Cost must be allowable under the Uniform Guidance.

The Uniform Guidance states that cost must be necessary and reasonable in order to be allowable. So, cost must be reasonable in order to be an allowable cost. Then, finally, they must be properly allocated for costs that benefit multiple programs, multiple objectives. It must be properly allocated. All four of these conditions must be met in order for cost to be allowable. If one is not met, if it's determined to be unreasonable or not properly allocated, then that cost is unallowable. I know I said it a 100

times, I'll say it a 100 so that it's clear, all four of these conditions must be met.

Let's apply some of the cost principles that we learned. We built a foundation. Now, we understand the conditions that must be met, how to go about each condition, so let's apply some examples to the conditions and principles that we talked about so far.

Let's start with travel cost. Travel costs are allowable when they are directly attributable to a specific work under an award or are incurred in the normal course of administration of the organization. Generally, travel costs are allowable. Let's go some through different types of examples of travel cost. We have travel to monitor sub-grantees. Travel to monitor sub-grantees is allowable under the Uniform Guidance in sub-part E and it's also allowable under the grant agreement. It reaches one of the eligible activity tests. That travel must be connected to an eligible activity so therefore, it's allowable under those two.

Let's look at travel for an employee who is providing counseling to a homebound client. Again, allowable under the Uniform Guidance sub-

part E and allowable under the grant agreement. It reaches that eligibility activity test.

Our last one is travel to a counselor training conference. Again, allowable under the Uniform Guidance sub-part E and also allowable under the grant agreement. That's just two. Remember, all four conditions must be met in order for costs to be allowable, so we must also consider whether costs are reasonable and whether they have been properly allocated.

Let's look at our same examples—travel to monitor sub-grantees but this time it's in a limousine. That is not considered to be reasonable.

Therefore, it makes it disallowed. It's now unallowed. You don't need to travel in a limousine in order to monitor sub-grantees. It's not a reasonable cost—therefore, unallowed.

Our next example—travel for an employee who is providing counseling to a homebound client where they're seeking mileage reimbursement of \$4.00 a mile. It's again, not reasonable. The mileage rates tend to be around \$0.50 per mile. If you're not sure how much the mileage rate is, you can look it up on the GSA website, you can Google mileage rates and the government tells you what is acceptable for mileage reimbursables. It

updates every year. I think for FY20, it is \$0.575 per mile, but it'll let you know. It's usually around 50%. So \$4.00 a mile is not reasonable. All four of those conditions must be met. It doesn't matter that first two were met. It's not reaching the reasonable method or reasonable probably allocated conditions. Therefore, it's unallowable.

Our last one—travel to a counselor training conference—again, allowable under the grant agreement and allowable under the Uniform Guidance, but this time, it's flying in first class. That is not reasonable. Employees should fly economy. We would all love to travel in first class. It's super comfortable, free food and free drinks, but if it's on federal agencies' money, on federal agency award, you should not be flying first class. You should fly economy.

Let's look at our next section example. Salaries—so, let's look at and see if salaries meet all the conditions that are necessary for it to be allowable for reimbursement. Is salary permissible under the Uniform Guidance sub-part E? Yes, in section 2 CFR 200.430, salary is an allowable cost. Are the costs connected to an eligible activity per the grant agreement? If yes, connected to a Housing Counseling education? That's one of the

eligible activities. That cost must be connected to one of the five eligible activities in order to be allowable under the grant agreement.

Are the costs reasonable? The cost must be consistent with the job position, experience of the counselor and the market rates. What is the going rate for a counselor with this title and with this experience? It must be consistent with that market rate. It also must align to the work being done, i.e., the executive director performing intake responsibilities cannot be reimbursed as a rate of senior management. It must align to the actual work being performed.

Finally, is it properly allocated? The salaries of staff who serve multiple areas, may be billed as direct cost when it is relatively easy to attribute and accurately allocate that time is spent on Housing Counseling activities.

So, employees serve multiple functions. They may do multiple things, but can you easily attribute the time they spent on Housing Counseling? You must properly allocate that time spent on Housing Counseling whether it's with timesheets, whether it's developing a percentage, you must be able to easily attribute how much time is being spent on Housing Counseling specifically [ph]. So, that covers salaries.

Our next example—advertising. The term advertising costs means cost of media and corollary administrative cost. Advertising media includes magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, etc. Let's look at our example—advertising to potential Housing Counseling program clients. Is that permissible under the Uniform Guidance? Yes. Per 2 CFR 200.421, these costs are permissible under the Uniform Guidance.

Our next condition—is the cost connected to an eligible activity per the grant agreement? If yes, it's connected to outreach and marketing. Again, that cost must connect to one of those five eligible activities.

Next one—are the costs reasonable? It depends on what you're buying and what it costs. There's a big difference between taking out an ad in the local newspaper and buying a commercial in the Super Bowl. Are those costs reasonable? Is what you're spending reasonable? Would a prudent person do this? Would a person with the same knowledge same circumstance, make this same decision? That's how you would determine are costs reasonable.

Finally, is it properly allocated? If yes, the cost solely benefits the Housing Counseling program, so it can be itemized as direct. If it affects multiple programs, then you need to allocate those costs. That's very, very important. Again, those met the four conditions. Always remember what those conditions are. It's allowable under the terms and conditions of the grant agreement, i.e., eligible activity tests, allowable under the Uniform Guidance, sub-part E, is reasonable cost and is properly allocated. Keep in mind those four different conditions when determining whether a cost is reasonable or not.

Just some things to keep in mind here as we wrap up the allowable and unallowable cost presentation. The importance of 2 CFR 200 requirements—everyone should be familiar with 2 CFR 200 also known as the Uniform Guidance, also known as the Super Circular. Like I said, I have it saved down to my laptop, I access it every single day. Every time I have a question on anything grant related, I go to the Uniform Guidance. So, please be familiar with the requirements in the Uniform Guidance. You don't necessarily have to it memorized. It's a terribly boring read, but know the different requirements, know the principles that are involved so that if you need to ask yourself a question or if you need to determine

whether something is allowable or unallowable, you'll know what section to go to.

Also, keep in mind the importance of a NOFA grant agreement. The grant agreement goes out to every grantee. I've seen everybody signs it, but I don't know if everybody actually reads it. Make sure that you are understanding the importance of all the requirements in the NOFA grant agreement. It's very, very important to note all the eligible activities, all the other requirements for the grantee in the grant agreement.

Finally, it's the importance of documentation of all costs. These costs will be checked during performance reviews, during financial reviews, during audits, so it's very, very important to keep the documentation of all costs. Every single cost that you charge to the grant award can be subject to review, so you want to have that documentation and have it readily available. That's important, too, that it is readily available. It should not take months or weeks in order to come up with the supporting documentation. You should have those documents ready to be reviewed, ready to be submitted and the support.

One thing about properly allocating is you come up with an allocation method. Allocation methodology—make sure that that supports you're documenting. How did you determine these amounts? I have seen grantees charge amounts for rent but can't tell me how they came up with that amount, so make sure that you have some allocation methodology in place to determine this is how we came up with this amount; it's based on square footage or program expenses, whatever. Make sure that you can document all costs.

Here are the references that we used. Again, our comments, we did not make these up. OMB's Uniform Guidance is here if you need a copy of it. I keep a copy of it on my desktop, so that I can access it quickly whenever I need it, so here's a link here if you need to get access to the Uniform Guidance. Also, if you are a Housing Counseling participant, you should be familiar with the Housing Counseling program handbook, so there's a link here as well if you need to get a copy of that and then, we also reference the FY19 grant agreement, but again, FY20 grant agreement, the same eligible activities are the same going into the FY20 grant agreements, so that information you should have as well.

That is all the time—I think if there's questions, we'll go to the questions first. Vanessa, if there are some questions on the line, then take it away.

Vanessa

Thanks, Blair. This is Vanessa McCollum. I am going to attempt to answer some of the questions that were posted online during the webinar. If we do not get to your question or if we do not adequately answer the question to your satisfaction, there's a website given where you can email—well, there's an email address given in the training flyer to where you can email additional questions or for additional clarification.

There seem to be several questions about the grant expense and the way we're going to answer that is that Blair discussed how to allocate the rent or you may use that method. If you wish to allocate rent as a direct cost, you would need to have your allocation method pre-approved before you just start charging that to the grant. Otherwise, it will be considered as indirect cost and in that case, you would use the de minimis or your approved NICRA. So, when it comes to rent cost, there are three different options. If you wish to do it as direct cost, you have to have your allocation method pre-approved or if you have a pre-approved NICRA, it could be included in that, or you could just use the 10% de minimis if you don't already have a NICRA in place.

Based on the questions, there's a lot of different specific scenarios that have been presented in the questions. I don't really want to get into those specific details, so if my answer doesn't quite get to what you want, I recommend that you email in your specific example and then have that assessed.

Another question—

Virginia Yes, Vanessa, again that email address is housing.counseling@hud.gov.

Vanessa Okay, there's also questions about utility costs and I would say utilities would fall into the same category as the rent. If you wish to bill it as a direct cost, you would have to have your allocation method pre-approved. If you want to just include it, in your de minimis or in your NICRA as part of your indirect cost, you could do it that way.

Somebody mentioned that any training costs would have to be related to the actual HUD Housing Counseling programs. It couldn't be training for something unrelated that you could bill. Somebody asked about the most

recent version of the Uniform Guidance. Included in our slide is a link where you can get the most up-to-date version of the Uniform Guidance.

Somebody asked about does this training apply to intermediaries? I would say, yes, all costs have to meet these minimum requirements, but if you go through an intermediary, they may have additional requirements that are more restrictive than what either the HUD grant or the Uniform Guidance has, in which case, you would still be required to follow their requirements.

I think that covers most of the question topics. Virginia gave out the email address, so Virginia, I'm going to turn it back over to you.

Virginia

Okay, thank you very much. We've had several questions about are you going to be able to revisit this webinar. As the operator said, we did record it. We will be posting on a HUD exchange in the training webinar section, the presentation, a written transcript and an audio replay number. That usually comes out in about four or five days. So we'll let you know and it will also be published or—when we post it, the training digest on HUD Exchange, we'll let you know that it's been posted.

Something else for this webinar and others that you can do is we have a very extensive webinar archive. You can actually get training credits for viewing one those webinars. So, just select the webinar you want, click on Get Credit for the Training and it will lead you through what you need to do, but that's a good way to get some additional training.

I think we should have another slide. Okay, one of the things that we would like you to do is go into the question box and just answer a couple of questions. Was the webinar useful? Are you going share the information? Do you have any other comments? Your feedback is very important to both OHC and to Allmond, so please go ahead and do that before you close out and I think I can speak for all of us that we appreciate your time and attention.

Again, if you still have questions, go to Housing.counseling@hud.gov and put allowable costs in the subject line and we'll get it to the right people.

Blair or Vanessa, do you have anything else to say? Here are some more resources: hudexchange.info@housingcounseling. If you have not gone to our pages on HUD Exchange, that's where you'll find them—a lot of good information. Hopefully you all, if you have not, you're already

training to be certified and the information for that is
hudhousingcounselors.com. These again, you'll get the presentation and
you'll have the live links of these sites.

Okay, again, thank you for attending. Again, Blair or Vanessa, do you
have any extra additional comments?

Blair Not from me. I just wanted to thank everybody for joining.

Virginia Okay, and we will be letting you know when we have our next session.
So, thank you very much and have a good week.

Moderator That does conclude our conference for today. Thank you for your
participation and for using AT&T Teleconference. You may now
disconnect.