Final Transcript

HUD-US DEPT OF HOUSING & URBAN DEVELOPMENT: Examples of Computing the 10% De Minimis Rate

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SPEAKERS

Robin Booth

PRESENTATION

Moderator: Ladies and gentlemen, thank you for standing by. Welcome to the Examples of Computing the 10% De Minimis Rate conference call. At this time, all participants are in listen-only mode. Later we will conduct a question and answer session. Instructions will be given at that time. [Operator instructions]. Also, as a reminder, today's teleconference is being recorded.

At this time, I'll turn the call over to your host, Ms. Robin Booth. Please go ahead.

Robin

Good afternoon, and welcome to the US Department of Housing and Urban Development, Office of Housing Counseling webinar on Examples of Computing Indirect Costs Using your 10% De Minimis Indirect Cost Rate. This webinar is in conjunction with the Comprehensive Housing Counseling grant, so it's geared toward those particular costs and circumstances surrounding that grant.

As the facilitator said, it is being recorded, so generally within two business days, the playback number, PowerPoint, and a transcript will all be available to you on the HUD Exchange on the website. You should also receive a notification when that information becomes available if you're registered.

Please note that the training materials are also in the control panel. You'll see a PDF file, and you can download those as well, once again, if you registered for this training. Handouts for those that registered were sent to you prior to, so they're the same handouts that are in that control panel, and they'll be the same handouts that are uploaded onto the HUD Exchange within two to three business days after this webinar.

We will not be having a live question and answer period because we have approximately 170 participants registered, so there will not be a live period. However, throughout this webinar, you do have the opportunity to submit questions. One way is if you registered, in your control panel you'll see a box that allows you to type questions. We have live staff on the call that will be responding to those questions during the webinar.

If, in fact, we can't answer any questions subsequent, or we need to follow up or to get back to you, we may request that you send the question to housing.counseling@hud.gov, which is another option for you to ask a question. A lot of times, that email address is used subsequent to the training because there's questions that you may come across after you've participated in that training. If so, at any time, you can send them to housing.counseling@hud.gov. We do request that you put in the subject matter the name of the training topic. It just makes it easier to distribute that information to the appropriate people for response.

As it relates to a certificate, you will receive an email within 24 to 48 hours, and once again, that's if you registered. If you registered, you'll receive an email. It will say thank you for attending. That is, in fact, your certificate. There will not be an attachment, nor will there be any subsequent emails regarding a certification. So, we respectfully request that you maintain that. Save it to your hard drive, or print a hard copy of it, and retain it for your records.

You can also get credit for this webinar by going to the HUD Exchange webinar archives. The link provided is here. You do have to know the date the training topic, which that information is in the materials that you received, and you can get credit. We had a question I noted at the beginning of the webinar about whether these were CPE, continued professional education, training. We do not know that information. If you have that question, you can submit that to housing.counseling@hud.gov for us to get some additional response, but you can get credit towards your HUD training by going to the webinar, the HUD Exchange webinar.

My name is Robin Booth. I'm audit principal for Booth Management Consulting. Our firm is the contractor engaged by the Office of Housing Counseling to provide financial and administrative assistance, technical assistance. We also conduct and perform action plans, training, technical assistance, financial analysis, and other agreed upon services for the Office of Housing Counseling specifically related to the financial areas of the comprehensive housing counseling grant.

On the line, available to respond to questions are Deborah Strocker [ph] and Joshua Lee from our company, who will be responding to any online questions that are submitted through the control panel we discussed previously.

So, today's topic, hopefully you took part one where we really go into more depth about the 10% de minimis rate and what is really means to compute indirect cost. We'll reiterate it again in this training that especially with the FY 2018 grant, OHC has moved in the direction of encouraging agencies to use the indirect cost to capture some of those costs that are not directly related to performing the grant but that you incur in order to be in existence and in the position to provide these services to HUD.

In the past, where certain costs may have been accessible as direct costs, and in a lot of those instances, those costs are what we call inherently indirect costs, but HUD attempted or OHC attempted through this grant to allow you to charge them direct. They're now being included in that indirect cost bucket, so with that being the emphasis, we really want to make sure you understand how you recapture those costs through the 10% de minimis indirect cost rate.

Before the implementation of the 10% de minimis indirect cost rate, if an agency didn’t have a negotiated indirect cost rate agreement or cost allocation plan, you could not request or include in your budget indirect costs.

So, with the enactment of the Uniform Guidance, they revised 2 CFR Part 200. It then allowed agencies that met certain criteria, certain eligibility criteria to, in fact, include and incur indirect costs using the 10% de minimis rate. Before then, if your agency didn’t have those types of agreements, you had no way of really offsetting some of those costs that you were incurring just by being in existence.

So, we want to go over again, once again understanding what indirect cost rates are, and then this 10% de minimis rate, go over the criteria for determining if you’re eligible, especially if you’ve self-certified through your grant execution process that you are eligible for the 10% de minimis rate, so hopefully nothing in this presentation will make that self-certification not be true, but I want to make sure you clearly understand.

Then, we kind of get to the more mathematical computation part when we talk about the modified total direct cost, and that's because whenever you're using any kind of rate, that rate has to be multiplied by some base or some number, and that's what that modified total direct cost is. That's telling you what costs you can multiply that 10% by to get your indirect costs.

So, it's all predicated upon your direct costs, but there's certain direct costs that fall within the modified total direct cost for which you can use that 10% against. Other direct costs you can't, so they would have to be excluded when you use that 10% factor to determine your indirect costs.

We're also going to look at unallowable and excluded costs, and these cost principles come directly from the Uniform Guidance, but also with the FY 2018 grant with more emphasis being on eligible activities, certain costs that historically may have been allowable as direct costs, under this particular grant beginning FY 2018, they're no longer allowable as direct costs with the mindset being that you can capture them if you use that 10% to charge the indirect costs.

We're going to—

Moderator Please stand by. The host line has dropped from the conference. Once again, please stand by. The host line has dropped from the conference.

Ms. Booth, are you back with us?

Robin Yes.

Moderator Thank you. Please proceed.

Robin Thank you. Technical difficulties. So, we'll be also going over examples of computing indirect costs and going through some scenarios and some budgets, and really giving you an understanding how that happens. What we also believe may, as you all start to submit your quarterly reports and your cost reimbursement, and then understanding how you have to compute that 10% de minimis rate every time you submit an actual quarterly report requesting reimbursement.

What happens as a part of your annual budget, which is all the scenarios that we're going through, we're telling you what the maximum should be over the course of the grant assuming that you have these direct costs that you have in your budget, but each quarter when you do your quarterly, you actually have to go and do that computation for the quarter.

So, as we go through these scenarios, think about we're looking at it from an annual perspective or from the term of the grant, and this is the maximum, but each quarter you have to use this same process based on whatever direct costs you are requesting reimbursement for during that quarter, and then to determine how much of that 10% you can claim or request for reimbursement during that quarter.

So, keep that in mind as we go through the various scenarios. We'll go through some other considerations, especially as it relates to as subgrantees and subawardees how you fall into this whole 10% de minimis rate claiming indirect costs and things of that nature, and we'll go over those record retention policies because it's still important, you're still subject to certain record retention.

Finally, some frequently asked questions from some of our prior webinars in this area that we just want to make sure are clarified and emphasized, so we'll go over those frequently asked questions.

When we talk about indirect costs, the definition directly from 2 CFR Part 200, it really looks at two broad areas, facilities and administration, and when you're looking at indirect, you're really looking at the cost associated with maintaining or operating your organization to perform services, not just for the HUD grant, but for any grant.

With especially federal awards, there are certain costs that are directly associated with performing those services, but the government recognizes that there are also costs that you've maintained just to be in existence or to operate your organization that benefit the entire organization and not direct to any one award, but they actually benefit the entire organization, and so what they want to do is allow you to claim for reimbursement a certain percentage for their fair share of those costs, and they use this indirect cost rate factor as the measurement for determining what that fair share should be.

So, the fall into two broad categories: facilities and administration. This is an illustration, if you've had any training in indirect costs especially through OHC, you've seen this, but I think it depicts really what you're talking about in understanding indirect costs. I will say that even with

HUD's emphasis on the FY 2018 grant to move more toward eligible activities, costs associated with eligible activities, it's really geared toward identifying those costs that really are indirect and should be included in your indirect costs versus those costs that are direct to this grant.

So, once again, the effort is not that you can't reclaim any of those costs but that you really use the correct mechanism, which is indirect costs to claim those costs. So, when you're looking at administrative accounting, management, payroll, indirect, and then you're looking at facilities, rent, telephone, utilities, heat, all of those things.

I think one of the biggest expenses some are more challenged with is that rent factor, the facilities factor, the rent, the telephone, all of those things because historically, if you had a reasonable billing methodology, HUD allowed you to charge those costs as direct costs to the grant.

Now, beginning with the FY 2018 grant, those costs are no longer allowable as direct costs. They become part of that 10% or whatever, if you're using a NICRA as your cost allocation plan, they become part of that dollar amount or that 10% or that percentage you're capturing as indirect costs, which is actually what they are. So, this kind of depicts, gives you a really good visual, plain and simple illustration of what's indirect in those particular types, the administrative and the facilities.

That leads us to the 10% de minimis rate. You know, as I said historically, prior to the Uniform Guidance and the whole revised CFR, if your agency did not have a NICRA or a cost allocation plan, you could not even charge indirect costs, so really you could only charge those direct costs associated with the grant.

Under Uniform Guidance, the federal government recognized that yes, agencies incur a lot of administrative and facilities-related costs to perform our grant. So, as indicated, they wanted to allow you to charge a fair share of those costs to the government, and it's really indicative or based on your direct costs associated with this particular federal award.

So, this whole 10% de minimis is on a federal award basis. It's not relative to your non-federal awards or whatever arrangements you have with state and local agencies or private foundations, but for federal awards, as I said, if you meet the eligible criteria, you can now charge 10%.

So, you can read through section—it gives a definition 200.414, and that's telling you what that 10% is that you can apply. It's for any non-federal entity that has never received a negotiated indirect cost rate agreement, NICRA, and you can elect to charge a 10% de minimis rate, and that's what that's giving you if you wanted to know where that came from.

The specific criteria, the first being non-federal entity. One, you have to be a non-federal entity. Then, if you've never received a negotiated indirect cost rate, so you're agency has never had a NICRA, and this may require you to do some research, especially if you're not as familiar with the accounting and the history of the agency.

So, definitely, as you're preparing your budget, and you're making these self-certifications on your grant execution packages, you need to consult with your accounting or even VP of finance or those that would be aware of whether your agency has ever had a negotiated indirect cost rate agreement. It's not uncommon for agencies to have had one in the past. They just didn't negotiate new agreements, so they expired. If that has occurred, then you're not eligible.

So, when you're making that self-certification as a part of your grant execution package that you've met this criteria, please be sure that you can prove, if ever requested or under review, that your agency has never had a NICRA.

That rate must be used indefinitely once elected, and what that's telling you is on any federal award, once you've elected that rate, the 10% de minimis rate, you have to use it on all federal awards. Note, I'm only talking federal awards. So, let's say another grant comes out, and you've computed another rate or they allow you to use another rate just based on the terms of the grant, once you've elected to use the 10% de minimis rate, you have to consistently use it until and unless you negotiate another rate, and that would be through a negotiated indirect cost rate agreement.

The actual rate must be applied to the modified total direct cost, that MTDC. You're going to see that a lot, and we'll go over what's included and excluded from that MTDC. If it's a non-federal agency, and you've received over $35 million in direct funding, are prevented from selecting this rate, so generally that automatically knocks out state and local and a lot of the tribal organizations because of that dollar threshold in direct funding, but if you've received more than $35 million in direct funding from federal awards, then in fact, you're not eligible for this rate.

The last requirement is that you still have to maintain supporting documentation, not for the 10%, but for those costs that you include in the modified total direct cost, which you applied that 10% against. You have to maintain documentation on those costs. So, really for your direct costs, that doesn't change. Whatever your direct cost is, you still have to maintain the documentation because that 10% de minimis rate is being multiplied times your direct costs.

So, if your direct cost does not meet the various cost principles, does not have the required supporting documentation, then in fact, those direct costs were not allowable, and that means when you multiplied that 10% by those costs, you overstated what that amount should have been because your direct cost was wrong. So, you multiplied 10% by a number higher than what it should have been.

Now, let's take some time and talk about the modified total direct cost. If you're at all familiar with indirect rates, there are different bases. There are different components or costs that you can multiply different rates by.

If you have a negotiated indirect cost rate agreement, in your agreement, they tell you what your base is.

So, what happens is for the 10% de minimis rate, they're saying that any agency that has met the criteria and is electing this 10%, this is your basis for multiplying that 10% by, so that's what's called the modified total direct cost base. So, it's not necessarily all of your direct costs because certain direct costs will not be allowable under the MTDC. That's why it's called modified because they're modifying it to suggest a certain direct cost that if you're including them in your direct costs, when you go to compute your indirect costs by multiplying that 10%, you cannot include those costs.

Some of the costs that you can include, direct salaries and wages and applicable fringe, materials and supplies, services, travel, subawards, and subcontracts up to the first $25,000. Now, if in fact your grant agreement though, however, indicates that certain costs aren't allowable under that grant agreement, even if they're costs that you can include in your modified total direct cost, you would not be able to include—they should not be included in your budget or even in your direct cost pool, so you should not be multiplying that 10% by, and I say that because under this it gets a little confusing because under the FY 2018 grant, certain materials and supplies like office supplies, they are not—you cannot charge them under the grant as direct costs.

So, it really becomes a moot point because if you follow what the grant stipulates are costs that you can incur as direct costs, then when you go to compute your modified total direct cost, and you look at what am I including to use to compute this 10%, it would only include the costs that—you would then only have to look at those costs to determine what should be included for the modified total direct costs.

So, once again, just from the whole definition of direct costs, all of those costs to be direct and just in and of itself, must be identified specifically to a particular award or program. That's a no-brainer when you're doing budgets for your CHC grant because for direct costs you're only including those direct costs associated with performing the grant. So, those costs would be—I always say an easy test is to say would these costs disappear if I didn't have this grant. In many cases, it's just that easy to determine if they can be included as direct costs.

Now, another big factor though for FY 2018 is whether those costs are associated with eligible activities, which is the emphasis, more performance-related, wanting to make sure that the limited dollars that are available for housing counseling are really going toward counseling activities, so that's part of why the transition to more eligible activity costs versus just allowable costs because OHC wants to make sure that these limited resources, the majority of the costs associated through these grant awards are being used to perform actual housing counseling activities. So, that's that part. That's part of the emphasis.

On other costs, we said direct salaries and wages, and then of course, direct administrative and clerical salaries. This has been out here for a while since the Uniform Guidance. If you can justify that certain salaries, although they may not be exactly housing counselors, but it may be more administrative, maybe the executive director, they have to review a certain amount of files, or they participate in housing counseling, or they perform direct services related to the actual grant, and although they're not performing the housing counseling, their activities, their administrative or clerical activities are directly a part of the program, they're integral to a part of the program, and you can identify specific individuals performing them, under the Uniform Guidance, they allowed you to charge them as direct. When you're computing your indirect costs using the 10% de minimis rate, they allow you to include those same costs in your modified total direct costs.

Applicable fringe, which is self-explanatory, you know, it includes all of your fringe benefit costs that you include in your budget.

Other costs to keep in mind, service contracts and consultant fees. You can include them in the MTDC. If you remember, if you recall for FY '18, in every CHC grant there's always a ceiling for consultant fees. They always give you an annual and then an hourly rate, so although in the MTDC you can include these fees, it is subject to whatever the ceiling or rates are under the HUD award. So, if it exceeds that amount, then you can't include that. You're not supposed to include them anywhere.

Materials and supplies defined as tangible property items. Note, this is one area that, as I said, it is allowable, or you can include it in your modified total direct cost rate, however, for the FY 2018 grant, and you'll see that in red below, HUD is not allowing these costs for supplies.

So, if you follow the grant and the eligible activities and what's allowable, then these things you would not include in your direct costs in the first place, so you wouldn't have to worry about remembering to exclude them because the grant doesn't allow them.

Travel costs, any travel costs of course, and they should still be reasonable and necessary and consistent with the federal travel rates, and your governing principles as it relates to travel and reimbursement.

Then, subawards and subcontracts, and it's cost for the first $25,000 of each of the awards. So, if you have multiple awards, for each award individually, you look at it to determine if it's $25,000 or less. If it's $25,000 or less, you can include the whole amount in the MTDC, but if it's more than $25,000, you have to exclude that amount above $25,000 from when you compute the indirect costs.

It doesn't mean you can't charge it to the grant. It doesn't mean that the subgrantee can't receive that award. It just means when you go to determine what you can multiply that 10% de minimis rate by, you have to exclude the amount over $25,000, and that's an example. We go over that a couple of times.

On equipment and capital expenditures, these really shouldn't come up as well because your grant doesn't allow you to charge them as direct costs, so just when you're looking at what I can include in direct costs on the grant, these should never hit, so you don't have to worry about the allowability, but these two items are also excluded, and they're excluded from the MTDC as well. So, the grant doesn't allow them, and you cannot include them in the MTDC as well. That's equipment and capital expenditures.

Also included, as I said, is any portion of a subaward or subgrant that exceeds that $25,000. That doesn't mean you cannot award a subaward more than $25,000; it just means that if you're using a 10% de minimis rate, and you go to do the computation, you have to exclude that amount over $25,000 for each of the awards.

Other costs, your rent, I mean scholarships and fellowships, not so much an issue here, and participant costs. So, these are other costs that would be excluded, but once again, especially rent, that's no longer an allowable direct cost under your CHC grant, so it should not be included in the direct cost pool anyway, so you don't have to worry about backing it out.

When you’re coming up with your direct costs, you’re still subject what we call specifically unidentified unallowable costs in the Uniform Guidance, and here we kind of give you references to the sections in the Uniform Guidance and those costs that are specifically unallowed. Not that we see a lot of this, but understand that on any federal award, these costs should not be included.

One of the areas, because the HUD grant, the CHC grant allows you all to include certain marketing and outreach costs, sometimes there’s confusion about this particular section 200.467, selling and marketing costs, and it should note except direct costs, and that’s where HUD and its grant is allowing you to incur costs as direct that could appear to be unallowable, but this grant allows it, so under your grant agreement that’s your basis to being able to deduct expenses related to marketing and outreach, which always will be considered an eligible activity.

So, I talked a lot about this whole eligible activity versus ineligible, and one of the things that we made sure that we communicated with and consulted with HUD OHC, especially on the NOFA team who was integral in determining which costs and what they meant by eligible activities and eligible costs.

These are some of the costs that are not eligible, not, not, not eligible for reimbursement under the FY ’18 grant. So, what that means is they should not be included in your direct costs in your budgets at all. They should not be included at all on your budget.

Salaries and fringe for time not spent performing eligible activities, so these are your eligible activities in parenthesis: client education, oversight, compliance. What this is saying, I know in the past sometimes fringe benefits were included as deductions for non—I’m going to say non-direct services, and that was because you weren’t taking out 100% of your fringe and/or you weren’t including 100% of the salaries. So, this is suggesting that it’s only for salaries and fringe for time spent doing eligible activities.

So, if the time that you’re attempting to charge and the salaries you’re attempting to charge in the budget to this grant do not fall in one of these categories, then I would suggest that it may be ineligible. So, understand all of these client education, oversight, compliance, quality control, supervision of housing counseling, housing counseling, housing counseling training, or marketing and outreach, counselor certification.

So, those are the eligible activities, so understand that any expense or cost that you're incurring, and you're charging as direct for this grant, they should somehow be associated when performing those activities.

Fringe without corresponding salary costs, this actually has happened in the past because, as I said, due to the dollar amounts of the grants, some agencies will say you really can't reimburse us 100% for the housing counseling, so at least can you give us the fringe benefits for those housing counselors that we are subsidizing through either leveraged funds or maybe unrestricted funds that we have that is just enough funding under the HUD grant to cover. We would allow fringe without corresponding salaries. That's no longer allowed. So, now you have to have a salary, and then the fringe should be associated directly with the salary.

These unspecified administrative costs that are not related to the performance of eligible activities, I know that for some intermediaries, you can charge administrative costs, and it specifically requires you to detail what those administrative costs are, so unspecified being the key term here.

So, you just need to make sure that—that really hasn't changed. It's just specifying, listing, detailing what you're considering administrative costs and that those costs one, fall within these eligible activities. If not, then those costs could be questioned, and they could be not allowable under this particular grant.

Travel not related to eligible activities, and then those other costs that we talked about that really have to relate to facilities. Rent, utilities, phone, internet, postage, all of those things if you remember on the earlier depiction under facilities, those are the costs that are inherently indirect, so basically what CHC is saying now is that you cannot charge them as direct costs.

You will capture some of those costs if you use your 10% or if you use your NICRA and those things, and we welcome that, but we want to really make sure that direct costs that you're capturing are, once again, emphasis on performing housing counseling and providing those services. Then, supplies, technology, and equipment, those things aren't eligible.

What we tried to do, and this is another training that we did when we go over the budget, and I just want to say that when you think of any cost that you're going to charge to the grant, really think about the eligible activity. If you can justify how a cost is a direct cost associated with performing that grant, and it falls within one of the eligible activities, I don't believe you'll have a hard time getting that cost approved.

The challenge becomes if you're identifying costs, one, these costs that are expressly not allowed as direct, you can't charge them as direct. Hopefully, you're recapturing those costs when you implement or charge your indirect costs, but think about how any cost that you're charging is directly associated with these eligible activities.

So, applying the 10% rate, we're going to go over some examples, some various grant awards, and then we're going to go from how your budget looks, your direct cost, which is the first thing you do when you're determining your budget. You go through, and you identify your direct costs. Remember, this is for the term of the grant, the period of performance of the grant, so what happens is, and I'm just going to bring that up again here, each quarter when you go to do your reimbursement, you're requesting a certain amount of these direct costs that are on your annual budget, so then you have to apply the same method of computation to determine then 10% of those costs that you can charge on this.

So, I've seen where agencies have tried to just take the total what they computed to be the indirect cost for the year in the budget and just divide it by four and say oh, I'll charge equal amounts over my four quarters. You can't do it that way. Or, I'm going to take it all in this quarter for the indirect costs, and then the rest of it—I'm just going to take it all up front. You can't do that. You have to actually compute that indirect cost amount each quarter based on the direct cost that you are requesting reimbursement for.

What the budget is really telling you is what should be the maximum amount, just like with any line item, what will be the maximum amount of indirect cost that you'll be charging throughout the grant, assuming you don't do any budget modifications, or assuming the direct costs that you've included on the budget are the costs that you charge. So, keep that in mind.

Starting with this example, we have a $305,000 grant award, and the first thing that's done is we looked at what the direct costs were. So, we have some salaries for admin, for some counselors, some fringe benefits, travel, training, marketing outreach, and then these various subgrantee awards. We have three subgrantees that we're awarding to.

So, these are all of our direct costs, but unfortunately, some of these items on this budget, we have to exclude when we go to compute our 10% for what we're going to charge as indirect. So, we take you through that example.

Step one, we have to find out what's our really modified total direct cost. Are there any costs in that budget that have to be excluded? So, based on that budget, the sub-portion of subcontracts in excess of $25,000, remember you had exclude anything over $25,000.

So, we had three grantees, two of which had the $25,000, but one of them they had an amount excluded up to $50,000, so we have to exclude $50,000. Remember, each one of them had $25,000. That was the MTDC amount eligible. What we had to exclude was the amount over $25,000, and it's only one that had it over $25,000, this $50,000 one. So, we know we have to exclude that.

Then, marketing and outreach, that is allowable under your grant as a direct cost, however, it is not allowable as an MTDC. That was not one of the allowable expenses that were mentioned for modified total direct cost.

So, when we go back to this budget, it's now time for us to finish our budget. We have our direct costs. Now, we have to figure out our indirect. We're going to exclude the marketing, and then we're going to exclude $50,000, which was the amount above $25,000 for that one particular grant. So, although our direct costs are going to stay at $285,000, when we go to multiply this 10%, we have to exclude $70,000.

So, what happens is we're going to multiply the 10% by the $215,000, which we computed here as our MTDC, not by the $285,000, so now when we're going to indirect costs, we're going to multiply it by our modified total direct cost base, which is $21,500.

When we go back now because our grant award is $305,000, so although once we got our direct cost to $285,000, and we computed that we can charge up to $21,500, you cannot charge more than the grant award amount. So, your indirect cost, or you electing to charge indirect cost doesn’t mean you get more money over what your award is. It has to fit in within the grant award amount.

So, what this—and, a lot of times you all are going to do it—this become almost a plug, but what happens is you have to make sure that it does exceed what the correct modified total direct cost basis is which we had to compute, and that’s $21,500. So, to stay within budget, of this $21,500 that was allowed, we could only take $20,000, and then we got to our budget amount. Then, of course, our budget equaled. We were awarded $305,000. We now show in the budget.

Notice, we’re still taking all of the direct costs, so even though we excluded that $70,000, that was only to make sure we didn’t charge too much here, but all of those we’re still awarding a $75,000 subgrant. We’re still charging $20,000, so each quarter, when you go to the actuals for what you’re requesting reimbursement for in a given quarter, you’re going to look at what you’re charging each line item. You’re going to—I’m going to go back a couple slides—you’re going to do the same thing. So, these will be the costs I’m about to incur for this quarter. Of these costs, should I exclude any of them before I'm computing my indirect costs? Then, I'm going to take that amount, and I'm going to multiply it by 10%, and that's going to be the amount that I'm going to charge for that quarter.

Then, once I get to my last quarter, if I'm in a situation where my actual indirect costs that I can charge exceed what would keep me within budget, I'm going to make that adjustment on my last quarterly report. We do plan to do a training just on how to do this on a quarterly basis based on feedback we're getting as agencies are starting to submit their requests for reimbursement for the FY '18 grant, and we're seeing questions on how do I then recapture or request reimbursement for my indirect costs on a quarterly basis.

Another scenario, we have a $1 million grant. These are our expenses. We've identified what our direct costs are. When we look at those direct costs, we have to figure out because now we want to apply that 10%. We have to figure out what's excluded.

So, audits, assuming an approved billing methodology allowable in the grant, but they're not for the MTDC. MTDC does not allow you to charge grant audits. One subaward for $65,000, and I'll just show you—let me go back up. So, that's this line item. For each of these, if you have the materials, we have the explanations on the next slide. Then, with the subawards, we have one that was $65,000, so we had to exclude the amount of $25,000, so that's $40,000 we're excluding.

The [indiscernible] which are allowable under the grant, they're not allowable under the MTDC, so we'll have to exclude those. Marketing and outreach, once again they are allowable. You can get reimbursed as a direct, but they can't be included in the reimbursement for your indirect costs, so we have to exclude them. Then, the consultant fees, the amounts over the $126,659 has to be excluded.

So, when we do that just to break down, just to give you some summaries, that subaward amount we excluded the amount of $25,000. Consultant fees, we excluded that as well. So, when we looked at it from a budgetary—oftentimes, I think this is the best way to look—we're fine with direct salaries. All the direct salaries included in the direct cost are also being included in the computation of MTDC.

Fringe benefits, the travel, we're assuming it's associated with eligible activities. The training, assuming it's associated with eligible activities. Remember, the audits we had to exclude this total amount because audits, although allowable under the CHC, are not allowable under the MDTC. That subaward that exceeds the amount of $25,000 we only can allow up to the first $25,000. CMS fees, allowable under CHC, but not under MDTC. Same with marketing and outreach, and then we excluded the amount over the annual consultant.

So, although we have $945,000 as direct costs, our modified direct cost is $689,659, and that's what we multiple the 10% by to get—I'm going to use the terminology—the eligible amount for indirect costs. So, this is the maximum amount for indirect costs that you could charge. If that amount will put you over budget, then you have to decrement it to the amount that keeps you within your budget. That's how you compute it.

Then, in this example—I'm just giving you different examples because you all have different scenarios, this is an award amount of $850,000. Once again, direct salaries, fringe travel, the subawards, the training, credit reports, and annual consultant fees. So, the subawards, hopefully we've beat this one down so you get it. You can only include the first $25,000. Anything above the $25,000 is excluded.

Credit reports, allowable under CHC, not eligible under MTDC. The consultant fee scenario we've already discussed the amount over. So, though you have total direct costs of $805,000, you have to exclude these amounts, so your modified total direct cost becomes $731,659. This is showing us, once again, from a budgetary table showing you that same exact information.

Then, what happens is had you multiplied that 10% by the wrong amount, you can see that you would have been overstating your maximum indirect cost amount by approximately $7,000. That's why it's important because if you have the incorrect MTDC, then that means when you multiply the 10%, you're going to be overstating. If your base is overstated, the amount you're charging for indirect costs is overstated.

So, that's why it's important that you go through and understand. That's why you have to do it on each quarter based on those actual direct costs that you're requesting reimbursement for on a quarterly basis.

This is, once again, although the maximum—my terminology—indirect cost amounts you can charge is $73,165 because this grant award was $850,000, and the direct cost was $805,000 that you've already determined, the maximum amount you can include to stay within budget that you can charge as indirect cost is $45,000.

So, what the government is basically saying is that for the $45,000, you don't need supporting documentation. For that indirect cost amount, this amount that you charge, you do not need to tell the government how you're going to use those dollars. You don't have to show receipts or show supporting documentation for the indirect costs to say I used this for X, Y, and Z.

What you have to have the documentation for, and what you have to maintain records for are these direct costs because this is the basis for you making this indirect cost determination, so you don't need any—once you compute this indirect cost amount under auditor review, we're not asking for any support to show how you spent that money.

We're really not, but for all of your directs costs, that's where the cost principles, that where maintaining supporting documentation, all record retention, and if you really think about it, it makes a lot of sense because if these numbers are incorrect, especially if they're overstated, then when we do the computation, that means that this amount is overstated.

So, the government is gloving you the indirect costs, so although it may seem like I used to get rent or I used to get that, or where am I going to recapture it, you're getting the flexibility to say once we determine what that 10% amount is that that amount no longer—you don't have to maintain those kind of records and documentation, but you do for all of your modified total direct costs.

This whole slide really is between the relationship between the federal entity and the pass-through entity. One, and I know that the OHC does it through the NOFA. They have to let you know that you can charge indirect costs, and the indirect cost reimbursement rates, and the reimbursements in the cost share, which is in the notification.

Then, the pass-through entities must do the same thing. They have to make sure that any pass-through entities are aware of the indirect cost rate of reimbursement and all of those things.

If you have a cost allocation plan where you're charging 100% of your costs directly to a grant, claiming reimbursement for indirect costs is never mandatory. So, if you have a cost allocation plan, you do not have—it's not mandatory to charge indirect costs because that amount can usually be included or recovered through the various cost allocations.

NICRAs must be used. If a sub-recipient has a NICRA, as a parent or intermediary, you cannot tell them they can't charge their indirect costs. You also can't tell them that they can't use the 10% de minimis rate. You can't give them a rate and tell them to use this. They can't use your NICRA. The sub-recipient is a pass-through entity just as any parent or direct awards are subject to the same regulations and clauses, so yes, sub-recipients if you're eligible, you can charge indirect cost rate. If you have a NICRA, you can charge your NICRA.

What you cannot do is use your intermediary's rates for anything. If your intermediately has a NICRA, it's not your NICRA. Each organization's NICRA is specific to those. You cannot subjugate or suggest that somebody else use your rate.

As intermediaries, you cannot tell sub-recipients they cannot charge indirect costs. You have to allow them to charge indirect costs using the appropriate method, whether they have a NICRA or a 10% de minimis rate.

The record retention, as I said, is not due to the computation of the indirect costs. It's due to those direct costs or modified total direct cost for which you're basing that computation.

So, you're still subject to the three-year retention period, and it starts from the end of the fiscal year or other accounting period covered by the indirect cost rate proposal, cost allocation, or other computation, so for the modified total direct cost, it would be at the end of the fiscal year for your last quarterly report for that fiscal year for that grant period. You still have to maintain those records.

This available service or assistance is through the Office of Housing Counseling through the contracting vehicle with our firm, and these are services you can request through your SME—I think that's the term, HUD POC. If you feel you need some help in this area, especially as you're getting to your quarterly reporting and your requests for reimbursements, and you're not quite sure if you're doing it the right way. You have questions relative to eligible costs. You can get technical assistance, which include your cost policies or just going over indirect costs, application, your calculations, looking at your indirect costs, your personal activity reporting because that has so much to do with your supporting documentation, and then various templates you can use.

You can get financial analysis which could be grant reviewing of grant execution packages if you're an intermediary. When we look at things like your financial capability assessment or your risk assessment or financial reviews or accounting systems, all those things are indirectly related to this whole indirect cost rate and how you're computing them. So, if you have questions in those areas, you could request that assistance.

You could have training, more individual training, especially as I said, in preparing your annual budget, and then doing the correct computations on a quarterly basis. If you're an intermediary, that could mean reviewing your sub-recipients' computations to make sure they're properly charging indirect costs or using that 10% de minimis rate as they're submitting submissions because you're ultimately responsible. So, if they make some of these same errors, and your subject to review, that could be an issue that you would then be responsible for going back to them and saying, oh that was an improper payment. You overstated, or you incorrectly computed your indirect cost using the 10% de minimis rate, so we over-reimbursed you for indirect costs. That becomes your responsibility.

So, even in reviewing a training sub-recipient, if they're not participating directly in these webinars or sitting down with them and saying this is what we're expecting you to do as you're charging these indirect costs, this is how you do it as part of the budget process, and then this is how you do it quarterly.

Then, the action plans, really it's all the readiness assessments to kind of see where you are, what documents you're maintaining. Do you have adequate things like policies and procedures and things of that nature? All this, once again directly or indirectly impacts this subject matter.

So, how do you get these services? Pretty straightforward. You can request them from your HUD POC. If you're a sub-recipient, you should request them through your intermediary, and then they can request them through the HUD POC. We have some SMEs, subject matter experts, at HUD that oversee the contracts, and ultimately those referrals go them, Tracy Fields and Matt Finn. Sometimes they will forward—I would say they would forward them. Unfortunately, Gail Ogden who retried recently from HUD used to be one of those SMEs, so if you sent requests to her before, you'll probably get a kickback from her email, but they can now go to Tracy Fields or Matt Finn.

So, they then approve them. We try to get sufficient information to know what exactly types of services you need, and usually within one or two business days, if approved we're then notified. We then, as contractors of Booth Management Consulting, we then contact you directly. The HUD POCS are included in all communication. They make the determination of how much they want to participate or at what level. Then, ultimately we work with you until those services are completed.

Some of our frequently asked questions, hopefully we addressed them here, but these still are just recurring questions.

"Does my organization have to charge indirect costs?" No, but once you start to know your organization doesn't, and even if you go to another federal award, one of the misleading statements is that you have to use the 10% indefinitely. That's if you're going to charge indirect costs. You don't have to charge indirect costs. Even if you do it on one grant, the next one you don't have to, but if you do charge indirect costs, and you've elected the 10%, you have to use the 10% de minimis rate.

"I am an intermediary with several subgrantees. If one of my subgrantees used an indirect rate, do all of my sub-recipients need to use it?" Not at all. That is on a case-by-case basis. Just like you cannot say to sub-recipients and subgrantees that you have to charge indirect costs, you also cannot penalize them if they elect not to. So, no, you do not have to. That's on a case-by-case basis with each of your subgrantees.

"Does the use of the 10% de minimis rate increase my award amount?" Hopefully, we made that specifically clear. No, it's doesn't. It's not in addition to. It has to fall within your grant award amount, but what it does do is allow you to recover some of your indirect costs associated with maintaining the organization that you incur just to be in existence.

"If I have subgrantees, can I prevent them?" No, you cannot. You have no say in whether they elect to or elect not to incur indirect costs whether it's the 10% de minimis or the NICRA.

"If we choose to use the de minimis rate to receive reimbursement, would we now need to use the de minimis rate for all federal awards?" Yes. If you're going to charge indirect costs on any other federal awards, you have to use that 10% unless and until you negotiate a new rate under a negotiated indirect cost rate agreement.

"How long can you use it?" It's indefinite. You can use it unless and until you get a NICRA. So, unlike a NICRA agreement which expires, and you have to renegotiate all of those things, no, you can continue to use the 10% indefinitely unless and until you negotiate a different rate.

"Can subgrantees elect to use a 10% rate? If so, does the pass-through entity have to accept it?" Yes, they can, and yes, the pass-through agencies have to. That, as I said, these are just questions that we continue to get even after having done these trainings for a while, so we just want to make sure that we emphasize those responses.

So, if you have any questions, or if there was a question we did not respond to or could not respond to because we needed to do additional research, please send it to housing.counseling@hud.gov. Put any version of Examples of Computing Indirect Cost Rates in the subject line so we can make sure that question is directed to the correct people for response.

Please note that only questions for stakeholders of OHC and the CHC grant will be responded to, so if you're calling from another program, or you have another grant or another federal agency, those questions will not be responded to. It will only be stakeholders associated directly with OHC and the Comprehensive Housing Counseling grant.

I thank you for your time, and enjoy the rest of your afternoon.

Moderator Thank you. Ladies and gentlemen, that does conclude your conference for today. We do thank you for your participation and for using AT&T Executive TeleConference. You may now disconnect.