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# Final Transcript

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

April 22, 2019/2:00 p.m. EDT

## SPEAKERS

Robin Booth

## PRESENTATION

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| 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 a listen-only mode. [Operator instructions]. As a reminder, this conference is being recorded.<br><br>I'd like to turn the conference over to Robin Booth. Please go ahead. |
| Robin | Good afternoon, and welcome to the US Department of Housing & Urban Development, Office of Housing Counseling webinar to discuss examples of computing indirect costs using the 10% de minimis rate. |

As the moderator explained, you're currently on mute, and this entire webinar presentation is being recorded. Within 48 hours or two business days, you should be able to access the PowerPoint, the transcript, as well as the training materials on the HUD Exchange. You should received a notification that it's been updated and this webinar has been posted if you, in fact, registered.

If you registered as well, you should have received handouts prior to the webinar, and if you look on your control panel, and you see a PDF file, just click on that, and that's the materials we'll be reviewing today, and the same materials that will be posted to the HUD Exchange.

We may have the Q&A period depending on how much time we have for the materials, however, you definitely can submit questions throughout the webinar. We have staff on the line and available to respond to your questions real time. If you would like to ask a question during the presentation, you can use your control panel, and in the question box, just type in your question. One of the auditors will be able to respond to your questions real time.

If, for any reason, they can't respond or they may need to do additional research and get back to you, we would ask that you please submit your question to housing.counseling@hud.gov, and just put the webinar topic for quick reference. They'll make sure that your question is responded to.

Just a friendly reminder that only those stakeholders of the Office of Housing Counseling Comprehensive Housing Counseling grant will be able to submit questions and have them responded to. If you're participating in this webinar in conjunction with another HUD program or another grant, please be advised that we will not be able to respond to your question.

If you logged in, and if you registered, you will receive a thank you for attending the webinar. There is now an attachment with an actual certificate of training. In the past, you would just get the email, but now there is an attachment with the actual certificate of training, and you can download and save that for your files.

The webinar materials will also be posted so you can obtain credits. So, once these materials are posted to HUD Exchange, and you find the date by topic, you have to select the webinar, and then click on to get the credit, and you'll be able to get credits for attending this webinar as well, and once again, that's if you've registered.

My name is Robin Booth. I am the managing audit principal of Booth Management Consulting. Our firm provides financial audit and technical assistance to the Office of Housing Counseling for the Comprehensive Housing Counseling grant. In addition to the trainings and these webinars, we also perform financial and administrative reviews, the action plans, financial analysis, one-on-one training, as well as ongoing technical assistance. So, you all may have interacted with myself or other auditors from our firm throughout this process.

Today, we're going over the exciting topic of the 10% de minimis rate and really how to apply it. This is probably the second full year of implementation of the 10% de minimis rate, and consistent with HUD's direction and really a movement for this particular grant really encouraging you all to really take advantage of the 10%, it's now probably more prevalent than ever since many of you all are now having to use that 10% de minimis rate to capture those indirect costs. There has been a change in determining expenses and budgetary line items under the grant where there's more focus on eligible activities and having costs associated with those eligible activities that really maximize the benefits to the general public in receiving housing counseling. So, with that shift, there's more focus then on having those direct costs associated providing those services, and to the extent that you can charge indirect costs that you take advantage of that through either your negotiated indirect cost rate agreement or through this 10% de minimis rate.

So, while this training is focused primarily on that, we will do a review of the other indirect rates, remind you of what the criteria is for making yourselves eligible for that, go over the various components because it's important that you understand what you can and can't do and what you can and cannot include when you're computing that 10% rate, and then really show you a lot of examples of realistic budgets on how to compute and how to include that in your costs.

So, according to 2CFR, the Uniform Guidance, which of course is where most if not all of the requirements for this grant are stipulated, and then again, reinforcing is HUD in the grant agreement, is the two key areas of indirect costs, your facilities and your administration.

Facilities, really think about the building. I always say your fixed costs to operate such as utilities and telephone and rent and things of that nature. For some of you all, historically under this grant, you elected to charge some of these costs as direct costs, and what you're finding now is that HUD is no longer allowing those costs to be charged as direct costs because they are inherently indirect costs.

So, to the extent an expense like rent is no longer an allowable cost as a direct cost in this grant, that's why you're charging that indirect cost rate to capture those costs, at least 10% of those costs, under this grant, but really appropriately categorized because they really are indirect costs as defined by the Uniform Guidance.

Administration is the ongoing cost to just run your organization. They're not fixed. They could vary. They usually have to deal with things like office expenses or administrative staff or whether it be fees and subscriptions and other just really costs to operate, to be in a position where you can assist the government by providing these services, these housing counseling services to the general public.

So, they're the two broad categories. While it may appear that HUD's new direction of really focusing in on eligible costs could be minimizing or reducing those expenses that you can charge to the grant, the reality is HUD is really just pursing the full implementation of the Uniform Guidance by saying that those costs that are directly related to this grant and really are not providing any benefit to any other program, those are the costs you should be capturing as direct.

All the other costs that fall under facilities and administration, you should be capturing them through the indirect costs. So, it's really to your benefit if you're eligible to go ahead and recapture those costs under the 10% de minimis costs.

Just to illustrate visually how that admin versus facility cost looks, the first diagram to the left, that's kind of your administrative examples, your mail services, human resources, accounting. As I said, these are all services that are consistent with just running your organization and being in the position to provide the services.

The facility costs, as you can see, they're more your fixed costs. These are the costs of yes, running an organization, but they're fixed in that they're necessary for you to maintain your building like your rent and your janitorial and your security, all of those things. So, this gives you a visual to kind of understand what those two components of indirect costs are.

Now, the 10% de minimis rate, which became effective under this Uniform Guidance—I don't call it new anymore because it's been a couple of years of full implementation, basically what the government recognizes is that unless you had a negotiated indirect cost rate agreement, there's a cost associated with you all being in business and operating that they wanted to assist you and help subsidize, but they recognize that they're not direct costs associated to the grant, but they are costs that you incur just to be in existence.

So, this was the government's way to kind of say okay, maybe your organization isn't large enough to go through the arduous process of obtaining and negotiating an indirect cost rate agreement, or you just don't have that many federal awards, so if that's the case, and you meet the other criteria, we'll give you 10% for indirect costs. We recognize that there's a cost associated with just providing the services, and we've determined that a fair ratio, which is what an indirect cost rate is, a fair percentage the government will use to help subsidize your overall operations not directly associated with the grant, will be 10%.

Now, it is 10% of what we would call the modified total direct cost, MTDC. You'll hear me say that a lot through the presentation because it's not 10% of all direct costs; it's 10% of certain group of directs costs. Really those direct costs are the costs that most of you charge to this particular grant.

So, unlike other grants where they may have a lot of capital expenditure, so they could involve purchasing buildings or renovations, and those costs are not allowable or not included in this modified total direct cost, most of the costs associated with this grant, direct labor, salaries, fringe benefits, training, travel, those costs do fall within this modified total direct cost. So, pretty much you get to charge 10% of those costs as indirect costs. We'll review those costs that are and are not included in a modified total direct cost.

There is certain criteria spelled out in the Uniform Guidance for being able to make the determination or election to use that 10% de minimis rate, the most important being that you agency must have never had any kind of negotiated indirect cost rate. Now, this may require some research on your part if you're not in the accounting area to make sure that the organization has never had a negotiated indirect cost rate agreement or a NICRA. They could have negotiated a NICRA ten years ago but didn't renew it, so it terminated and just elected not to go and negotiate a new NICRA.

So, when you make that certification, make sure you've done your due diligence to make sure that the organization does not currently or has ever had any kind of NICRA.

Now, once you use that 10% de minimis rate, you must use it consistently for all federal awards. So, once that 10% rate is used, if you get another federal award, and let's say that they give you some flexibility with the indirect cost rate, you can only use up to that 10% de minimis rate. You have to use it consistently across the board.

Now, you may actually incur less than 10%. You can use a lower rate, but the maximum rate you can use from that point forward is that 10% de minimis rate. You must use to determine that rate that modified total direct cost, that MTDC which we will review later.

This issue, actually the fourth point here I've been hearing more and more about, non-federal entities receiving over $35 million in direct funding are prevented from selecting this rate. So, if you see appendix 7 under Uniform Guidance, that's speaking directly to your states and local government and Indian tribes because they have to submit their indirect cost rates to their state agencies as a part of their state reporting requirements. So, some of them have cost allocation plans and other things, so they cannot elect, you cannot use that 10% de minimis rate if you fall into that category.

The other thing to remember is that even if you elect the 10%, you still have to maintain the supporting documentation for those direct costs that you're multiplying that 10% by. The government does not make you provide documentation for that 10%. It does make you provide documentation for the direct cost that was the basis for computing 10%. Hopefully, by the time we get to the examples that will become a little bit more clear visually, but that is why you still have to maintain the supporting documentation.

They won't come back and ask you to document or to provide documentation for how you used that indirect cost you computed using the 10% de minimis rate, however, they will say okay, but I do need to see the supporting documentation for the direct costs that you used as the basis to compute that 10%.  You had to multiply it by some number, and that number is the modified total direct cost, and those are the costs that you have to keep supporting documentation for.

So, MTDC, modified total direct cost, and once again, this is just for quick reference.  If you wanted to get more information about it directly from the Uniform Guidance, we're going to go over those costs that are included in that modified total direct cost.  This is what you can include to come up with your base to multiply that 10%: all direct salaries and wages and applicable fringes, materials and supplies, services, travel, subawards and subcontracts up to the first $25,000 of each.  They all can be included.

A couple of areas in those expenses that we've seen through the grant execution and just providing technical assistance and with all expenses associated with this grant, although the Uniform Guidance may say that you can include things like materials and supplies and services, under the requirements of the grant where you have to meet that eligible expense concept, those expenses are still subject to the grant requirements.

So, for instance, even though it says travel, the travel still has to meet the requirement under the grant that it is travel associated with eligible activity. So, it can't be administrative travel, for instance, because that's not travel associated with eligible activity. It needs to be travel directly associated with the services being performed as housing counseling.

So, yes, the overarching regulation says travel as a line item, but you also have to comply with the requirements of the grant agreement, and in this instance, those expenses still have to be associated with eligible activities.

So, these costs must be specific to that particular grant or the grant award amount, and they still have to be reasonable and necessary. So, section 200.403 of the Uniform Guidance is still applicable, so although, once again they say that certain line items are now services, for instance, your services might include a consultant whose hourly rate exceeds the ceiling hourly rate that's in the grant agreement. That may not be considered reasonable.

So, although conceptually services is allowable under your modified total direct cost computation, it may not pass the test for being reasonable under this section 200.403. So, just keep that in mind that with any expenses or budgetary line items that you're considering, they always have to be reasonable and necessary to the performance of the grant.

More information and these definitions, direct salaries and all of these, these are straight out of the Uniform Guidance, and hopefully they're not new to you, but just the basic principles of what includes direct salaries and the fact that it has to be for work actually performed, direct salaries line items should never include any fringe benefits. Compensated leave, for instance, it should include the rate based on work actually performed.

Those direct administrative and clerical positions where you've been able to clearly identify that certain hours that they perform are directly associated with the housing counseling activities specifically, file management kinds of things, or maybe you have management that has to review certain files, or you have a quality control process that you have certain people do file checks as a part of making sure that you're maintaining the files in compliance with the program. Those kinds of administrative and clerical tasks, but just as the Uniform Guidance says, you still have to provide justification and be able to directly associate those administrative and clerical salaries with housing counseling activities. That, again, is that necessary part that you still have to meet that test.

Applicable fringe benefits, and you all did the fringe benefit costs for whatever counselors or positions that you're proposing. You're going to look at things like their retirement contribution, paid time off, health benefits, tuition benefits, whatever you pay on behalf of an employee that benefits them, the biggest test being that the organization is paying them on the employee's behalf. If any part of it is being deducted from the employee's salary, then that part being deducted should not be included as fringe benefit.

Other things that you can include in the MTDC, modified total direct cost, your service contracts and consultant fees. Once again, they have to be reasonable, and as you all should know, within the CHC grant agreement, there are some ceilings in the maximum rate that you can pay to a consultant, so they also have to fall within those limitations. For FY 2018, that grant is $65.48 an hour, so if you're using service contracts and consultant fees, they can be allowable as long as they're still reasonable and necessary and they're within the dollar threshold established in the grant agreement for salaries for consultants.

Materials and supplies, just for your information, under the MTDC they are allowable, but note, for the FY 2018 grant, HUD is not allowing costs for supplies. They're requesting that you capture those costs in that 10% indirect cost allocation. So, at this point, those costs are not being considered allowable per the grant agreement, not per the Uniform Guidance, but the fact that HUD really wants you to focus in on those direct services that really benefit the program, and then using that indirect costs to capture those other costs that you had just by being in existence.

I will tell you after four, almost five, years of working with HUD OHC and working with a lot of agencies, it's usually more difficult to manage the supporting documentation for something like supplies than it would be to just have included those dollars in maybe direct salaries or something like that. Now, because supplies are no long eligible as direct, and they're including it in indirect, you can charge supplies to the program, but you don't have to have supporting documentation because they will fall into your indirect costs line items. You could not request reimbursement as a direct line item.

So, it really can be time efficient. I just wanted to note that in my experience, usually when we came in for review, and we needed supporting documentation that was one of the most difficult areas to provide adequate documentation.

Travel costs, they are allowable under the MTDC and should be consistent with eligible activities, and so are subawards and subcontracts up to the first $25,000 per subaward or per subcontract. So, you do have to kind of analyze each award and each contract individually to determine if they're over or under $25,000. It they're over $25,000, then you can only include in your computation the first $25,000. If they're under the $25,000, you can only include the actual amount of the cost. You can't bump it up to $25,000. That's just the ceiling for determining if they can be included.

What you cannot include in the MTDC, equipment, which you can't include under this grant anyway. There was a time that you could, so equipment is a line item that you cannot include in the MTDC.

Capital expenditures, that's buying buildings, that's for office equipment, that's for if you're making improvements, alterations, telephone networks, motor vehicles. All of those things are considered capital expenditures, and they're not just not allowable or excluded from the MTDC, they're also excluded from the HUD CHC grant, so those shouldn't be line items that you're including on your budgets as well. Then, as I said, the portion above $25,000 per each subaward or subcontract, they're also excluded.

Other costs could be excluded are rent, scholarships and fellowships, and participant support costs, rent being probably the most familiar to you all. So, the Uniform Guidance also recognizes that rent in and of itself is inherently an indirect costs unless you bought a whole building just for one particular federal award or federal program. Then, your argument may be different, but for purposes of this 10% de minimis rate, you cannot include rent, but that shouldn't be a problem anyway because now under the FY 2018 CHC grant, rent is no longer allowable as a direct cost. That should make it a lot easier to be able to apply this 10% de minimis rate.

For your information, always remember that there's certain costs that are expressly unallowable in the Uniform Guidance, and these costs you can read about them. Things like fines and penalties, that's one that we can catch. The government's not going to pay because you didn't follow a rule or a law which would create a fine or a penalty. Of course, they're not paying for entertainment, they're not paying because of bad debts associated with potentially poor decision making, and they're not even not paying for certain costs, selling and marketing costs.

Now, the grant itself allows for marketing and outreach, so based on the grant terms that's an allowable cost for this grant, but were it not an expressly allowable per for the grant, it may not have been allowable for selling and marketing, but that's not the case because it is allowable under this particular grant.

Now, I've talked about he eligible activity a lot under this grant, so we're going to go over some of the ineligible costs for CHC, and for some of you all who've gotten this grant for years upon years, this is probably the most difficult concept for you to maybe grasp or get your hands around, especially if you were including budgetary line items other than just direct salaries or fringes.

So, what you cannot include, ineligible as direct costs per the CHC grant, salaries and fringe for time not spent performing eligible activities.  So, in the parenthesis are the eligible activities: client education, oversight compliance and quality control, supervision of housing counseling, housing counselor training. Those are the activities that are eligible activities under this grant. So, although we've included them on the line items of salary and fringe, every line item on your budget should somehow be directly associated with providing one of those activities.

We've had questions on well, how do I know what's eligible. Think about the activities as defined here, and then think about those costs that you're including on your budget as direct if they are, in fact, directly associated with one of those activities. That's how you can determine if, in fact, that cost is eligible.

Unfortunately, we can't give you, other than to suggest these costs, certain costs here, in all of the other categories, that determination has to be based on what the actual cost is associated with if it's associated with one of these activities then you have a strong argument for it being eligible, unless as we say here, it's expressly not eligible per the grant.

Fringe without corresponding salary costs in the past, and it's really to help subsidize the HUD OHC, it wasn't uncommon for a budget to have fringe benefit and maybe not all the salaries. They were pretty much using leveraged funds to pay for the salaries, but they were requesting reimbursement for the fringe benefits portion of those salaries under the HUD grant. Well, that's not longer allowable. You have to have the salary and corresponding fringe benefits.

Unspecified administrative costs, you now have to itemize out your administrative costs, and as for parent organizations, they're allowed administrative costs, that has to be itemized costs. Those administrative costs also have to be related to the performance of the eligible activities, and that's why they have to be itemized out so we can see what they are so we can determine if they are, in fact, related to the performance of eligible activities.

Travel not related to eligible activities, and once again, referring to those activities in the paragraph. Then, these other costs that if you remember from that indirect cost when we looked at facilities and G&A, these other costs rent, utilities, phone, internet, postage, supplies, technology, these other cost actually fall within that facilities indirect cost. It's just historically CHC has allowed these costs to be charged as direct if you had an acceptable billing methodology.

So, keep in mind that these are the costs that are expressly not eligible, but any cost that you want to charge to the program, you can make a determination of whether it's an eligible cost by connecting it and associating it with one of those eligible activities there.

Now, we'll get into actual examples. I wanted to kind of refresh your memory. I hope you've either participated in the other trainings to give you more background on this indirect cost, or if this is your second or third time around in this training, I just wanted to make sure we gave you some background information before we jumped right into these examples.

So, in example number one, we're looking at this is a budget for a grant awarded of $305,000, so this is you preparing your budget and before you determine your indirect costs. So, these are your direct costs associated with your budget. Your budget has salaries, you see fringe benefits, training, marketing, and then you see the various grant awards. It appears to be three subgrantees that received awards.

So, when we break down that budget, now we have to determine which part of those direct costs can we include in our modified total direct cost because even though these are the direct costs we're proposing on the budget, we have to determine whether these costs are included in that modified total direct cost so we can compute that 10% times that dollar amount to then say how much we can get in indirect costs.

So, we're going to break it down. The fist things is let's look at our subcontract. Remember, the rule is only up to the first $25,000, so here we show what's eligible per the MTDC, so we have three different grant awards, some higher than $25,000, some lower. So, in this amount that we're showing you, all of them are eligible for up to $25,000 and then what he excluded amount are. So, we're just putting the eligible amounts in, and when you see the budget, you'll see that for subaward grantee B, we actually only include $20,000.

Marketing and outreach, $20,000, eligible as a direct expense; not eligible for computing the MTDC. Now, remember, HUD is allowing you to include marketing under the grant, but that's not included in the MTDC. Actually, if it were on a HUD grant, it may not have been included as direct, but a HUD it is allowable, but it's not an eligible cost under the MTDC.

So, when you take this budget and you say okay, now I have to determine what I multiply that 10% by, you look at your direct costs that were originally proposed. We've determined what has to be excluded from our direct costs to get to a modified direct cost, so that's that marketing and outreach budget, that yes, is approved as a direct cost for HUD but you can't include it in MTDC.

Then, you see that subaward A, that $75,000, but we have to exclude $50,000. We can only charge $25,000. Then, for grantee B who's less than $25,000, and you see we only charged the actual amount of the grant award even though it's less than $25,000. So, although our direct costs are $285,000, our modified total direct cost, which we used to compute our 10%, is actually $210,500.

So, when we multiply the 10% times the correct modified total direct cost, that means in this budget, we can charge $21,500 in indirect costs. Now, had you not done the budget the right way, you could have thought you could have multiplied that 10% times $285,000, which was the original cost amount, and you would have improperly charged the government an additional $7,000. That is why you have to do the analysis to make sure you've eliminated those things that cannot be included in that modified total direct cost, and that's why you need to understand what can and cannot be included in the modified total direct cost.

So, this award was for $305,000. Notice that yes, we computed indirect costs for $21,500, however, the grant was only for $305,000, so although we're eligible or the computed amount of indirect cost that we can charge was $21,500, we can only charge $20,000 because your computed indirect cost cannot exceed your total grant award amount. A lot of you will find yourselves having to adjust the numbers or play with the numbers or adjust that indirect cost amount.

Sometimes they'll go back and revisit some of the direct costs and say okay, if I make this less, will this mean I get 100% of my indirect costs. Now, that 10% that I've computed, will I get all of my 10% just by adjusting some line items. I mean, that's part of the analysis that you can do, but what you cannot do is you cannot have your budget be more than the grant award amount just because you're eligible for indirect costs that may exceed what the total award amount is. So, it does have to fit within the total award amount. This is just an example of it.

Another example, this is a larger award. It's a million-dollar award. We have salaries, we have fringe, travel, training. We have some audits. We have some subawards, some CMS fees, marketing outreach, and consultant fees. So, this is a budget, and this is our direct costs.

So, notice that on these budgets where we're looking at just direct costs, we're making sure that we're leaving some room for indirect costs, so the total direct cost budget is $945,000, and now we need to compute our modified total direct cost so we can then compute our 10% de minimis rate. So, what do we have to look at?

Audits. Assuming an approved billing methodology allowable under the CHC, excluded from the MTDC. So, with the allowable billing methodology, you could have some audits associated with your quality control because it could be associated with eligible activities with the education of various eligible activities, but you can include it in MTDC.

You have one subaward for $65,000, so then the amount over that is $40,000, so we know we have to exclude that because we can only include up to the first $25,000 on any subaward or subcontract.

Okay, CMS fees, they are allowable under this CHC, but fees are not allowable in the MTDC, so they have to be excluded. Same with marketing and outreach. We've used that example before. Yes, you can keep it as a direct cost. You just have to back it out when you compute your modified total direct cost before you compute the 10%.

Then, consulting fees over the annual amount. That's the annual amount for that year, and so all of that has to be excluded. The amount over needs to be excluded from the MTDC.

So, then this is just kind of breaking down a little bit further subaward A because we're excluding the amounts that exceed certain dollar amounts, and then for the annual consultant fees.

We've put in our budget. So, in our budget, we have direct salaries of $450,000. We have fringe benefits. We have to exclude the audit allocation. We have to exclude the subawards that exceed, that one particular award that exceeds $25,000, and then our MTDC we're only including the $25,000. We have to exclude all of the CMS fees, all of the marketing, consultant, and the dollars of the annual consultant fees that exceeded the approved rate.

We then take that number, so we originally started with direct costs of $945,000, and now our MTDC is $689,000, so that's quite a big difference in what we can include in the MTDC from the actual direct costs. So, once we multiple that by the 10%, we get $68,965. Once again, we have to go back to our budget and see what we can and cannot include, how we can and cannot include that $68,500, so that would be our indirect costs.

This third example where we have a total award amount of $850,000, we have direct salaries, fringe benefits, just another common budget, but we have credit reports on this one to look at, and once again, annual consultant fees. So, they're the two issues, once again, we're seeing here. I'm showing you the same issues because these are the ones that we see most recurrently.

So, once again, we're going through that analysis. We're looking at what has to be excluded to get down to our modified total direct. Of course, excess subawards, excess consultant fees, and credit reports. Unfortunately, credit reports they can be allowable as eligible costs under the CHC, but they are not allowable as eligible costs under the MTDC. They have to be excluded.

So, with this budget, the direct cost budget of $942,000, when we back out those costs that we just looked at, and we get down to $731,659, so once again, that's another material difference between direct and indirect, and if you multiply that 10% by the direct cost, it would be a pretty substantial overpayment.

So, by applying the 10% to the correct MTDC, you have $73,000 as opposed to if you had applied it to the incorrect. This is the $805,000, so that would have caused you to, once again, overcharge or get improper payment from the government.

Once again, although you can compute it correctly, you can only charge up to what falls within your grant award amount, and in this instance, it would be whatever gets you to your grant award amount.

Some other considerations, federal agencies, notice the funding opportunities they must include in there that the policies are related to indirect cost rates, so in the fund, in NOFA, you were advised that you need to make sure you're advising your pass throughs that they can, in fact, charge indirect cost rates.

Pass-through agencies, you can apply the 10% de minimis rate. A parent organization cannot tell a pass-through agency that no they can't elect any indirect costs or no you can't use the 10% de minimis rate, or you have to use our rate. Each pass-through entity can elect at that 10% de minimis rate, and they can use that rate, and the parent organizations cannot tell them they can or cannot do it.

Non-federal entities that once you allocate it and charge 100% of the costs directly, you may continue to do so. So, if you already have a direct cost allocation plan, you can continue to do that, but if you do not, and you want to elect for the 10%, you can do that as well. However, if you do have a NICRA, you must use that NICRA, and that NICRA is not applicable to your subrecipients as well. They would have to have their own NICRA. Otherwise, as I said, they can elect the 10% de minimis rate.

It's just not permissible for a parent or a large organization with pass-throughs to tell a smaller organization that they cannot charge indirect costs or they cannot use the 10% de minimis rate, and you have to allow them to use that rate.

So, with any retention of records, and I hope it becomes clear what records you're maintaining. Any examples we went through, we always started with direct costs. Those are the costs where you still have to maintain your records for the three-year retention period that starts from the end of the fiscal year of the other accounting period.

So, you once you elect that indirect cost rate, you have to keep your records for three years. I think the retention period in your grant is actually a little bit longer than a retention period per the Uniform Guidance, or it's consistent with the Uniform Guidance, but understand that's the records you're keeping. You're not keeping that 10%, how you use those dollars. You're keeping the records for those direct costs that you used to determine that 10%. So, they're the records that you're still required to maintain.

So, available services, we always like to let you know what assistance you can get through HUD OHC, and this is just by request, but you can get technical assistance or do things like review your schedule of indirect costs. If you need help computing the indirect costs, and the thing you have to remember is that indirect cost, that 10% has to be computed each quarterly report.

So, let’s say you computed on your budget, and so you can’t just divide what you computed on your budget and each quarter charge a certain amount of it. You have to compute that 10% each quarter based on whatever direct costs you’re requesting reimbursement for, then excluding those direct costs that can’t be included in MTDC, and then that will be those modified total direct costs that you can multiply the 10% by.

We do a training on quarterly reporting, and we review that again on preparing quarterly reports because we’ve seen where that’s computed incorrectly. You have to compute it each quarter based on the cost that you’re requesting reimbursement for for that quarter.

So, as I said, that technical assistance, that’s something that we’ve helped with just making sure that those computations are right, help with cost policies, especially with understanding the eligible costs.

For financial analysis, we’ve interacted with a lot of you to do grant executive package reviews. If you’re a parent, then we’ve done those reviews as well for your subrecipients.

Financial capability, risk assessments, a lot of these services, as I said, some of you we've worked with before. Billing methodology reviews, especially if for some of your eligible costs you've had to come with a billing methodology to support or justify those costs as being eligible.

Looking at your accounting systems, which I think is a big one because for a lot of you, in your accounting system, if you're properly segregating your direct costs from your indirect costs, it becomes much easier to even go through this exercise because you've clearly identified and segregated in your accounting system your direct costs and your indirect costs and your unallowables.

So, those are some of the services available in the financial analysis. The training, especially for first-time grant recipients, or if you haven't received a grant in a couple years, there have been changes, so we do provide one-on-one training, not just the webinars, but we sit down with whomever is responsible for preparing the budget, the financial reports, and things like that and looking at your supporting documentation to make sure it's adequate, checking your timesheets, things like that in a one-on-one environment as opposed to a webinar.

Then, for some agencies, once again, especially if you haven't had a grant recently or it's your first time, we'll do an assessment, an action plan to kind of see where you are, looking at your policies and procedures, looking at if you have in place a system to be in conformance with the Uniform Guidance.

To get this assistance, it doesn't take a lot. You have to request assistance from your HUD POC and give them an understanding of what type of assistance. A lot of times, the assistance will come through other services we provide. For instance, you may get an action plan done to determine your readiness, and we've identified some areas where you need some help. We'll recommend to the HUD POC, per your concurrence of course, certain services, and then you can concur, and then that training or technical assistance or whatever the service is will be provided to you.

The process for recommendation and approval is usually like one business day. We have two subject matter experts, Tracy Fields and Matt Finn [ph], they both are the individuals you contact to request a service, or your HUD POC will contact because once your HUD POC gets the service, they then submit it to Tracy Fields and Matt Finn, and a that point, try to understand what the scope of the service is. Generally, it's service that's needed because it wouldn't have been recommended.

At that point, once it's approved, we then work with you directly, so it's not as if you have to continue through a group of people to get anything done, which can be time consuming. You get direct one-on-one service that we try to get those done as timely as possible based on the scope of services being provided. That's how the assistance is initiated.

Just some frequently asked questions that we discussed, but sometimes it's good to have an FAQ to look back at if you don't want to read the entire presentation.

Does my organization have to charge indirect costs? No, you do not. You're not forced to, but it's just an option to you depending on which category you fall into.

Second question, I'm an intermediary with several subgrantees. If one of my subs uses an indirect, do all of them? No, once again, each of your subrecipients are separate entities that have to meet separate—their own standards or their own requirements for whether they want, or even are eligible to use the 10% de minimis rate or they're eligible for the NICRA, if they have a NICRA in place. So, no, one does not equal all. Each individual subrecipient can make that determination relative to their indirect costs.

Does the use of the 10% de minimis rate increase my award? I think we tried to show you through exercises, it does not. You have to keep it within the total dollar award amount. What it is is it gives you a line to adjust as long as it doesn't exceed what the computed 10% rate, the 10% amount is, then, you're fine.

If I have subgrantees, can I prevent them from using it? No, you cannot. You can't prevent them. You can't discourage them. You can't, in any way, suggest that they cannot charge that 10% or any indirect cost rate depending on which category they fall into. You have to allow them to charge the indirect costs as long as it's within their subgrant award amount.

Question five. 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. Notice I'm saying federal awards. This does not apply to state, local, or non-government awards, but from a federal awards, yes you would consistently—and, that doesn't mean that you have to charge indirect costs, but if you choose to charge indirect costs from a federal award, you would then have to use the 10% de minims rate. It doesn't force you to charge indirect costs, but if you do charge it, that's the rate you have to use.

Question six, how long can the 10% de minimis rate be used? It's indefinite. It has no ending date until or unless regulations change or you negotiate a NICRA. If you go in and negotiate a NICRA, and it's awarded, that would the termination of your 10% de minimis rate. Otherwise, it's indefinite unless there's some kind of regulatory change or you negotiate a NICRA.

Can subgrantees elect to use the 10%? If so, does the pass-through have to accept it? Yes, yes, and yes. I think that's clear that on all three fronts yes they can, yes you have to accept it.

If you have any additional questions, you can submit them to housing.counseling@hud.gov. For quick reference, as we said, please put in examples of computing the 10% de minimis rate or some iteration of that, and as we also qualified earlier in the presentation, we can only respond to questions from HUD Comprehensive Housing Counseling grant stakeholders, so if you're not a grant recipient or a stakeholder involved in that grant, then unfortunately, your questions cannot be responded to.

Thank you for you time this afternoon, and have a great day.

Moderator — Ladies and gentlemen, that will conclude our conference for today. Thank you for your participation and for using AT&T TeleConference. You may now disconnect.