Final Transcript

HUD – US DEPT OF HOUSING & URBAN DEVELOPMENT – 10% De Minimis Rate

July 24, 2018/2:00 p.m. EDT

SPEAKERS

Robin Booth

PRESENTATION

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

I would now like to turn the conference over to your host, Robin Booth. Please go ahead.

Robin Good afternoon, and welcome to Examples of Computing the 10% De Minimis Rate, sponsored by the US Department of Housing and Urban Development, Office of Housing Counseling for the comprehensive housing counseling program grant. As you can see if you're calling in, the information is available. The audio is being recorded. A playback number, along with any of the presentation materials, will be available on HUD Exchange in the archive section.

It's also important to note that if you registered for the webinar, in your control panel in the webinar you will see a PDF file that contains the training materials, so you can download that as part of the presentation. Your lines will be muted during the presentation. Due to the number of participants, we are not going to take live questions during the presentation. However, as I'll explain further along in the logistics, you will be able to ask questions during the presentation.

Handouts were sent out prior to the webinar, but only to those that registered. As I indicated previously, if you look in your control panel and click on Document Name, you can download these presentations, if you registered.

Within 24 to 48 hours, or two business days, you will receive a thank you email. The email itself is your training certificate. There will not be an attachment to the email, but the training information or certification will be within the body of the email. Please make sure you download this and keep this for your records because it does verify that you participated in the training.

If you would like to ask questions during the presentation, there's two ways that you can do that. One is, on your control panel you can enter questions. We do have teams of auditors and staff available during the webinar that will respond to your questions during the webinar. If we cannot answer a question during the webinar, we'll ask you to submit that question to housing.counseling@hud.gov so that we can follow up. Some issues may be more complicated and/or require additional research, and our staff will let you know at that time whether that question needs to be submitted to housing.counseling@hud.gov.

You can also submit questions to that email address following the presentation for certain issues that you didn't have necessarily during the presentation but they come to mind following, you can still use that email address, housing.counseling@hud.gov to ask your question. We just ask

that you please make sure you include Examples of Computing the 10% De Minimis Rate in your subject line. It makes it easier to distribute the question, to make sure you get a timely response.

We do have to note that this training is being offered by HUD's Office of Housing Counseling and it's for the comprehensive housing counseling grant recipients. If you are not a grant recipient or you participated in this webinar under other grants, unfortunately, you cannot submit questions through the housing.counseling@hud.gov. We can only respond to questions that are asked by various housing counseling grant recipients or other stakeholders, such as HUD personnel. Any questions relative to any other federal grants, unfortunately, we cannot answer those through this particular webinar.

So, on to our presentation today. My name is Robin Booth. I will be facilitating this training. Our company, Booth Management Consulting, we are the quality audit and technical assistant contractor for the Office of Housing Counseling, and we provide services, including technical assistance, training, financial and administrative reviews, action plans and other services relative to the Office of Housing Counseling comprehensive housing counseling grant.

Today's topic of course is that of the 10% de minimis rate. We're going to start off with a brief refresher, just going over what the definition of the indirect cost rate is, what is the 10% de minimis rate, then the criteria.

We hope this is a refresher for most of you at this point. Since this has been effective for more than two fiscal years, or two grant periods, we hope that you're familiar with a lot of the terminology, and if you, in fact, have already initiated or took advantage of the 10% de minimis rate, that you understand this. So we do want to go back over the definitions, what is de minimis rate criteria, if you meet that criteria, and then go into what is the modified total direct cost. And from there we'll go into specific examples on how to properly apply the 10% de minimis rate when you're computing your indirect costs for this grant.

Now, the whole concept of 10% de minimis rate is the government's willingness or understanding that there's certain indirect costs that you incur to be in existence in order to provide the services to the federal government under the grant program. Prior to the Uniform Grant Guidance, which became effective now two years ago, December 26, 2016, agencies would have been required to have a negotiated indirect cost rate agreement in order to give any indirect costs reimbursed to them

under this grant. What that pretty much meant is that the government was recognizing 100% of those direct expenses associated with you performing the grant, but there was no contribution to those indirect expenses, such as rent or administrative staff, or various other indirect expenses for your organization.

So, what happened was under the Uniform Guidance the government said, well, even if you do not have a negotiated indirect cost rate agreement, we do recognize they're indirect costs that you incur to provide these services, and we'll give you 10% of those costs to the extent that you meet the criteria for eligibility and that you use our computations for determining what that 10% is. It's not necessarily 10% of everything, of all your direct costs, because certain costs are not included in that 10%. \

So, what happens is, for the 10% de minimis rate, you need to understand, one, what is the indirect cost so you can make sure that you're not including indirect costs as direct costs; and two, how do I determine what I can multiply that 10% by, which is called the base. The first thing you need to understand is what are indirect costs, and these are under the Uniform Guidance Section 200.56, it gives you clear definition. And for grants, they break it into two broad categories: facilities and

administration. So, this illustration gives you an idea of what goes into each indirect cost pool.

Now, for most grant recipients there's only one indirect cost. These costs are combined and they're either administrative or facilities, but generally they're all combined together.

Larger organizations, who may have much larger federal grants and have a lot of different cost elements, they may have an administrative indirect cost rate and a facilities indirect cost rate. In those instances, most of that would have been negotiated as a part of a negotiated indirect cost rate agreement, where the agency would have met with their federal cognizant agency that had awarded them the largest grant, and they would have agreed to what their indirect rates would be, and those rates then would have to be applied consistently to all their federal awards. So, the CHC grant would also accept those rates.

But generally there's two broad areas. Under administrative you put things like accounting and management, mail services, HR, indirect supplies not directly related to the grant, and payroll. So, those are the

types of costs or expenses that are associated with running your organization that are considered administrative.

On the other side, facilities, this is where you generally see your rent and mortgage, your storage, your janitorial, your communications by the telephone, your utilities, your heat and electricity, those are generally facilities. Now, it does become somewhat more complicated if in fact you use your facilities and you directly allocate of your expenses associated for the facilities to each of your grants.

There are some agencies or grants that if they can provide a billing methodology which clearly demonstrates that although rent generally, or the facilities generally as an indirect cost, we can demonstrate that we allocate rent specifically, or are renting space specifically for a grant, and we're able to look at our total square footage of our space and say, you know what, we have five people in this particular office, so this is the HUD CHC office, and this is another grant's office, and you can give us a billing methodology that clearly shows how these are direct expenses. And in that scenario it is not uncommon that expenses such as rent, or utilities, although indirect inherently, can be charged as direct, if in fact you have a billing methodology that makes sense.

That's what all of this is about. This is about assisting an agency in recouping at least 10% of those costs that are not direct to the grant but fall within those two categories.

By definition, the 10% de minimis rate is any federal—well, the entities that are eligible for this 10% de minimis rate is specifically spelled out in 2 CFR Section 200.414, which pretty much says that if you've never received a negotiated indirect cost rate, you may elect to charge a de minimis rate of 10% of the modified total direct cost.

It is important that language, modified total direct cost, because what the government is saying is that although you may have direct costs and you cannot just simply multiply that 10% times your direct costs and say that that amount is my indirect costs. There are certain direct costs that you cannot include when you're computing that 10%, which we'll definitely go over as a part of some future slides.

How do I know if I'm eligible, that our agency meets the criteria for the 10%? One of the first things is you have to make sure that as a non-federal entity you never received a negotiated indirect cost rate agreement. If you're in the program side and not in accounting or finance, you need to

verify this information with your accounting or finance department that the agency has never, even if it's terminated or ended, but you have never had a negotiated indirect cost rate agreement. That is something that definitely needs to be verified with your accounting, finance, or your management prior to making that representation.

The next thing is, it must be used indefinitely once elected, and consistently for all federal awards. So, if you decide you want the 10% de minimis rate, you have to use that on all of your federal awards. Remember, federal awards, not state or local, not non-federal awards, but any of your federal grants awarded, you then have to consistently use this 10% de minimis rate until such time—or if you ever negotiate an indirect cost rate agreement, at that point you would use the negotiated rates from that agreement.

The cost of the basis, or what we call the cost composition of the modified total direct cost, it has to comply with Section 200.403, which deals with a liability. So, even though the government is saying, we'll let you take 10% of your modified total direct costs, your modified total direct costs still have to comply with those cost principles under the Uniform Guidance that has to do with a liability. So, if you have something in your

direct costs that's not allowable under those cost principles, then that has to be excluded when you're multiplying that 10%.

Even though the government is not asking you to spell out what's in your indirect costs, because they're giving you 10% of your direct costs and saying that is to aggregate your indirect costs, they have to make sure what you're including in direct costs is allowable. So, that is still a requirement when computing a 10% de minimis rate.

If you're a non-federal entity, like potentially a multi-state organization or an SHFA, or maybe even an intermediary, and you receive over $35 million in direct funding, you cannot use the 10% de minimis rate. At this point you should be negotiating the indirect cost rate agreement or have some kind of cost allocation plan. But if you receive $35 million or more in direct funding from the federal, you're not eligible for the 10% de minimis rate.

Then the fifth criteria, because this comes back to documentation to supporting the methodology, so even though, like I said, the government is not going to audit or review what you use that 10% for once you're determined, it is going to verify that the direct costs, which is what you're

multiplying that 10% by, meets the criteria of the cost principles, so you will have to have that same supporting documentation for your direct materials, for direct expenses.

Let's say that you've included something in direct expenses that really was not a direct expense and you multiply that amount by that 10%, well, under review or audit, if it's determined that that cost should have not been included, then that means that you overstated your 10%. So, you would, in fact, potentially have funds that should be recaptured by the government because you overstated your 10% using the wrong base for the direct costs.

We'll go over that in some examples, which we're about to modify total direct cost. That is the difference, understanding this modified total direct cost is critical to making sure you accurately compute the 10% de minimis rate.

According to 2 CFR 200.68, this is what you can include: all direct salaries and wages, fringe benefits, materials and supplies, services, travel, sub-awards and sub-contracts up to the first $25,000 of each award. We'll show you what that looks like in an illustration. You still have to meet

those same principles, though, that the costs must be specifically identifiable to the program, so it still has to meet the test, so the criteria for direct costs. It also has to be necessary and it has to reasonable, consistent with the cost principles for any cost that you're charging to a grant. That's all spelled out in 200.403. So, although they're giving you 10% of your direct costs, those direct costs still have to meet the same cost principles as under Section 200.403 of the Uniform Guidance.

In this slide we give you further definition of direct salaries, and this is strictly from the Uniform Guidance, but this is everything paid, currently accrued through the employees working on federal funded programs. It has to be to individual employees for work that they've performed consistently applied to both government and non-government, and the charges for work performed are documented in an auditable format.

Once again, even with that 10% de minimis rate, if you don't have adequate documentation for your salary, which is one of the requirements that you have documented in an auditable format, which most of us know are timesheets and the corresponding personnel activity reporting, you have to be consistently applied that we're looking at your full timesheet to make sure you're consistently applying the work that they're performing,

and that the compensation is reasonable for the work performed. So, we're still looking at your rates to make sure that they're reasonable for housing counselors and various others you're charging to it.

But let's say you don't meet one of those criteria, not only if under auditor review would the direct costs or the direct salaries be reduced, so that you may potentially owe the government money that you claimed for direct salaries which in fact didn't meet the criteria, so you owe that, but then it's going to be subtracted from the total direct cost. And if you use the 10% or any indirect cost rate, then that's going to result in a decrease in what your indirect cost was, because you multiplied the rate by a number that was too high.

The same thing with direct administrative and clerical, these are the criteria under Section 200.413, and if you don't meet one of the criteria, not only is the direct costs subject to recapture, but so would the difference between the incorrect computation for the indirect costs. Applicable fringe benefits, these are what's allowable. If you don't have a fixed fringe rate, then actual charges for the following should be used. These are your general fringe benefit costs, retirement, employer paid taxes,

health benefits, tuition, and whatever you include in your fringe benefits plan.

Service contract and consulting fees, these are the criteria. Salary limitations for consultants, which this changes every year. I believe this is still the prevailing rate in the FY2017 grant, which is the $134,776 annual salary, which equals an hourly rate of $64.58.

Now, materials and supplies, you get a little bit tricky because you get into the accounting treatment, so it's defined as tangible property, including computing devices that cost less than $5,000 per unit, or other lower equity [ph] equipment threshold, and are allowable if can be documented. Everything still has to be documented, so you can't suggest that, oh, when I use my indirect costs I don't need documentation. No, you don't need the documentation for the 10%, but you need documentation for the direct costs that you used to multiply that 10% by to get your indirect costs.

Travel costs. These are what the governing principles are for the travel costs, sub-awards and sub-contracts. So, make sure within these training materials and in the references that you clearly understand what the

requirements are for the various direct costs that you want to include in your budget, and then use as a basis for computing your indirect costs.

Now, 2 CFR 200.68 specifically excludes certain costs from the modified total direct cost. So, what that means is no matter what these costs cannot be included when you're computing your modified total direct cost. This will be equipment that has an acquisition cost of $5,000 or more and an expected value of more than one year. That's getting into an accounting treatment that's considered capitalized equipment, where it's going to add value or provide value to an agency over an extended period of time, not just within a year within the operating cycle.

Generally, equipment is excluded if it costs more than $5,000 and it has a useful life of more than one year. That's because it falls into the next category of a capital expenditure; even though it's equipment, it's considered capital equipment. Other capital expenditures, like buildings, land, furnishings, alterations, telephone networks, motor vehicles, all of those things are also excluded from the MTDC.

For this particular grant you don't see a lot of those capital expenditures, just due to the nature of the grant and then the funding, the award amount,

but it's important for you to understand that those kind of capital expenditures have to be excluded from the MTDC.

Then the sub-award and sub-contract. For each sub-award or sub-contract you can include up to the first $25,000 per award or sub-contract. Any amount awarded over that amount you have to exclude, so you do have to do that computation to make sure you get that information correct.

Other costs. Rental costs cannot be included, and that's because it's inherently the rental cost of like rental and equipment, office space, and that's because generally even if you can verify that the rental costs should be treated as a direct cost, for the MTDC it's automatically going to be excluded. So, even if you get approved to have rent as a direct expense, if you elect to use the 10% de minimis rate, that rent will not be included within that 10%. Scholarships and fellowships and participant support costs, these are other costs that are expressly not allowable under the Uniform Guidance.

It's also important for you to understand what's unallowable, period, for any cost, and this associates with your direct costs. So you should review sub-Part E Principles of the Uniform Guidance, where it discusses these

various costs and to the extent they're allowable or unallowable for purposes of charging to a grant.

Now, let's actually go through some examples of applying the 10% de minimis rate. Hopefully by doing that refresher and going back over some key terminology this will make these examples much more relevant and understandable.

Let's assume that this is our budget for this particular grant. The grant award amount is $305,000, so they're preparing a budget for $305,000. The first thing we're doing is we're identifying our direct costs. So, we know that these are our direct costs, and we have direct costs up to $285,000.

The next question becomes, how much of these direct costs can we include in the computation of our 10% de minimis rate, so we determine what costs can be included and what cannot. From our example we see that we have three sub-awards in the amount of $75,000, $20,000 and $25,000. You can actually use this kind of approach to doing your own computation and a schedule, and what we did was we indicated the three sub-grantees, we indicated their award amount, we looked at what we can

include in the MTDC and what we have to exclude. Remember, the rule is that we can only include up to the first $25,000, so we can include the $50,000 from that particular sub-grantee.

The next rule we're looking at is we have some equipment here as well, and we tell you here under B that equipment is over $500 and has $5,000 in estimated useful life in excess of a year. So that equipment we also excluded, so we looked at what we can include and exclude, we took the total budget just for the direct costs, because remember everything is based on the direct costs, and you can't compute your indirect costs until you figure out your direct costs. So, we have our direct costs of $285,000, we've determined that we can include the printer because it was greater than $5,000 and it had a useful life over a year, and we have to exclude this amount for this grant award because it exceeded the $25,000.

Notice for the other two grants we've only, for the one that's $20,000 we only included $20,000 because that's the actual award amount. You don't adjust it up to $25,000, so the actual amount, to the extent it's not in excess of $25,000. For purposes of computing our indirect cost rate using the 10% de minimis, we don't compute it based on 285, we compute it based on 215 because these costs are expressly excluded from the

modified total direct cost. So what happens is we now multiply this 215 times the 10% to get our $21,500 indirect costs.

Now, remember the total grant award amount was $305,000, so although we can include up to $21,500 of indirect costs, we can't charge more indirect costs than the total award amount. So, a lot of times what you're going to find out with your indirect costs is it's going to be up to whatever's remaining available in that grant. What you can't do is include more than what that 10% computation would suggest, so had we done this incorrectly and not excluded the $70,000, we would have been basing the 10% off of $28,500, which would have been incorrect.

Now, because we had to back into the number and you can't exceed the grant award amount, even though the correct computation was $21,500, we can only include $20,000 because the grant award amount is $305,000. That's how you have to figure this out with this indirect cost money. That indirect cost cannot be in excess of the total grant award amount. But what basically the government is saying is that as long as you meet all of the cost principle things you've got to do anyway with these direct costs, and to the extent you exclude those costs that we told you should not be

included in this, we'll give you up to your grant award amount of the 10% de minimis rate.

In example number two we've made it a larger award, $1 million. We have direct salaries, we have fringe benefits, travel, we have different types of equipment, some short life equipment, we have fundraising, capital outlay and now we have accounting consulting fees, so we have a couple of issues with this particular budget. One of the things we have to look at is we're going to analyze our budgetary line items because we've agreed that these are the direct costs we're going to incur for this grant. Based on the direct costs, we have $945,000, so we do have the opportunity to recover some of our indirect costs because our direct costs do not equal the total grant award amount of $1 million.

So when we're looking at the various cost elements of budgetary line items, we have to go through each one to determine what can I include when I complete the 10% and what can I exclude. And notice, you're still getting the entire direct costs reimbursed. It's just that you can't get those costs reimbursed as a part of your indirect costs.

First thing, we have some equipment with a short life and less than $5,000 that we're going to include because that short life of less than $5,000, not considered capital, so we can include it. Then we have some other equipment with a greater life and it exceeds $5,000, and we have to exclude that because the Uniform Guidance specifically says that's considered capital and it should be excluded. We have one sub-award for $65,000 and we know we can only take up to the first $25,000.

Then we have some fundraising expenses that are not approved, and if you go back to those cost elements, those unallowable cost elements, you'll see that fundraising expenses are included in the selected items of cost that are unallowable unless your grant specifically indicates it. And in this instance this grant doesn't, so those fundraising expenses are excluded.

We have capital outlay or capital expenses, and they're expressly excluded as well. Then consultant fees, as we indicated, there's a threshold in your grant agreement for $134,000 for this grant period, so anything in excess of that would be excluded.

So we take each line item of cost and we figure out how much will be included and excluded. Starting with the sub-award, we can keep $25,000

and $40,000 has to be excluded. The sub-consulting fee, we budgeted $155,000 and we can include $134,776 in our computation, but we have to exclude the difference.

When we put this in a worksheet and we show what's excluded, we start with a budget of $945,000, and you will still get reimbursed dollar for dollar for those $945,000, but to determine how much we can compute for indirect cost basis purposes, you have to subtract all of those items that were expressly unallowable, such as that equipment, that was the capital equipment, the excess amount over the $25,000 for sub-awards, the fundraising expenses, the capital outlay, and then the excess amount for annual consultant fee. So, we get now what's our modified total direct cost, which is $687,776.

When we compute that, that gives us indirect costs of up to $68,776. Once again, because the budget itself is $1 million, and even though we do have up to $68,000 we can only include this up to $55,000 because that's what's in our approved budget amount.

If you use this training presentation to help you do the various little worksheets, it makes it really easy, and I would strongly recommend that

you do that as a part of preparing your budget before you compute your indirect costs.

And you can do it too when you're using a NICRA, the same thing, except that your basis for the NICRA is spelled out in your agreement, it's not necessarily a modified total direct cost basis, so it might be some other costs that you can include in the computation that you can't under using the 10% de minimis rate. But using this kind of approach should help you using either your NICRA or your 10% de minimis rate.

Some other things to keep in mind, as required under 203 and Notice of Funding Opportunities they must include in the Notice of Funding Opportunities the policies related to the indirect cost rate reimbursement. So, as you know, that's included in your notebook. You also know, if you received a grant, that you self-certify, that you meet the eligibility criteria for the 10% de minimis rate if you've elected to use it.

So, be clear that you understand the eligibility criteria, because if that self-certification is ever reviewed and you don't meet the eligibility criteria, let's say that you find out that the agency did have a NICRA ten years ago and you weren't aware of it, and it's found out or discovered through

HUD OHC doing some type of maybe review of your self-certification, then you can be subject to reimbursing the government for any indirect costs that you charged using the 10% de minimis rate throughout the various grant periods. So, just be familiar with that.

Pass-through agencies, you have to allow your sub-awards or sub-recipients, they too are entitled to use the 10% de minimis rate. You cannot suggest to them, they cannot elect it if they meet the criteria. Now, you also need to make sure that they self-certify and that they understand what the eligibility criteria is. But as a pass-through, you have to give them the right to electing the indirect costs, you can't tell them they can't charge indirect costs to the grant.

If you're able to allocate 100% of the costs directly, you can continue to do so. So, if you have some kind of cost allocation plan already as a non-federal institute, let's say you're a state authority or whatever, then you can continue to do that. You only need to claim this, it's not mandatory, but it may include the amount it would recover, thereby it would be immaterial and you don't think it's necessary to go through it. But once you start using a 10% de minimis rate, you have to consistently use it. So, when you're making a determination of if we're going to move forward

with it, remember that once you start you have to continue, so if you don't think it's worth it, or let's say most of your costs are being allocated directly and although you meet the criteria for it, you do not have to elect to take the 10% de minimis rate.

If you have a NICRA, if the sub-recipient has a NICRA they have to use their NICRA, negotiate it into cost rate agreement. So, intermediaries, parents, you need to make sure you're aware of whether your sub-recipients have a NICRA. If they do have one, they should make a copy of it available to you so you can verify the dates of the NICRA and what types of rates are being applied. But they can charge indirect costs if they have a NICRA. You cannot tell them they cannot.

However, they cannot use your NICRA as a parent, so if a parent has a negotiated indirect rate cost agreement with rates, you can't pass that down to your sub-recipients. Each agency or entity has to have its own negotiated rate if in fact you want to apply. Otherwise, if you meet the criteria they may just elect to do the 10% rate.

The last bullet is just letting intermediaries know, you can't force, just like you can't tell them they cannot, you can't tell a sub-recipient that they

have to use a 10% de minimis rate if they don't have a negotiated rate. They can make that election. They may choose not to ever charge indirect costs, that is their election, and you can't force that on them.

Record retention, we talked a lot about the documentation that's required, so really the record retention didn't change. You still need to maintain the three year record retention and understand what the record retention policies are under Section 200.333. They still apply, because remember the entire indirect cost rate computation is based on your direct costs, so if you don't have documentation supporting your direct costs, then there's no way that we can verify if you properly computed the 10% of those costs. So, you have to maintain documentation, but you're maintaining documentation based on your direct costs, unlike for the 10% de minimis rate. So, yes, record retention is still relevant, because it's relevant to your direct costs, which is the basis for how you compute your indirect costs.

Available services. These are services that are available throughout a contract with the OHC. For instance, quarterly financial reporting review, if an intermediary requests our assistance in reviewing how the sub-recipient is computing their 10% de minimis rate quarterly by quarterly, because remember, this has to be done every time you submit a request for

reimbursement. You have to actually, based on what direct costs you're requesting for reimbursement, it's based on those actual costs you're requesting for reimbursement, determine what can be included in the MTDC and then multiply that 10% by those costs.

So, we have assisted both HUD POCs with agencies, as well as intermediaries, in reviewing the quarterly requests from various parties to make sure they're computing that indirect cost rate correctly. As we provide assistance with your cost methodology and applications, especially to some of the small agencies where it's just your first time trying to implement this 10% de minimis rate, we'll review what you're including in your costs, we'll ask you to provide us with the supporting documentation, just to make sure you have the adequate documentation so that if you're subject to any kind of review, you've met that requirement. We'll make sure those costs are allowable and reasonable and meet those cost principles and then using the 10% de minimis rate you've computed the indirect costs accurately.

We'll review methodologies or assist you in developing the methodologies associated with how you come up with your costs, accounting system reviews, and this is when we help with how to configure your accounting

system to be consistent with Uniform Guidance requirements for financial management system. Some of you are using off-the-shelf products like QuickBooks, and we show you how to set up your QuickBooks, segregating your direct from your indirect costs, how to set up the grants in QuickBooks so that you can account for each grant separately. Then how to run a customized report to provide you with the information you need to report to HUD on a quarterly basis.

That's on the system configuration and accounting system review, and also to make sure you have the other requirements for financial management system, which have to do with internal controls and policies and procedures, so that if your financial management system is subject to review, you have everything you need. And we make sure that we train those individuals that will be managing the system so that they know how to properly charge these costs to the HUD grant within the financial management system.

Some frequently asked questions. Do you have to charge indirect costs to cost reimbursable grants? No. As I said in the presentation, you are not required to. But once you start, you must continue.

I'm an intermediary with several subs, if one of my subs uses an indirect rate, do all of my other sub-recipients need to use indirect cost rate? No. This is an individual election or determination, so, unfortunately, you can't make broad statements across the board, nor can you require across the board recipients use a certain rate. Each sub-recipient has to make a determination based on their agency, whether they have a NICRA or they meet the eligibility and whether they even want to charge indirect costs. So, you cannot make an across the board requirement.

Does the use of the 10% de minimis rate increase my award? As I showed in examples, no. It just gives you, I will say, the maximum amount you can charge for indirect costs within your award. To the extent that amount exceeds the award, then you have to decrement it down to the amount that fits, or is within the total award amount.

If I have sub-grantees, can I prevent them from using the 10%? No, you cannot. As I said, each sub-grantee has to make their own determination as relates to how they're charging, or if they're going to charge indirect costs.

If we choose this rate to receive reimbursement, would we now need to use de minimis for all federal awards? Yes. That's clearly in the regulations because once you start using it, you have to keep using it and you consistently use it with all of your federal awards.

How long is the rate applicable? Unlike your NICRA, indefinitely. You can use this rate unless some regulatory changes come about, or up until you negotiated indirect cost rate. So, unlike a negotiated indirect cost rate where in the rate agreement you have a period of performance or that these rates are applicable, the 10% indefinitely, unless new regulations or you negotiate a NICRA.

Can sub-grantees elect to use a 10%? And if so, does the agency have to accept it? Yes to both. Yes, you can elect as a sub-grantee and, yes, the agency has to accept it.

At this time, because I see we have a little bit of time, there was a question of, can we provide an example of why sub-grantee? Well, it's an individual situation, but it could be that the sub-grantee generally tries to charge as much of direct cost to a grant than indirect, especially in a smaller grant where they have sufficient direct costs to suggest that it's

just easier to take the 10% of the direct costs and charge all of those costs, because we're getting 100% of the direct costs. So, you've got to remember, if you're choosing any indirect cost rate, you're only getting a percentage, whether it's 10% de minimis, or it's negotiated indirect cost rate, if in fact that cost is a direct cost, you want to charge it as direct costs to get 100% reimbursed.

The biggest issue with the indirect cost is that these are all the direct costs that I can possibly charge that are related to this grant and there's still some grant funding left, so I'm going to charge the indirect costs. My first goal is to make sure I captured all of the direct costs, so whether it's a sub-recipient or a parent organization, your first approach is to make sure you're capturing all your direct costs, so you get 100% reimbursed, as opposed to a percentage, whether it's 10% or your NICRA, if you're charging indirect costs. So, hopefully I've answered that question.

As I said, if you have any questions associated with this webinar and you are a stakeholder with the Office of Housing Counseling comprehensive housing counseling grant, please feel free to forward those questions to housing.counseling@hud.gov email address with Examples of Computing

a 10% De Minimis Rate in the subject line item, and that's just to help us refer better questions.

There was one other—oh, thank you, Rhonda. I got your response. I thought it was one other question.

So, I thank you for your time. Please, as I said, if you have additional questions send them to the appropriate authorities, if you're eligible to. Enjoy the rest of your afternoon.

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