



Indirect Cost Rates

Audio is only available by
conference call

Please call: 844-291-5491
Participant Access Code: 4842760
to join the conference call portion of the webinar

May 12, 2020

Webinar Logistics



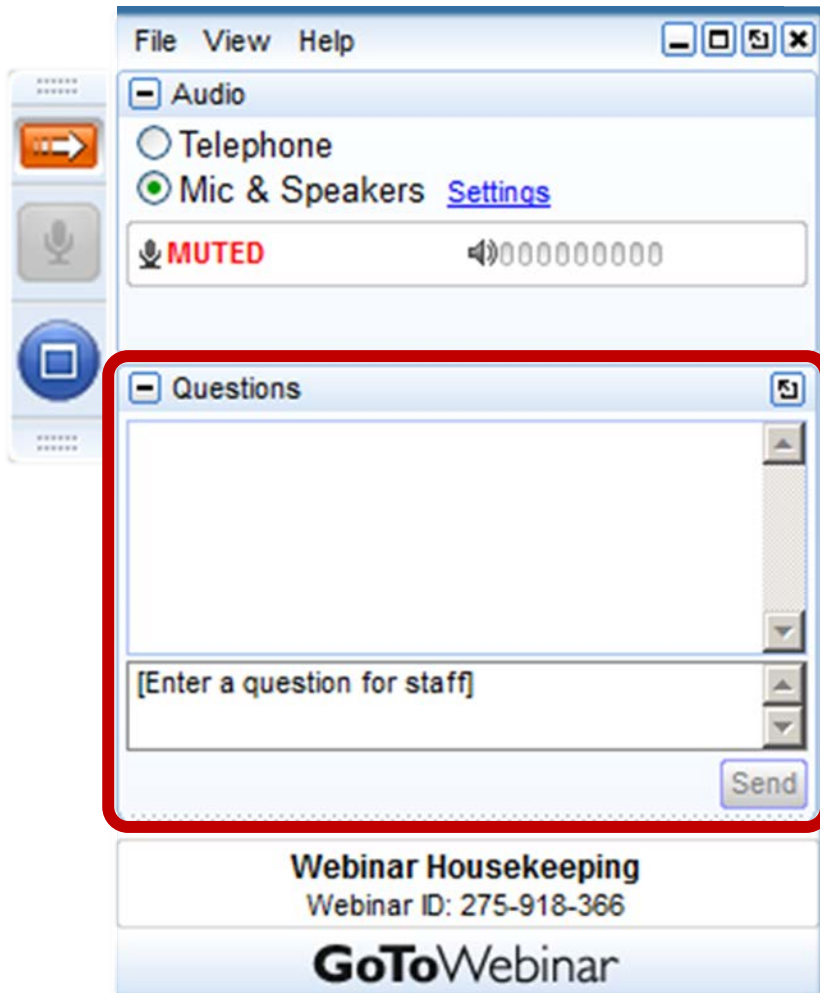
- Handouts were sent out prior to webinar. They are also available in the Control Panel. Just click on document name to download.

Questions & Comments



- There may be Q&A periods, as well as discussions opportunities.
 - If so, The operator will give you instructions on how to ask questions or make your comments.
 - If unmuted during Q&A, please do not use a speaker phone

Other Ways to Ask Questions



- Please submit your text questions and comments using the Questions Panel. We will answer some of them during the webinar.
- You can also send questions and comments to *housing.counseling@hud.gov* with the webinar topic in the subject line.

Please Mute Your Phones During Discussions



- There may be an open discussion period.
 - All the phones may be unmuted by the operator for the discussion.
 - If so, mute your phone during these discussions until you want to make a comment.



Indirect Cost Rates

Presented on behalf of U.S. Department of Housing and Urban
Development, Office of Housing Counseling

Facilitated by: Allmond & Company, LLC

Agenda

- Introductions
- Cost Principles
- Classifications of Costs
- Indirect Cost Rates
 - Negotiated Indirect Cost Rate
 - 10% de minimis
- Calculation of Indirect Expense

Appendix A – Allmond and Company Key Contact Information

Appendix B – HUD OHC Key Contact Information



Indirect Cost Rates Course Objective

The course will discuss the requirements forestablishing an indirect cost rate for charging indirect expenses to the grant award.

Introductions

- US Department of Housing of Urban Development, Office of Housing Counseling
- Allmond and Company
 - Jason L. Allmond, CPA, CGFM – Project Manager
 - Blair Clarke, CPA – Assistant Project Manager
 - Vanessa McCollum, CPA, CGFM – Manager

Note: Detailed contact information is provided on Appendix A and Appendix B

Background

OMB's ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards***, commonly known as Uniform Guidance is the authoritative set of rules governing all Federal awards and provides Standards for establishing an Indirect Cost Rate.

Uniform Guidance

2 CFR Subpart E – Cost Principles:

- §200.402 – Composition of Costs
- §200.403 - Factors Affecting Allowability of Costs
- §200.404 - Reasonable Costs
- §200.405 - Allocable Costs
- §200.406 - Applicable Credits
- §200.412 – Classification of Costs
- §200.413 - Direct Costs
- §200.414 - Indirect (F&A*) Costs

*F&A – Facilities and Administration

<https://www.ecfr.gov/cgi-bin/text-idx?SID=437d11908674f667e253e03b0d1de0f6&mc=true&node=sp2.1.200.e&rgn=div6>

Composition of Cost

- ▶ The total cost of a Federal award is the sum of the **allowable direct** and **allocable indirect costs** less any applicable credits.

$$\begin{array}{l} \text{Allowable} \\ \text{Direct} \\ \text{Costs} \end{array} + \begin{array}{l} \text{Allocable} \\ \text{Indirect Costs} \end{array} - \text{Credits} = \begin{array}{l} \text{TOTAL} \\ \text{COST} \end{array}$$

Factors that Affect Allowability

Costs need to:

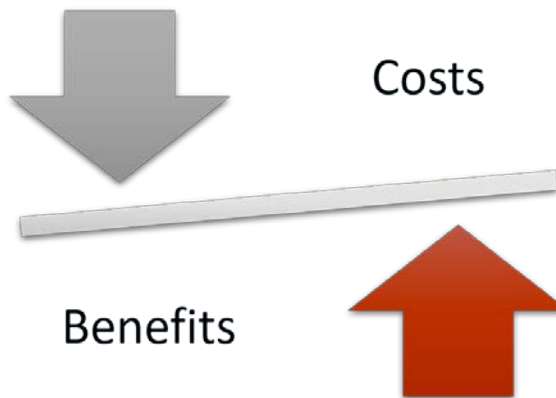
- ▶ Be **necessary** and **reasonable** for the performance of the Federal award and be allocable thereto under these principles.
- ▶ Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- ▶ Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

Factors that Affect Allowability

- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- Be adequately documented.

Reasonable Costs

- A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.



Allocable Costs

- A cost is allocable to a particular Federal award or other cost objective if the **goods or services** involved are **chargeable** or assignable to a **specific Federal award or cost objective**.



Allocable Costs

This standard is met if the cost:

- 1) Is incurred specifically for the Federal award;
- 2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- 3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

Applicable Credits

- Applicable credits are receipts or reduction-of-expenditure-type transactions that reduce expense items allocable to direct or indirect (F&A) costs.
 - Examples of such transactions include: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges.

Classification of Costs



Direct Cost vs Indirect Cost

Classification of Costs

Direct	Indirect
<p>Costs that can be identified specifically with a particular final cost objective, particular award, project, service, or other direct activity of an organization.</p>	<p>Costs that have already been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.</p>

Classification of Costs

- There is no universal rule for classifying certain costs as either direct or indirect (F&A). A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective.
- It is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards.

Classification of Costs

- Because of the diverse characteristics and accounting practices of nonprofit organizations, it is not possible to specify the types of cost which may be classified as indirect cost in all situations.
- Identification with Federal awards rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of Federal awards.

Typical Examples of Indirect Costs:



Depreciation on buildings and equipment



Costs of operating and maintaining facilities



General administration expenses

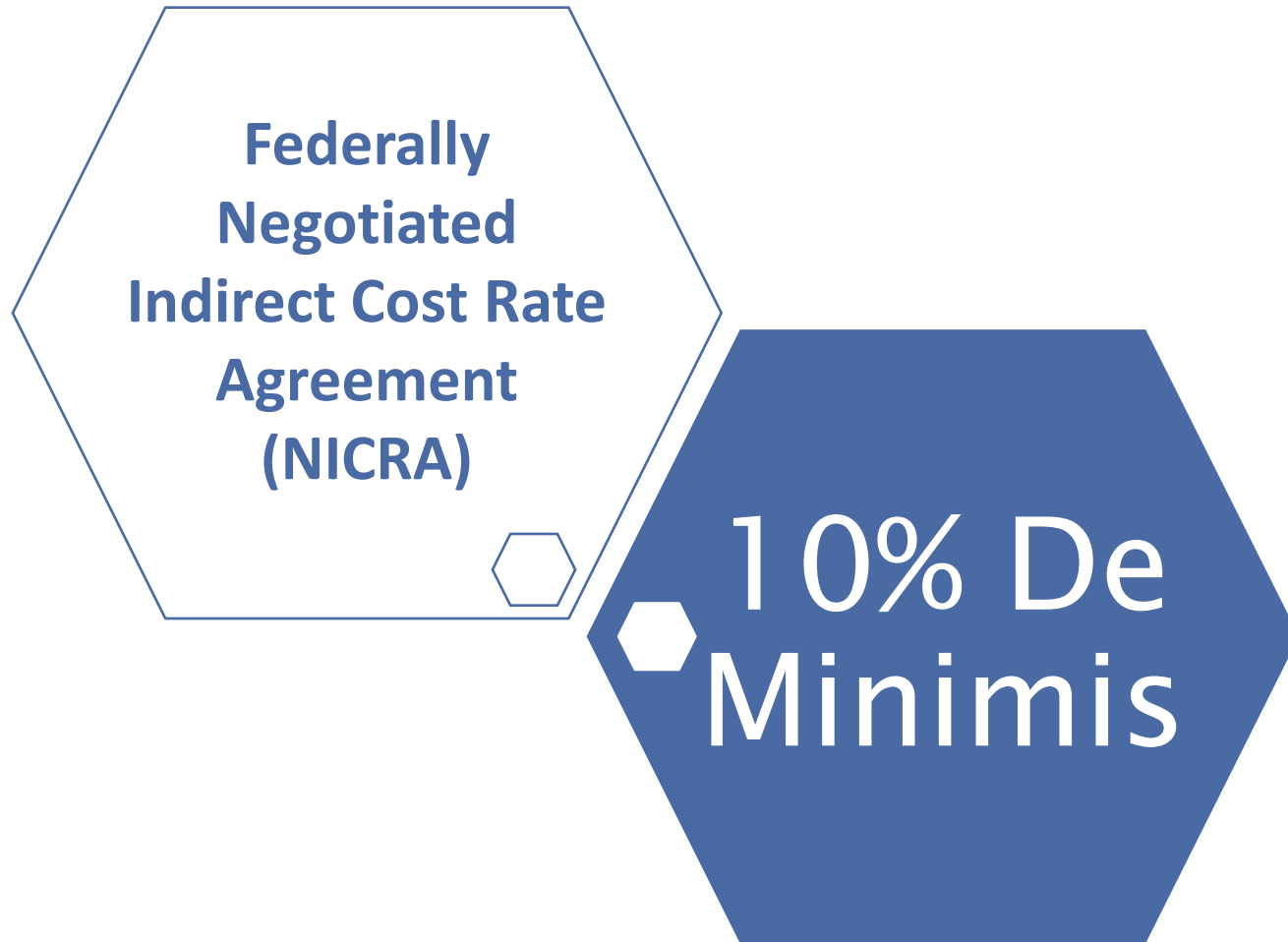
- Such as executive officer's salaries, personnel administration, and accounting.

FY 2019 Grant Agreement

Per HUD Housing Counseling Program FY 19 Grant Agreement, Article IX, Price, *Indirect Cost Rates*.

- HUD will respect cost classifications determined in a duly approved negotiated indirect cost rate agreement or cost allocation plan.
- HUD may require applicants to provide documentation supporting classification of direct and indirect costs.
- If Grantee intends to charge indirect costs to its award, Grantee's application must clearly state the rate and distribution base it intends to use.

NICRA vs. 10% De Minimis Rate



Negotiated Indirect Cost Rate Agreement (NICRA)

- Estimated indirect cost rate is negotiated between the Federal government (cognizant agency) and a grantee.
- The NIRCA will define the indirect rates for each applicable program as well as the base costs from which the rates are calculated.

NICRA

Per HUD Housing Counseling Program FY 19 Grant Agreement,
Article IX, Price, §D Indirect Costs,

- State and Local government grantees, who receive more than \$35 million in direct federal funding per year, may not claim indirect costs until it receives a negotiated rate from its cognizant agency.
- State and Local government grantees, who receive less than \$35 million, can elect to either complete a NICRA or they can choose to use the 10% de minimis rate of modified total direct costs (MTDC).

NICRA vs. 10% De Minimis Rate

2 CFR Subpart E - Cost Principles, §200.414: Indirect Costs, states, in part, that:

. . . Any non-Federal entity that has never received a negotiated indirect cost rate . . . May elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely.

NICRA vs. 10% De Minimis Rate

- Ineligible to use the 10% de minimis rate:
 - State and Local Governments and Indian Tribes receiving over \$35 million in direct federal funding.
 - Non-Federal entities who have had, at any time, a negotiated indirect cost rate or approved cost allocation plan.

Calculating Indirect Expense Using De Minimis Rate of 10% MTDC



Calculating Indirect Expense Using De Minimis Rate of 10% MTDC

2 CFR Subpart A – Acronyms and Definitions, §200.68:
Modified Total Direct Costs (MTDC), states, in part:

- “*MTDC* means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and the first \$25,000 of each sub-award. . .
- *MTDC* excludes equipment, capital expenditures . . . and the portion of each subaward in excess of \$25,000.”

Calculating Indirect Expense

- Step 1: Calculate the MTDC.

Line Item	Approved Budget	MTDC
Direct Salaries	\$ 120,000.00	\$ 120,000.00
Fringe Benefits	\$ 35,000.00	\$ 35,000.00
Travel	\$ 10,000.00	\$ 10,000.00
Consumable Supplies and Marketing	\$ 10,000.00	\$ 10,000.00
Subgrantees:		
Subgrantee A	\$ 25,000.00	\$ 25,000.00
Subgrantee B	\$ 25,000.00	\$ 25,000.00
Subgrantee C	\$ 50,000.00	\$ 25,000.00
Total Direct Costs	\$ 275,000.00	\$ 250,000.00

Calculating Indirect Expense

- Step 2: Apply 10% De Minimis to the MTDC.

Line Item	Approved Budget	MTDC
Total	\$ 275,000.00	\$ 250,000.00
Indirect Cost Rate	10 %	10 %
Total Indirect Costs	\$ 27,500.00	\$ 25,000.00

Calculating Indirect Expense

- Step 3: Add indirect cost to the approved budget.

Line Item	Approved Budget
Total Direct Costs	\$ 275,000.00
Indirect Costs	\$ 25,000.00
Total Cost	\$ 300,000.00

Sample Indirect Cost Calculation

HUD FY 2018 Comprehensive Housing Counseling Grant Program

QUARTERLY REPORT: Total Expenditure Summary

Grantee Name:

Example ABC Foundation

Current Reporting Period (Actual Dates):

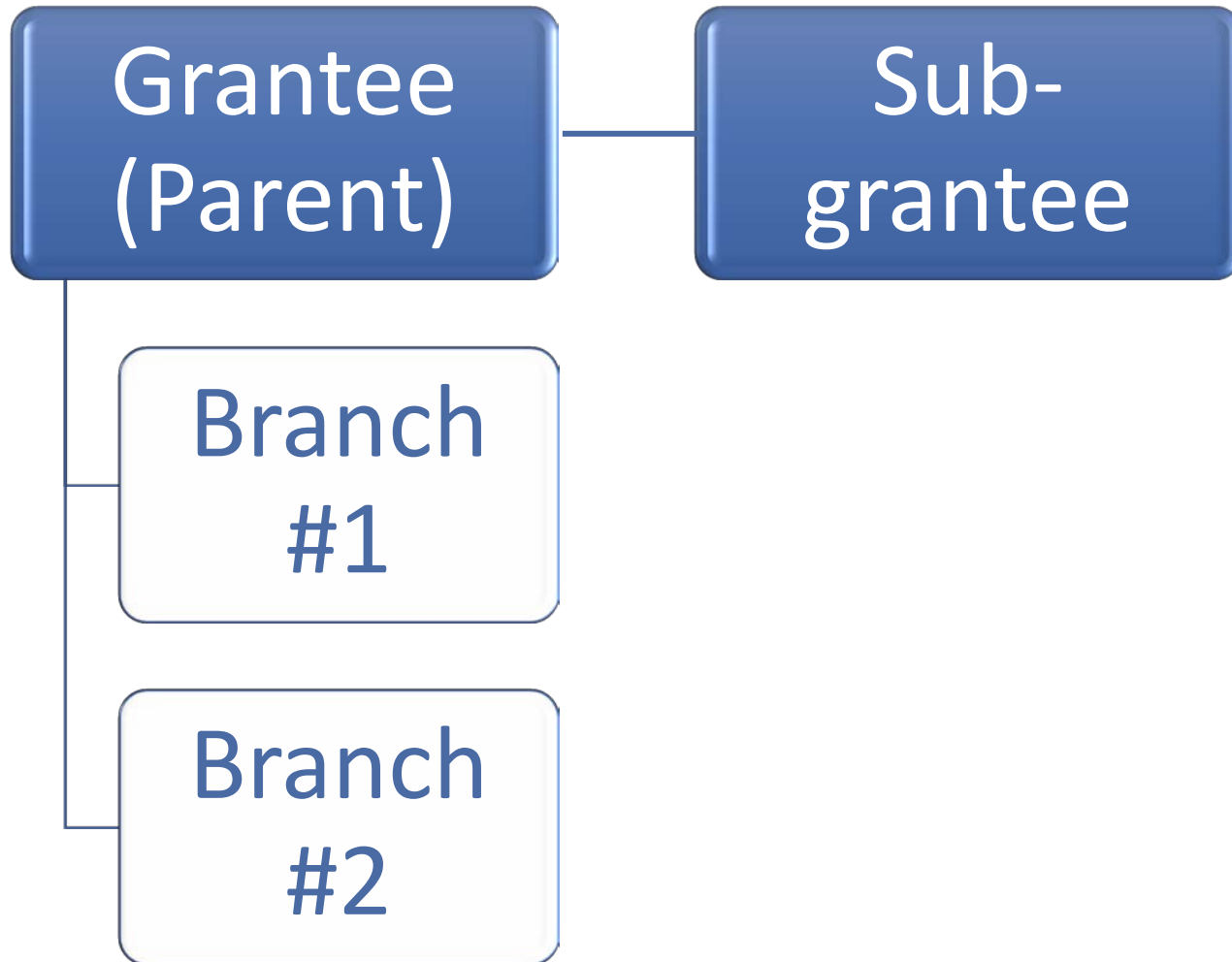
01/01/19 thru 03/31/19

Report all grant expenditures for the current and prior reporting periods below. If reported amounts for any of the line items exceed the budgeted amount, please explain in the section below. **Please enter data in the fields highlighted in yellow only.**

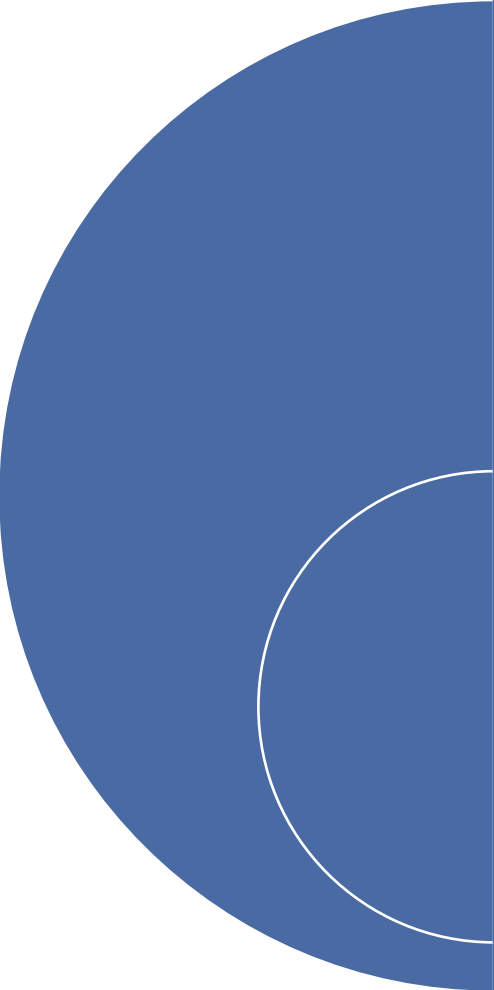
Line Item	Approved Budget	Current Period MTDC	Current Period Expenses	Prior Period Expenses	Cumulative Costs to Date	Balance Remaining
Direct Salaries	\$ 120,000.00	\$ 6,000.00	\$ 6,000.00	\$ 51,000.00	\$ 57,000.00	\$ 63,000.00
Fringe Benefits	\$ 35,000.00	\$ 1,500.00	\$ 1,500.00	\$ 9,000.00	\$ 10,500.00	\$ 24,500.00
Travel	\$ 10,000.00	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00
Consumable Supplies (Flyers, Brochures, Etc.) and Marketing	\$ 10,000.00			\$ -	\$ -	\$ 10,000.00
Subgrantees:				\$ -	\$ -	\$ -
Subgrantee A	\$ 25,000.00	\$ 3,600.00	\$ 3,600.00	\$ 3,000.00	\$ 6,600.00	\$ 18,400.00
Subgrantee B	\$ 25,000.00	\$ 9,000.00	\$ 9,000.00	\$ 9,100.00	\$ 18,100.00	\$ 6,900.00
Subgrantee C	\$ 50,000.00	\$ 13,000.00	\$ 14,500.00	\$ 12,000.00	\$ 26,500.00	\$ 23,500.00
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Costs	\$ 275,000.00	\$ 33,100.00	\$ 34,600.00	\$ 84,100.00	\$ 118,700.00	\$ 156,300.00
Indirect Cost (Provide De Minimis or NICRA Rate used below)	10%	10%	10%	10%	10%	10%
De Minimis Rate of 10%	25,000.00	3,310.00	3,310.00	8,410.00	11,870.00	11,870.00
TOTALS:	\$ 300,000.00		\$ 37,910.00	\$ 92,510.00		

Note: Subgrantee C's expenses in excess of 25,000 are not included in MTDC.

Indirect Cost Rates for Branches & Sub-grantees



Indirect Cost Rates for Branches & Sub-grantees



Branch: an organizational and subordinate unit of a Parent Organization, not separately incorporated or organized, that participates in HUD's Housing Counseling Program.

Sub-grantee: an Affiliate of a HUD-approved Intermediary or SHFA that receives a sub-grant of housing counseling funds provided under a HUD housing counseling Grant.

Indirect Cost Rates for Branches

Branches are a part of the same legal entity as the parent, therefore:

- They can not apply their “own” indirect cost rates. They must use the Parent’s indirect cost rate.
- Conversely, the parent organization does not have to limit application of their indirect rate to the first \$25,000, since funds allocated to the branch are technically not sub-grants and thus are exempt from the MTDC limitation.

Indirect Cost Rates for Sub-grantees

Unlike Branches, Sub-grantees are separate legal entities from the parent, therefore:

- They are entitled to apply indirect cost rates using either de minimis rate or NICRA, if the sub-grantee has its own NICRA.
- The sub-grantee can not use the parent organization's NICRA.

References

- OMB's Uniform Guidance (2014)

<https://www.grants.gov/web/grants/learn-grants/grant-policies/omb-uniform-guidance-2014.html>

- HUD's Housing Counseling Program Handbook (7610.1)

https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsg/7610.1

- U. S. Department of Housing and Urban Development, Housing Counseling Program, FY 2019 Grant Agreement.



Appendix B – HUD OHC Contacts

U.S. Department of Housing and Urban Development

Office of Housing Counseling

Telephone: (800) 569-4287

Website: <https://www.hudexchange.info/programs/housing-counseling/>

Email: housing.counseling@hud.gov

Certificate of Training



- If you logged into the webinar, you will receive a Certificate of Training from GoToWebinar within 48 hours.
 - Please print it out and save for your records.
-

Get Credit!



- Webinar materials will be posted on the HUD Exchange in the Webinar Archive
 - <https://www.hudexchange.info/programs/housing-counseling/webinars/>
 - Find by date or by topic
- To obtain credit
 - select the webinar, and
 - click “Get Credit for this Training”

Get Credit for this Training

If you have attended or completed this training, select the button below in order to get credit and add the course to your transcript.

Get Credit

Housing Counseling Training Digest

<https://www.hudexchange.info/programs/housing-counseling/training-digest/>

Housing Counseling Weekly Training Digest

This page is updated weekly to reflect trainings hosted by:

- HUD Office of Housing Counseling (OHC)
- OHC-funded training partners
- Other partners that host trainings of interest to housing counselors

Please email housing.counseling@hud.gov to notify HUD about upcoming training and events for housing counselors.

Content current as of November 5, 2018

Subscribe to the [Housing Counseling Mailing List](#) to receive training updates in your inbox.



Upcoming Training Calendar

View upcoming trainings for Housing Counseling and other HUD-funded programs.



Webinar Archive

View past webinars hosted by the Office of Housing Counseling and access related materials.



Online Training

Access self-paced online training modules, such as Introduction to Housing Counseling.

- View upcoming training hosted by OHC and other partners



Office of Housing Counseling



Find us at:

www.hudexchange.info/counseling

Counselor Training and Testing website:

www.hudhousingcounselors.com

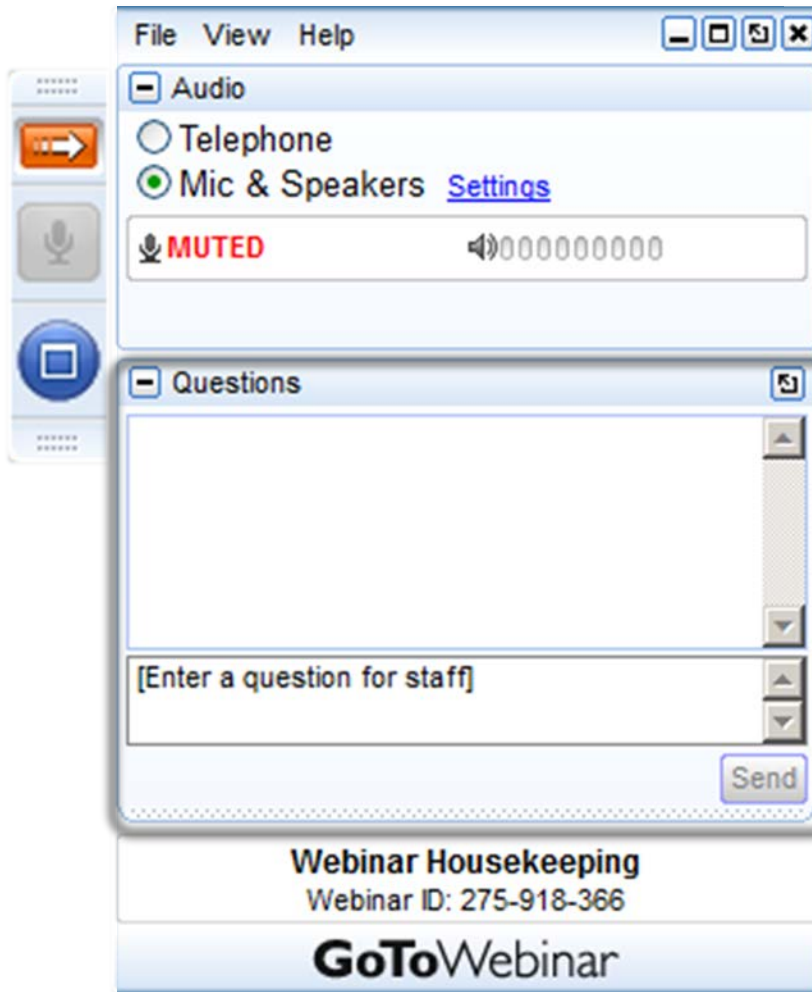
Email us at:

housing.counseling@hud.gov

The Bridge:

<https://www.hudexchange.info/programs/housing-counseling/the-bridge/>

Before You Go



Please give us feedback in the Question Box

- Was this webinar useful to you? To your clients?
- Will you share the information with your co-workers?
- Any other comments?

Conclusion

THANKS
for
ATTENDING