



Final Transcript

HUD-US DEPT. OF HOUSING & URBAN DEVELOPMENT: Preparing a Budget

June 5, 2018/2:00 PM EDT

SPEAKERS

Petergay Bryan

PRESENTATION

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

I would now like to turn your host, Petergay Bryan. Please go ahead.

Petergay Hello, everyone. I am Petergay Bryan, project manager with Booth Management Consulting and today we're going to be going over the

training on preparing a budget. This is for agencies that are participants of HUD's Office of Housing Counseling Grant Program.

As the moderator mentioned, the audio will be recorded and the playback number along with the presentation, the handout and transcript will be available to you guys on the Sharepoint under training documents section of the Sharepoint.

Your lines will be muted during the presentation. If you want to follow along by using a printout, you should have received an email earlier today with the actual PDF version of the presentation. Also, if you look on the control panels—so that's the panel to the right—if you open that out, you'll see a section that says handouts. You can click the PDF file that's there and download it for your documentation purposes.

Within 24 to 48 hours, you're going to receive an email. It's going to be a thank you email and that will be your certificate of training for you to keep in your records to show that you participated in today's webinar. There will be no attachments or any additional documents related to that. So, please keep that email as your certificate of training.

If you have questions, the moderator will give you instructions on how you could pose those questions, however, during today's presentation, we do have a personnel from Booth Management Consulting who will be taking your questions live today. So, if you click the control panel, you'll see a section that says questions as you can see here on the screen. Just type your questions there and then someone from Booth Management Consulting will be able to respond to your question immediately.

Now, I'll go ahead and get started with today's training. Again, I am Petergay Bryan, audit manager with Booth Management Consulting and today, we're going to be talking about the process.

We'll first talk about the overview of the budgeting process. We'll go over items that you'll take a look at while preparing your budget; how to determine programmatic financial requirements; how to develop your budget as well as the related assumptions; how to verify whether the line items that you're proposing in your budget are reasonable, allowable and allocable to the grant; how to do an internal review—that's with your finance department. We'll talk a little bit about the negotiation and the approval process with HUD. Also, some lessons learned because, you know at BMC or Booth Management Consulting, we have reviewed

several budgets over the past few years and we have also reviewed several brand execution packages where agencies have submitted their budgets for review. So we have some takeaway points to share with you based on our involvement in those processes.

We'll also talk about things to remember as they relate to the budgeting process, assistance that's available to you all, free of cost, just by being participants in the Housing Counseling Program and how to request and receive those types of assistances. We'll also talk about some frequently asked questions and the resources and glossary as it relates to budgeting.

The first section that we'll focus on is the overview of the budgeting process. Here, we have put together for you the compliance requirements for budgeting and the uniform guidance, that's a 2CFR uniform guidance. If you go to section 200.8, it will talk about what a budget is and it's pretty much a financial plan for the program or the project that you guys may have.

You will want to include the federal as well as any non-federal share as required by your pass-through entities. So, if you're a sub-grantee or if you are a direct recipient, it would be as determined by HUD.

Also, very important to note, the uniform guidance part 200.308 talks about any deviations from your budget. So, once you've submitted your budget for review—and of course, we'll get into all of that later on today, but once you've submitted your budget for review and it has already been approved, any deviations from that budget, you have to talk to your HUD POC or your parent agency prior to deviating from your budget and you have to submit a modified budget and get that approved by your parent agency or by HUD in writing. The requirement for that, we have put here, is part 200.308.

Also, if you take a look at your HUD Grant Agreement, article 4, section B7, it talks about the budget that as a participant in the program, you are expected to submit during the grant application process. You can use the form HUD 424CB or any alternate form that would provide HUD with the necessary information to know what types of costs you are proposing that you will incur during the period of performance.

It states here that at a minimum, you want to include salary fringe and any other benefits, training, travel, rent, phone, posted supplies and things of that nature and pretty much, these are typically the types of costs that

grantees usually incur under the Housing Counseling Program, but of course, if you have additional types of expenses that are eligible, you would go ahead and put that in your budget. We'll talk further about that later on. At a minimum, it requires that you include these budgetary line items. Of course, if you don't anticipate incurring costs, or submitting costs for reimbursement under any of these line items or under some of these line items, then of course, you wouldn't include that in your proposed budget.

In the budgeting process, once you've completed your budget, you would sign and date the budget, make sure that it includes the appropriate certification and then, you submit it to HUD or your parent agency for review. Once your budget has been reviewed, that's where you would go through the negotiation process, so any questions that your parent agency or HUD, if you're a direct grantee, any questions that they may have or need for clarification, that would happen in that second phase. Once that phase is completed, then your budget would be potentially approved by HUD and if it is approved, then you would get a notification from HUD or your parent agency of approval.

The next section we'll talk about is preparing a budget. We have five steps here that we'll go through in detail: The first one, you want to determine the programmatic requirements and make sure that they are consistent with your approved work plan. The second is we'll talk about how you would go about developing your budget and the various assumptions for the different line items.

The third step, you want to determine whether or not the expenses that you're potentially submitting for reimbursement, whether or not they're reasonable, allowable and allocable to the grant. You want to review the budget once you've prepared that. You want to review with your accounting or your finance department and then, you submit it to your HUD or parent agency for review and approval.

For our local housing counseling agencies or sub-grantees, the first thing you want to do is to look at your work plan that you're proposing during the grant execution or the grant application phase. So, looking at your work plan will kind of give you an idea of the types of services that you will provide under the grant and will also help you to determine what things may help you to be able to carry out your functions properly. In doing so, you can then start to draft your budget. Also, if you've had prior

grant activity, you can look at prior years to see what kinds of expenses you had related to the HUD program and use that as a basis for preparing your current year's budget.

The amount that you include on your budget should be based on the approved award amount or the amount that you anticipate that you will receive for the year. We have a note here for sub-grantees—you know, parent agencies, they may give you additional instructions for how you prepare your budget.

For intermediaries, [indiscernible] and MSOs, you have additional requirements. For example, you should also include a listing of your sub-recipients or your branches and the corresponding sub-allocations for those. If you are going to be reimbursing your sub-recipients at a fixed rate—for example, if you're doing a fixed fee for different types of counseling sessions, you want to make sure that that is included in your budget and that it specifies that that's the methodology that you're going to be using for those types of counseling costs.

Also, for parent or pass-through agencies, if you have administrative funds for training, travel, salary, etc. you want to make sure that you provide a

detailed accounting of how those administrative funds will be used. So, you want to document. You want to break it out by the budgetary line item, whether it's training, travel, etc. and put the related amounts for those budgetary line items.

In your billing methodology, you want to clearly explain the methods that you're using to reimburse your grantees as well as for your administrative costs. So, you want to be very clear and even to provide a timeline. For example, if you have a system in place where you know at the end of each quarter, you're required to submit a quarterly financial report to HUD within 30 days, perhaps you have a system where your sub-grantees or your branches are required to submit documents to you within 15 days at the end of the period. You want to document that timeline in your billing methodology.

Also, in your billing methodology, you'll want to document what items you've reviewed from your sub-grantees or your branches prior to either reimbursing them or submitting the costs for reimbursements to HUD.

You also want to document the time limits within which you then, once you receive the funding from HUD, how many days typically it takes for

you to then distribute the funds to your sub-grantees. That should be included in your methodology.

Also, if you have a system where you pay your sub-grantees up front and then, you submit the cost for reimbursement from HUD and then, you get the funds back, you want to make sure that that is also documented in your methodology. If you are using fixed formulas or if you're using formulas in your methodology and if you're using fixed cost reimbursement to reimburse your subs or branches, you want to clearly define your methodology for that, you want to clearly define any assumptions that you made in determining the fixed fee for each type of counseling service provided. Whether it's based on industry trends or historical information, you'll just want to make sure that everything is properly documented and supported.

Another very important thing for you to explain is your process for making sure that the costs do not exceed actual costs, especially for fixed fee-type reimbursement. So, you want to make sure that your methodology clearly explains how you as the agency made sure that the fixed fee costs that you're submitting for reimbursement, do not exceed the actual costs that you incurred for that type of service.

HUD does not have a specific format for the budget. They do typically recommend the form SF-425 CD [ph], but you can also use any other format as long as it's providing the information necessary for HUD to determine the cost that you're submitting for reimbursement as well as your assumptions and your methodology.

In a few more slides, I will go over the form SF-424, and we'll also look at an alternate format that we have created that you could also use. You want to make sure that whatever method you choose, it details the itemized budgetary line items and it shows whatever you're going to be submitting for reimbursement, whether it be fringe, salary, training, travel, rent, etc.

Also, you want to make sure that your assumptions support the budgetary line items that you're proposing. So, your salary should be based on the actual amount that you'll be paying to employees. If you're going to be submitting salaries for admin staff, you want to make sure that you provide an explanation for that and you detail your assumptions for submitting that for reimbursement, because admin salaries typically are

lumped into the indirect cost pool, of course, if a person provided direct services. You just want to make sure that it's properly justified.

Fringe benefits should typically be based on annual amounts. You want to document however you determined your fringe costs. For indirect costs, you want to specify whether or not you're going to be using a negotiated indirect cost rate agreement or if you're going to be using the 10% de minimis rate to factor for any indirect costs that you have incurred. If you're not charging any indirect costs, that's fine also.

As you, I'm sure you're aware what an assumption is. Just bear in mind that your budgetary assumptions—we know that these are assumptions that you're making and it's based on expectations. You just want to make sure that your assumptions are sound and you're looking at historical information, or if you're looking at industry trends, whatever you're using to support your assumptions should be properly documented. It has to be documented. So, you have to have written policies or procedures for your budgeting process and you want to make sure that it's communicated to everyone who is involved in that process in your agency. This promotes consistency within your agencies, so you're making sure that everyone is accounting for the HUD funds consistently. You also want to make sure

that you're doing this, because it helps you to make sure that you can support the assumptions that you have made and you can explain the assumptions that you've made and you can provide supporting documents for the assumptions that you have made during the budgeting process.

Here we have an example of the HUD form of SF-424. If you're using this, this is perfectly fine if this is the budget that you use for the HUD grant. You want to make sure that it's signed and dated when you're submitting it to HUD or to your parent agency for review. You can copy the HUD certification on here somewhere just certifying that to your best of your knowledge, the information is true and accurate to proceed. We'll get you a slide that gives you the full language on what should be included in that certification.

Here, if you use this format, column 1 will talk about the HUD share and this column will pretty much show the amount per the grant agreement. So, for example, if you are awarded \$20,000, you should be breaking out the \$20,000 within each of these categories, whether it's personnel costs, fringe benefits, travel, equipment, supplies, if you contracted out some or if you had any other direct costs. Typically, for construction, that would not apply for the Office of Housing Counseling Grant, so we will not be

going over that section. Once you've documented your expected costs for each of the budgetary line items that I just mentioned: personnel, fringe, travel, equipment, etc., for line H, if you had other direct costs, you want to make sure that you're can explain what those other direct costs are. So, if your HUD POC or your parent agency requires that information from you, even during your submission, you're going to make sure that you are clearing identifying what those other direct costs are.

In line item I, you would subtotal all of your other—your direct costs. So, form A through H, you would subtotal those amounts. Then, you would apply, if you're proposing that you're going to be using an indirect cost rate, if you're using a NICRA, which is a negotiated indirect cost rate agreement, you would look at your NICRA, you would first make sure that it's applicable to the grant period. If it is applicable to the grant period, then you would document the percentage that's included in your NICRA. You would document that on line J. If you are using the 10% de minimis rate, then you would document 10% here on line J.

Whatever amount you got to in line I, which is your subtotal of direct costs, you would multiply that rate to the subtotal of direct costs and on the grand total, that's where you would document your summation of the

indirect cost amount as well as the direct cost amount. That grand total should equal exactly to your HUD award amount. I know some people sometimes get a little bit turned around when they get to this part, but you just want to be very careful.

Make sure that once you multiply your indirect cost rate by your subtotal of the direct cost, you're not exceeding your grant award amount. If that happens, then you have to reduce the indirect cost amount that you're using or maybe you want to make adjustments to the different budgetary line items whether it's fringe, personnel cost, travel, etc., just so that you're making sure that the amounts agree exactly to your HUD award amount.

In column 2, that's where you would put the applicant match that's required for the Office Housing Counseling Grant that you have with HUD. There is no applicant match required of you, so you would leave that blank.

In the other HUD funds section, that's where you would document—and that's in column 3—any other HUD funds that you'd be adding for the program. Typically, we don't see anything here, but if you do have any

other federal shares, we would see amounts documented here. The state share amounts, those would be put in column 5, column 6, any local or tribal shares, column 7, any other funds that you have that would support the program. You would document that in column 7 and then, column 8, you would document any program income that you anticipate for the Housing Counseling Program in general. Column 9 would be a tally of all of the above.

On this slide, it provides the instructions for how you complete the form SF-425. On this slide here, we talk about an alternate format that we here, at BMC created and it can be shared with you all. This one has a lot less budgetary line items and we tried to make sure that it matched up with typical costs that agencies incur under the HUD Grant Program, so personnel costs, fringe and other benefits, training, travel, rent, phone, postage, supplies, equipment, and marketing. For any other costs I've seen agencies remove the other and just pretty much document what that other means. Of course, you can insert additional line items if you use this format, because it is provided to you in Microsoft Excel. You can include additional line items to show any other line items that you would be submitting for reimbursement and that takes away the questions from your reviewer, whether it's your HUD POC or if it's your parent agency. It

reduces the back and forth as to what you are including in the other costs here. You would just document yourself what the other costs represent and include that information.

The columns pretty much match up to what we just spoke about under the SF-425. So, for example, column one is talking about your HUD share. Column 2 is your applicant match which you're not required to have an applicant match for the HUD Housing Counseling Grant. Column 3 has to do with any other HUD funds that you may have. Column 4, any other federal awards that you may have that support Housing Counseling. The state, local and tribal shares, any other, and then you have the program income column in column 8.

Also, here, as an example, we've input 5% here for this agency in line M for the indirect cost that they would be using and you can see where it applies to the amount in column 9 and it shows the grand total. If you're using this format, you have the place here where the authorized official can sign off on the report and they can date it, put their name and their title, and then here, we have the required certification per your HUD Grant Agreement that's pretty much saying that to the best of your knowledge, the report is true, complete and accurate and the expenditures that you're

proposing, that you will be submitting for reimbursement, are in line with the conditions of the federal award.

On this slide, we talk about the various instructions for how you go ahead and complete the form. So, we already went over that, so I'll just go through.

Here, we talk about when you're developing your budget with the various assumptions that you make for the different lined items. So, for personnel, you want to make sure that you have knowledge of the names and the pay raise, as well as the labor category for each of the personnel that you're going to be submitting their salaries for reimbursement. You want to have that documented in your assumption. For your fringe benefits assumptions, you want to work on this with someone from your accounting department. That way, you're able to determine the different fringe pool and the different accounts that you will be looking at to determine the fringe rate that you will apply to the grant.

Also, you'll be able to determine the effective date of the fringe rate with your accounting personnel. When developing your assumptions for travel, you want to think about the purpose of the travel. So you may know that

we have a big training coming up in a few months: what's the purpose; what is the topic, or what are the topics that are going to be covered; who from your agency will be going to the training; how much would it cost you to attend this training? Also, you want to make sure that you get prior approval from HUD or your parent agency prior to traveling and then, submitting it for reimbursement.

For the supplies, you want to think about what types of supplies you might be submitting for reimbursement and you want to keep on file an itemized list of the various supplies that you may need. So, the purpose, what are we going to be using these supplies for? How does it benefit the Housing Counseling Program that you have? How are you going to be allocating the costs of these supplies? What's the methodology for that allocation? You want to make sure that all of that is properly documented.

For the training—again, the purpose of the training, what types of training sessions you may provide. Is it like group counseling types of sessions, what topics you're covering, are you going to get speakers to come in? Things like that.

For equipment, you want to make sure that you're maintaining an itemized listing and the purpose of the equipment that you will be purchasing.

What you're going to be using the equipment to do? How does it benefit the Housing Counseling Program?

As for meals, if you're on travel, of course you want to pay attention to the per diem cost for meals. If you are hosting a training session, you want to think about the number of participants that you may be having; what types of meals and refreshments you'll be providing, the typical costs for those, and you want to make sure that you're maintaining documents on how you're developing these assumptions as you go, whether it be like going on the seller's website and things like that.

For occupancy, you want to have a rationale for how you're going to be allocating the occupancy cost. Maybe it's going to be based on square footage or the number of individuals that are working on the HUD grants compared to the cost of the entire occupancy space. Things like that. You want to make sure that you're properly documenting as you're developing your assumption and your methodology for occupancy.

Your stipends—you want to document the purpose, why do we have these stipends, the various rates that would be applied to whom, the participants who would receive the stipends and any other costs. You just want to make sure that you have proper justification and rationale for how you believe that those costs would benefit the program and what methodology you're going to be using for allocating them to various programs.

Earlier, I had mentioned to you that the uniform guidance does require that agencies, if there's going to be a deviation between what was approved by your HUD POC or your parent agency, you have to make sure that there are no deviations throughout the grant year. However, we know that when you submit a budget, things happen during the course of the year and there may be deviations from the budget. If that is the case, you just want to make sure that you have prior approval for those deviations from your HUD POC or your parent agency and that must be in writing. So, pretty much, you would submit a budget modification to your parent agency or to your HUD POC and have them approve that for you in writing. Then, you would just document at the top of that modified budget, just document modified or amended budget just so that you're maintaining a good track record for your program.

Here, on this screen, we have also an Excel spreadsheet that you could use to track the amounts that you incur in each quarter and make sure that there are no budget deviations. So, once you've been approved a budget for the various budgetary line items, here in the second column that says budget, you would just document the amounts that were approved per budgetary line item in that column. So, for example, if you were approved \$10,000 for personal cost direct labor, you would document that there. If you are approved \$5,000 for travel, you would document that in the budget column.

For the quarter that you are reporting on, you would document the actual cost that you incurred for that period, and then, the variance column will show you whether or not you have more that you could submit for that budgetary line item and that should be the case until you get to the end of the program. You're going to be expending all of the funds, but there should never really be a point where the actual amount is greater than your budgeted amount. If that's the case, then obviously you are deviating from your pre-approved budget and you know that's a trigger, so you're going to know that hey, I need to contact my HUD POC or my parent agency and let them know that I need to request a budget modification and you'd, of course, provide an explanation of why you need the budget

modification and have them approve that for you in writing and you would then, amend the amount that you have in the budgeted column to match your newly amended budgeted amount.

The cumulative to date, is just what it says. For the left side of the spreadsheet, it talks about the amount for the current quarter and then, the cumulative to date is showing you the amount from the beginning of the period of performance through to the end of the period that you're reporting on. Then, you would be able to see if there are any deviations between your budgeted amount and your actual amounts and, of course, request in writing for an amended budget to be approved by your HUD POC or your parent agency.

In the next phase, we'll talk about how you will be able to verify whether or not costs are allowable, allocable and reasonable. When you're trying to determine allowability or reasonableness as well as allocability, really they're coming from the uniform guidance. So, in order for our costs to be deemed allowable, it has to be reasonable and allocable to the grant. For the HUD Grant Program, it has to be a cost that's reasonable for the program and it has to be a cost that you can allocate to the HUD Grant Program for you to be able to submit it for reimbursement.

If there are any limitations or exclusions that's specified in the uniform guidance, or if HUD specifically says, hey, we will not reimburse for this specific type of expense, then you know that you cannot submit that to HUD for reimbursement based on the award and based on the uniform guidance. You want to also make sure that it's consistent with the policies that your agency has so you want to be consistently applying the cost principles throughout your agency.

You want to make sure that the costs are in accordance with GAAP and they have to be adequately documented. We can't stress enough documentation, documentation, documentation. So, anything that you're going to be submitting for reimbursement—just make sure that you have the proper supporting documents for those expenses as you go on throughout the grant year and when you're developing your budget and documenting your methodology, you want to make sure that employees in your agency know that, okay, for this type of expense, we have to maintain these particular items to support the expense as we go along.

The uniform guidance part 200.420 expressly un-allows certain types of expenses. So, you cannot charge alcoholic beverages to the Housing Counseling Grant. You cannot submit a debt for reimbursement,

collection of improper payments, donations, entertainment costs, fines, penalties, fund-raising, etc. You cannot submit any of those costs for reimbursement. There's actually an extensive list of items that you may not submit for reimbursement under the grant, so I would encourage you to take a look at the uniform guidance 200.400 actually, and just go through the different items that they have on there that you cannot submit for reimbursement.

Typically, if you have a question, as you're developing your budget and are going through with your methodology, you will typically look at your NOFA to see the typical costs that are eligible for reimbursement. Also, in the HUD handbook, they have a lot of information there that you could go and research and if you still have questions, you can always followup with your HUD POC or your parent agency if you have questions on whether or not a cost would be allowable under the grant.

As far as allocability, what you want to remember is that you have to maintain consistent treatment throughout your organization. So, the cost has to be treated consistently with any other light costs in your agency. You want to make sure that if you're charging it to the HUD Grant, you

incurred that expense specifically for the award that it benefitted the Housing Counseling Program that you have at your agency.

In determining allowability, you want to think about the various cost principles under the uniform guidance. So, when you're talking about the consultant fees, of course, you want to make sure that that is preapproved before you incur any consultant costs or consultant fees. You want to make sure that the reason why you incurred that cost is for an allowable purpose, so it's for a service that's actually benefiting the Housing Counseling Program so that you're able to therefore allocate it to HUD-related activities. You also want to make sure that it does not exceed the established ceiling for consultant fees. You also want to make sure that you follow your company's procurement policies when you're seeking out consultants.

When we talk about training, if you're renting a facility or you're getting speakers to come in, you're talking about meals and refreshment or local transportation, you want to consider those things while you're developing your methodology for how you're going to determine whether or not the trainings cost are allowable under the grant.

When you talk about equipment and you're developing your methodology, you want to bear in mind that capital expenditures for general purpose equipment and buildings and land, those are explicitly unallowable under the grant, but if it's for special purpose equipment, you can allocate those to the grant as direct costs. You also want to make sure that you're aware or that you bear in mind that equipment that costs over \$5,000, you need prior written approval from HUD or your parent agency prior to incurring those costs for the award and then submitting it for reimbursement.

When you talk about meals, you first want to consider is it reasonable for whatever project. Maybe you had a session or a training session or you provided one, you want to make sure that it's reasonable. If you were on travel, you want to make sure that you are taking a look at the Federal Travel Regulations which can be found on www.gsa.gov, and take a look at the per diem rates based on the various states that you may have traveled to and that you would use the meal per diem for.

When we talk about occupancy and when you're considering that in developing your methodology, you want to bear in mind that rent costs or occupancy costs are allowable if the rates are reasonable, so you want to think about what are the costs of comparable property in the area that

you're renting the property in. You want to consider any market conditions that may affect the price, the condition and the life expectancy and the value of the property that you're leasing. Things like that are what you want to be considering.

For any other supplies and stuff like that, postage, printing, you want to take a look at the Uniform Guidance Subpart E, and basically, you just want to have a sound allocation methodology for how you're going to allocate those costs to the HUD grant program. Because, of course, when you purchase postage and printing and things like that, you want to think about is it just for the Housing Counseling Program, which if it is, that's fine, but if it benefits additional programs as well, then you have to start thinking about a sound methodology for how you're going to allocate those costs to the various programs that the printing and the postage fees would benefit.

On the point of personnel, you want to make sure that the rates that you're submitting for reimbursement are reasonable. Very important for you to note is that you have to make sure that whatever you're submitting to HUD for reimbursement or whatever you're submitting to your parent agent for reimbursement, it has to be in line with what you actually paid

the personnel. So, you cannot pay that employee \$3,000 and then bill HUD \$5,000, so it has to measure up with what the actual cost was for that employee.

You want to also make sure that the person or the personnel, they're maintaining supporting documents such as their timesheets and proper payroll records so that you can justify the payroll cost. For our fringe benefits, that's going to include any vacation, sick leave, employee insurance, pension, unemployment benefits, and things of that nature based on your company's policies, so take a look at what your company's policy is on fringe benefits, and make sure that the cost you're charging to HUD as for your fringe benefits, they're equally allocated to related services that that employee had worked on. Because again, consistency, you have to make sure that your methodologies are consistently applied across federal programs at your company.

For travel expenses, you want to make sure that the costs are reasonable, you're not flying first class and submitting that to HUD for reimbursement. Of course, that's not allowed. You also want to take a look at any per diem costs for example for accommodations; the transportation, so that would be any flight costs and things like that.

You want to make sure that you're taking all those things into consideration and the costs are reasonable. You want to make sure that you're maintaining documentation on the purpose of travel, and bear in mind that it has to be approved by HUD or by your parent agency prior to travel.

For supplies, the most important thing is just your methodology for allocating supplies. You want to make sure that your methodology is reasonable and that it's supported by documentation. So, you want to make sure you're documenting as you're going through the fiscal year and you're incurring the actual costs, you want to make sure that you're documenting the quantities, the rates, the price of the costs that you actually incur, but in the budgeting process, you want to really think about the use of the supplies. Make sure that it's going to benefit the housing counseling program and what are we going to use these supplies for, what are the purposes of it, and make sure that it benefits the HUD program.

In step four, we talk about the internal review before you submit it to HUD or your parent agency. You want to make sure that you're sitting with your accounting department and verifying the labor rates and the

fringe benefits, and if you have indirect costs, you want to make sure that you're discussing that with them prior to submitting it to HUD just to make sure that you have all of the correct information prior to submission.

If you're going to be submitting indirect cost for reimbursement, just make sure that you're aware. So, for example, if you're going to be using the 10% de minimis rate methodology, you want to verify with your accounting department that your agency has never received a NICRA. Because if you have received a NICRA, then you're automatically excluded, and you cannot use a 10% de minimis rate. You must either go with your NICRA or not charge indirect costs at all if you're not going to be using your NICRA.

You want to make sure that the budget documentation includes the required certification, and you want to make sure that an authorized official is signing off on the budget and that they date it. And then once you've submitted it and once the application package and the budget is approved, then you know that this is our approved budget and when I'm submitting my drawdown requests, I'm making sure that it's based on the approved budgetary line item. So, I'm only going to be submitting requests for items that were preapproved in my budget.

Here is the statement that you are required to include on your budget when you're submitting it for approval. You can also find this in your HUD grant agreement. Of course, you all have a copy of the presentation, so you have access to this as well. Just make sure this is included on your budget, and it's pretty much where you're certifying that the budget is true, complete, and accurate and that the expenditures that you're going to be submitting for reimbursement are in line with the HUD Housing Counseling Grant Award.

Once you've submitted your budget to HUD for review and approval, if there are questions for clarification or if they need a justification for any line item, you want to make sure that you're responsive and you're responding in a timely manner. It's better to keep everything in writing so that you have records of what is being agreed to for the period of performance.

You should request a response time due date for parent agencies. You want to make sure that you have a due date for when you get an approval. If you submitted an updated budget, you want to make sure that you're

documenting somewhere on that approved budget that it's revised or modified.

You want to make sure that the revised budget is signed and dated by the authorized official. Once your grant execution package is approved, then you just know that the budget that's in that package is what was agreed to, and any deviation thereafter has to be approved prior to you submitting costs for reimbursement later on in the period of performance.

The next thing we'll talk about is assistance that's available to you as participants in the Housing Counseling Grant Program. We here at Booth Management Consulting, we provide a host of technical assistance, financial analysis, training. We do so for direct recipients of HUD funds as well as sub-grantees.

If you're a parent agency or a pass-through agency or an MSO, we do provide these services to your sub-grantees as well as any branches or affiliates that you may have. It's important to note that these are benefits to you as participants of the program, and it's not for an additional cost.

So, some of the assistance that we do provide, we help agencies to prepare their budget. We help to develop your assumptions. We help you with computing your indirect costs. We help with drafting your billing methodologies and any other relevant services such as modifying, updating or even developing your policies and procedures, and that could be policies and procedures for grant-related monitoring, procurement, timekeeping, personnel activity reporting. Any policy that you may have that relates to the Housing Counseling Program, we help with developing or modifying or even updating those.

We do provide a host of templates. As you can see, we provide budgeting templates. We provide quarterly financial reporting templates. We provide personnel activity reporting templates. If you've had a review from HUD or from Booth Management in the past, we do help agencies with addressing those findings by developing corrective action plans for agencies and helping them strategize how to implement those corrective action plans.

We also conduct grant execution package reviews, so for parent agencies, if you have sub-grantees and you wanted us to review their grant execution packages, we do that. We do conduct financial capability

assessments, and that's also for parent agencies. If you have a sub-grantee that hasn't received a financial statement audit within the past two years, we can do a financial capability assessment in lieu of a financial statement audit and provide some type of assurance as to whether or not that sub-grantee is able to perform financially under the grant.

We do conduct risk assessments of sub-grantees. We do a financial review of your sub-grantee, so we look at a past fiscal year or two and see whether or not they were compliant with your rules and regulations during the period. We do take a look at accounting systems to make sure that agencies have the proper accounting systems in place to account for the grant.

We do billing methodology reviews, indirect cost methodology reviews, personnel activity and quarterly financial reporting of sub-grantees as well as branches. We provide training such as this one and other types of training. Even for new agencies or sub-grantees, we provide them with an overview of the grant requirements, submitting the budget, how to prepare their personnel activity reports, how to use the 10% de minimis rate.

We also conduct action plans where we're doing readiness assessments to see whether or not the agencies are ready to perform under the grant, and if we see any deficiencies, then we propose any technical assistance that will help them to get ready if they're not ready at the time.

So, in requesting assistance, you want to identify who is your HUD POC. If it's a sub, then they would first go through the parent agency who would then contact the HUD POC. Let them know the name of the agency, who is the point of contact at your agency who we will be working with. Let them know exactly the type of service that you need. Once the HUD POC reviews that, if they determine that, hey, yes, I want your agency to get this assistance, then they will contact the HUD GTM who will then alert Booth Management Consulting that, hey, this agency needs this type of assistance. We'll get to you right away once we get the go-ahead.

For the lessons learned, previously, I mentioned that we've been doing this for some time, and we had some take-away points based on our review of grant execution packages as well as reviewing agencies budgets during our financial and administrative reviews or even our action plans and things like that. So, one thing, you want to make sure that you're

signing and dating your budgets and making sure that it includes the certification that's required.

Another thing is you want to make sure that when you're doing your budget, the budget that you submit should not exceed the amount of your grant. So, if you were awarded \$20,000, make sure that when you do the budget, it doesn't exceed that amount.

If you submitted a budget prior to knowing the amount that you would get and it exceeded the amount or it differed from the amount of your award, then you want to submit another one that matches that award amount.

That's very important that you know that it has to match the award amount because then going forward from that point on, you have to make sure that the actual costs are married to the preapproved budgeted amount.

The amount that you indicate in each budgetary line item, it should match up once you're going through the grant year. Of course, if it changes, then you need to submit a revised budget in writing to your HUD POC, have them approve that, and then you use that as your new budget going forward.

If you are using other direct costs, you want to make sure that you're documenting what those other direct costs are because the reviewer has to know and has to be able to determine whether or not you can allocate those other direct costs to the HUD grant. So, you have to be very explicit. You want to say what those other direct costs are.

The amount that you allocate to indirect costs should be recorded on the face of your budget, so it's not just putting 5%, 2%, 10%. You want to show the amount that you're going to be using as indirect costs on the face of your budget.

Point number six, you want to ensure that your billing methodology supports your budget. Of course, you want to make sure that all of your assumptions match up, and the methodology that you're using, you want to make sure that everything is consistent. Also, do an accuracy check. You want to make sure that everything mathematically is accurate when you're submitting your budget.

Things to remember—when preparing your budget, you want to review your approved work plan. Look at the Uniform Guidance Subpart E, the cost principles, to have a better understanding of what you could submit

for reimbursement and how to document and how to allocate certain costs to federal awards.

You want to use an acceptable budget format, so the SF-424 or the alternate format that we showed you. Develop your assumptions. Document your assumptions.

Communicate with your accounting and your finance department to get the proper labor rates, fringe benefit rates, as well as the indirect costs that you're going to be using. You want it to indicate approved on your final budget just so you know that, hey, this the budget that we're using going forward, and do not hesitate to contact your HUD POC if you have any questions throughout the process.

Some of the frequently asked questions that we've had. Because of the fact that agencies usually don't get their award until like in the middle of the period of performance, a lot of agencies want to know for example, if an agency, they're looking at their FY-15 grant and they wanted to charge for expenses prior to the execution or the awarding of the grant, would they need to amend any personnel activity reporting documents or timesheets or how would they go about documenting this. The most

important thing that you want to make sure that you think about is you want to have a good accounting system that's setup to accrue for your costs throughout the period.

So, if you've received a HUD grant before, you can kind of reasonably believe that you may receive a HUD grant in the future, and you want to accrue those costs in your accounting system until you are awarded the grant. The most important thing is that you have to make sure that you did not charge another grant for those costs that you're going to be now submitting for reimbursement to HUD. So, your accounting system should be able to differentiate between the different various programs that you may have.

Also, you want to ensure that your employees are maintaining timesheets and some report for personnel activity so that you can be able to allocate those costs to the HUD program. When you prepare your first cumulative report for the period, then you would make sure that the hours that you're reporting on that first report as well as your HUD Form 9902s, they should reflect that activity that you're submitting for reimbursement.

The second question, does a grantee have to request prior written approval every time a counselor gets a raise or if they hire a new counselor? The short answer here is yes. Of course, a change in salary typically is going to affect what you proposed on your budget for your personnel costs, and remember that as part of the Uniform Guidance that we spoke about earlier, if there are any deviations, you have to get prior written approval before you can submit those costs for reimbursement. So, yes, you would have to submit a new budget and have that get approved prior to submitting the costs for reimbursement to HUD.

The next question, what happens if the actual costs only deviate from budgetary line items by 10%, is a budget modification still required? The answer is yes. There are no thresholds even if it deviates by \$5, \$10, you have to just go ahead and submit a modified budget to HUD or your parent agency, have them approve that, and then you maintain that on your records.

The next question, what are leveraged funds? These are just funds that you get that would benefit the program, so it's funds that you would receive from a project other than your HUD grant that will benefit the

Housing Counseling Program. You want to make sure that you're tracking those funds by the documentation that you may have.

If it's like [indiscernible], you have some type of a methodology or a memorandum of understanding. If you received the payments, you want to keep record of the payments that you received, and you want to have a methodology for how you track your leveraged funds in your policies and procedures.

The resources glossary that we have here, the first one talks about the Uniform Guidance. You could go here and look at the various cost principles for federal awards. On the HUD Exchange, the Form SF-424 is available to you all by clicking that link, and of course, you want to make sure that you're taking a look at generally accepted accounting principles for various accounting principles for financial reporting as whole.

Because of the number of participants on the call, we won't be taking any live calls, but please send an email to housing.counseling@HUD.gov if you have any questions that haven't been answered by our personnel here at Booth Management Consulting. Again, please send your emails to housing.counseling@HUD.gov, and we will be sure to send you a

response to any questions that you may have. But please put Preparing a Budget in the subject line that we may be able to identify the training that you participated in and be able to better assist you that way.

I want to thank you so much for having participated today. Hopefully, we will hear from you soon. Thank you for being a participant. Have a good one.

Moderator

Thank you, and that does conclude our conference for today. Thank you for your participation and for using AT&T Executive TeleConference. You may now disconnect.