



Final Transcript

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

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SPEAKERS

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PRESENTATION

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

I'd now like to turn the conference over to your host, Petergay Bryan.

Petergay Hello everyone. Welcome to the Department of Housing and Urban Development Office of Housing Counseling Training on Preparing a Budget. During today's presentation, audio will be recorded and the

playback number along with the Power Point presentation and a copy of the transcript will be available to you all on the HUD Exchange at the link provided below.

The Training Digest on the HUD Exchange will also be updated whenever the webinar is posted to the website. Handouts were also provided to you all via email earlier on today for all of you who registered for the training. However, if you're unable to find that and you want to have the handout for note-taking purposes, you can look on your control panel and you'll see a section that says handout. If you click that you'll see the presentation there where you can click it and download it and be able to take notes as we go along today.

Because of the number of participants who have signed up for today's training, we will not be doing live questions. So I won't be pausing for live questions. However, if you do want to ask questions, if you want to clarify something or confirm anything relative to preparing a budget, you can pose your question by opening your control panel.

There is a question box that if you click in it and type your question, we do have personnel from Booth Management Consulting who will be taking

your questions and responding to you in real time. So any questions that you have today, if there's anything that you wanted to clarify, you can go ahead and pose your questions as we go along.

Also if you think of anything at the end of today's training and you wanted clarification on something related to the topic, then you could also send an email to housing.counseling@hud.gov and in the subject line include the name of today's webinar, which is Preparing a Budget, so that your email can get redirected to the correct personnel who can help you.

As the moderator said, our phone lines will be muted during the session. So please just make sure that your phone lines are on mute so it doesn't interfere with the training correspondences. After today's training you're going to receive an email. It's going to be a thank you for attending email from GoToWebinar within the next 48 hours. This will be your certificate of training. So there won't be anything else attached in the email, but just print that and save that for your records to ensure that you have that for your certificate of having participated in today's training.

The webinar materials will be posted on the HUD Exchange at the link [HUD Exchange.info](http://HUDExchange.info). And if you wanted to get credit, you'd select on the

webinar and click Get Credits for This Training and follow the instructions so that you'll be credited. My name is Petergay Bryan. I'm the Audit Manager with Booth Management Consulting. Booth Management Consulting is the contractor that the Office of Housing Counseling has contracted with to provide quality control assistance to HUD's grantees. Please bear in mind that this training is specific to participants in the OHC grant program. So if you have another HUD fund or a HUD grant, but it's not an OHC grant, then these topics that we're going to discuss today may not pertain to you. If you have questions for your other HUD grants, they might not be applicable to what we're going to discuss today.

Our training topics are as follows: First we'll talk about an overview of the budgeting process. What is budgeting? What does the process include? Then we'll go into how to prepare your budget. So you'll want to look at your programmatic and financial requirements for doing your budget, how you can develop your budgetary line items and the relative assumptions that usually go with specific line items. How you can determine allow ability, allocability [ph] and the reasonableness of your budgetary line items and your assumptions, the internal review and

submission process, as well as the negotiations and approval process as part of preparing the budget. Then we'll talk about some lessons learned.

We do have experience with the grant execution package process review. I know most of you have received your grant execution packages and your award letters and you're now in the process of preparing that and submitting it to your HUD POC. In the past we have had HUD POCs as well as parent agencies to review those packages and we have developed some lessons learned based on mistakes or errors that agencies may have conducted while they're preparing their budget. So we're trying to be more proactive and let you know what needs to be included and what generally is allowable or allocable to the grant as you're preparing your grant executions packages so you could do it on the front end versus getting a lot of questions, trying to clarify budgetary line items that you submit on the back end.

We'll also talk about some things to remember as you're going through this process since that's available to you at no additional cost just by being participants in the OHC program.

Some frequently asked questions. A lot of times during these trainings or the follow up to the training, we'll get questions relative to the budget. So we have included on frequently asked questions that agencies may have and hopefully we'll be able to help you, anyone who may have had those specific questions today. We'll also look at the resources and glossary for if you wanted to do your own research on the budgeting process, then you could take a look at the resources that are available to you.

So the uniform guidance, that's your regulatory guidelines for federal grants. Part 200.8 talks about the budget and it gives you a definition of what is a budget. It's pretty much the financial plan for the project or the program that you're going to be approving during the federal awarding process. So pretty much it's the guide that you're going to develop for how you will be spending the funds that you've been awarded during the period of performance.

I do want to note that for the FY '18 grant the period of performance is October 1, 2017 through September 30, 2019. So the budget that you are going to be preparing should be developed for the cost that you estimate that you will incur during that period relative to the Office of Housing Counseling grant program.

Part 200.308 talks about revisions to the budget. So once your budget has been submitted and approved, that is a budget that you should use going forward for the grant year as you're preparing your quarterly financial reports and submitting your requests for payments. So when you're developing your quarterly financial reports, you want to make sure that you have your budget handy so you see what budgetary line items you were approved for and in what amount.

Note that if there are any deviations between your approved budget and the actual cost that you incur during the period of performance, you must get an approval from your HUD POC in writing prior to submitting that request for payment. That is specifically coming from the uniform guidance, so it's not something that HUD had determined. It is something that is required for all agencies that receive federal awards.

In your HUD grant agreement article 4, B7, talks about agencies when they're submitting their projected budgets. You could use the HUD form 424, and we'll talk about that later, if you're going to be using that form to specify the budgetary line items that you plan to submit cause for reimbursements for. Or you may determine that you want to use a

different format for how you present your budgetary line items. But at minimum you want to make sure that you're including salaries and fringe and other benefits; travel, training, marketing, outreach and indirect costs as applicable.

So if you're agency not planning in incurring some of these expenses, of course you don't have to show that on your budget. You want to just show the line items that you do plan on incurring expenses for during the period of performance. Note that all of the expenses have to be itemized.

So if you're going to use for example the HUD form 424—we'll talk about this more later—there is a line item that says Other there. But if you are going to use that line item and document and amount for Other, then you want to make sure that there's an attachment included that specifies what is included in that category.

Also, in doing your budget you want to make sure that it covers the amount of the HUD funds that you have been awarded. So your budget specific to the housing counseling grant, it has to show if you were awarded \$20,000. It should show how you're going to use that \$20,000 and it shouldn't show everything else that you're going to be using in excess of that \$20,000 that you have been awarded.

Specific to intermediaries, MSOs and SHFAs that are going to pass through funds to their sub-grantees or their branches, you'll also have to itemize how your administrative funds will spent in case you are going to be using any of the funding for administrative purposes. If you are passing through all of the funds to your branches or your sub-grantees, then of course there will not be a line item for administrative funds, but you do have to show the monies that you will be passing through to your subs or to your branches.

During the budgeting process it starts with the agency developing their budget and submitting it to HUD for review. HUD may ask us or the parent agency if you're a sub-grantee submitted to your parent agency for review, HUD or the parent agency may ask us to review it or they themselves will review it. But it's important to make sure that the budget that you submit is signed and dated by someone who's knowledgeable of how the funding will be spent.

We usually encourage agencies to incorporate their CFOs or their accountants or someone form the financial department to be included in the budgeting process so that you guys can take a look and make sure that

the line items that you're submitting are allowable under the cost principles and also to make sure that they're aware of expenses that can be submitted for reimbursement. It's very important that it's signed and dated by the official or anyone else, so include your title so we're aware of the role that that person plays in the agency.

Once the budget has been submitted, it will be reviewed by HUD or if you are a sub-grantee and you submitted to your parent agency or an intermediary, then they would of course review that. Then there may be questions for clarifications and negotiation process. So you want to be as detailed as possible when you're preparing your budget to minimize the questions that may be pushed back from the HUD POC or the intermediary from the trying to gain an understanding of what the line items that you propose represent.

Later on when we go through the process, we'll talk about how you could make sure that you're properly documenting each line item so that it will minimize that and so that you can get your awards going. Then once that process has ended, then you will receive notification that your grant has been approved by the HUD POC. And once you receive that approved budget, it's a best practice that you mark it as approved especially if

you've had to go through the negotiation process and submit multiple versions of the budget. You want to make sure that the final approved budget is noted as such so that anyone who may come in a few months later as you're doing the quarterly financial report, make sure that they're using the correct version of the budget going forward.

Also note that during the period of performance as you're submitting your quarterly financial reports and requests for payments, if you do make any changes to the budget, then you want to make sure that you're also noting that, there's a revised version, so that you're always using the most current budget of the budget going forward.

There are several steps with preparing a budget. The first step is really to determine the programmatic requirements for the grant and also making sure that that is consistent with your approved work plan. The next step would be to develop your budget and the necessary assumptions for each budgetary line item.

Then you want to verify the allowability [ph], allocability [ph] and reasonableness of the budgetary line items. You want to review your budgets internally with your accounting department or finance department,

whichever is applicable to you, and then you submit it to your HUD POC and then you may negotiate with our HUD POC depending on whether to not that is required.

So in the first step with comparing to programmatic requirements, the first thing I always encourage agencies, you want to make sure that you're looking at of course the NOFA and your grant agreement. You want to make sure that you read through those documents to kind of have a general idea of what are the activities that are really eligible for reimbursement under this grant. Also you want to in developing your work plan, you want to take a look at that and make sure that budget that you develop is consistent with your work plan.

So if for example you're developing a budget and you plan on using all of your award for a specific activity, maybe you're just going to be using it on marketing or something like that, you want to make sure that our work plan is going to support that. Then also you want to make sure that you're showing okay, if we're going to be using all of the funds only for marketing, where are we getting the other leverage funds from? You can show that on your budget on a separate column from where your levered sources are coming from.

Also, if you've had prior grant agreements with HUD you want to take a look at that as well. Look at your forecast for the grant year or the period of performance. See how much work you anticipate you will be doing this period and then see if you need to make any adjustments in developing your budget. Just make sure that the budget that you do draft up is consistent with the work plan as well as any historical work that you have performed and make sure that it's all reasonable.

For agencies that are sub-grantees, you want to make note that your parent agency may provide additional instructions for how you should prepare your budget and they may even put additional restrictions also. So you want to pay particular attention to what is required of you as sub-grantees as stated by your parent agency.

Also specific to intermediaries, MSOs and SFHAs, you are also required to submit an updated listing of your sub-recipients or your branches, as well as your corresponding sub-allocation amounts. So in preparing your budget and submitting that to HUD you want to specify which agencies are your branches or your sub-grantees and the amounts that you're going

to sub-awarding or allocating to those agencies and make sure that all of the amounts do reconcile to the total grant award amounts.

Also, if you are reimbursing your branches or your sub-recipients at a fixed rate per the counseling activity, you want to make sure that that is specified in your budget and also your methodology for that has to be documented as well. If you have administrative funds—so this is funds that you won't be passing through to your sub-grantees or your branches, you have to provide an explanation of what those funds will be. So if it's going to be used for training, travel, for salaries for some of your employees, etc., you want to specifically show us each line item that is included in the administrative funds and how much of the dollar amount is going to be allocated to each of those line items. Also, you want to make sure that the methodology of the assumption for determining those line items amounts are also documented in the budget that you submit.

Another requirement specific to intermediaries, MSOs and SHFAs is the billing methodology. I do want to note that we do offer another training on billing methodology itself because it is so extensive, and that's coming up in the next few weeks. But basically with your billing methodology

you want to make sure that you're explaining clearly the methodology that's being used to reimburse sub-grantees for your branches.

Also, if you're using any formulas to determine the hourly rates or how each cost is going to be calculated for fixed cost reimbursements, you want to make sure that that is also spelled out and explained to us in your billing methodology; how you developed those formulas, what were the assumptions that went into developing the formula? If you're using the fixed cost reimbursement, what analysis did you perform to determine your fixed cost amount based on the different types of activities? And make sure that you have supporting documentation to back that up as well. But of course that doesn't have to be submitted with the budgeting process, but you have to make sure that you maintain that documentation for review purposes just in case you got selected for a review.

Also you want to make sure that you're explaining the process to ensure that the costs that you actually incur do not exceed the actual costs. And this is for agencies that are using the fixed cost reimbursement methodology for doing their reimbursement. The next step is developing your budget and the assumptions. So this is where we talk about the different budgeted line items and the assumptions that may be associated

with them. There's no specific form that HUD requires that you use to do your budget. A lot of agencies use the SF424CB [ph] and that's available to your all on the HUD Exchange, or you can use any other format that's approved by HUD but you just want to make sure that you're including the budgetary line items that you do plan on submitting for imbursement.

In your HUD grant agreement they give you some minimum line items, but this is you're going to be using them of course. So again, salaries, fringe and other benefits, any traveling costs, training, marketing out region indirect costs. If you had additional line items of course you could develop a format that includes those additional line items. In the next slide or so we'll look at the different formats and show you how we can make the adjustments or customizations that future agencies need.

Also important, you want to make sure that the assumptions for the different budgetary line items are spelled out. So for your salaries they should be based on the actual amounts of the salaries that you're going to be paying your employees. During your budgeting process, you want to make sure that you're looking to see, okay, who's salary are we going to be submitting for reimbursement on this grant and making sure that the amounts are based on the amount that you will pay that person or those persons.

If you're going to be using administrative salaries, you want to make sure that there's a justification for that. Maybe admin personnel will be updating client files or updating CMS, things of that nature. You want to make sure that that's included in the budget so it's specifically spelled out there so you don't have to ask additional questions.

Fringe costs, they should be based on annual amounts of fringe and if you're going to be using indirect costs, you're going to be submitting indirect costs for reimbursement, then you want to make sure that it's based on either a negotiated indirect cost rate agreement or the 10% de minimis rate. If you're using negotiated indirect cost rate agreement, then of course you would be required to submit that along with your budget so that we can verify the rate. Then if you're going to be using the 10% de minimis rate then you'll be self-certifying to say that you're eligible to use that rate and also spell out for us what your modified total direct cost would be consistent of.

Also in sub 2 when you're talking about assumptions, we have the definition for an assumption here as saying [ph] that's accepted as true or certain to happen without proof. So your budgeting assumptions are just

your expectation for the expenses that are going to be associated with the activities that you perform under the grant.

For example, if the line item is training, you'll take a look at it and say, okay, what is this training related to? Is it something for the housing counseling department? Who will be attending? What are reasonably the associated costs with training? So these are the types of assumptions that would be associated with that activity and you could put that in your assumption.

This is important because when you document your various assumptions, you're making sure that anyone who reviews it will be clear as to what expenses are associated with the activities or the budgetary line items that you documented. It will be good for communication because if someone comes in a few months later to take a look at it, they'll know exactly okay, you know what, this training was supposed to be for this particular webinar or this conference session, so this is what I'm going to be billing to the grant. It also promotes consistency and fairness and it's also critical for ensuring that your results can be supported and explained, because after this process you submit the budget. It gets approved and you do your quarterly financial reporting and your final reporting and stuff. You want

to make sure that you have supporting documents for the costs that you submit for reimbursement. This, having your assumption spelled out, it makes it easier for you to be able to do that going forward.

Here we have a sample—an extract—from the HUD from as of SF424.

This is generally, a lot of agencies will use this, but as you can see the various line items here are personnel, fringe benefits, travel, equipment, supplies, contractual, construction and construction has a lot of line items on here. But that's not really applicable to the housing counseling grant. So you want to be careful. If you want to use this form you can go ahead and do so, but it may have line items that aren't applicable to you or to this program.

There's also a line item for other direct costs here. Again, if you do document expenses here for other direct costs, you're going to have to include in your packet another form that's spelling out for us what's included in other. So if it's related to something that's not listed on here you will have to then include that attachment that lists out, breaks down for us what's included in the other line items and the amounts that are associated with those line items.

Also you are required to show your indirect cost rate and then do the calculation to let us see okay, for the direct cost, what's your subtotal for your direct costs, how you apply the indirect cost rate and at the end of your calculation it should show the grant total amount and that should reconcile fewer award amounts. There's another tab in the form SF424 that gives you instructions on how you can complete that form. So if you wanted to use that form, it's very detailed and lets you know what to enter and where to enter it. Of course, if you have questions you can ask us. We can help you to complete this form for your budget if you would like.

We have prepared another template that agencies can use. It's pretty much just an Excel spreadsheet and we broke out for you the typical types of expenses or activities that we usually see agencies incur for the housing counseling grant. So you have direct labor, the fringe and other benefits, training, travel, outreach, marketing, costs for your housing counseling certification, capacity building and then your indirect costs.

Of course if you were to use this form you could go ahead and insert additional rows for any additional costs that you may have that aren't included on here. The most important thing is that you just have to make sure that these costs are allowable under this grant agreement and that

when you submit it it's showing also your assumptions, which we'll get to in the next slide for each of the line items.

So similar to the form 424, you would show your HUD share amount and you would show the indirect costs that you're going to be applying to your direct costs and we would look at that calculation and make sure that we're reconciling the amount that you're showing on the face of your budget to your award amount. Again, the budget that you submit should reconcile without exception to your grant award amount. Here we have the lines for your authorized personnel to sign and date and print their names and title. We have included this certification which is a certification that HUD requires for their quarterly financial reports. It's not required for the budget for the template that we provided we include it on here. It's just certifying that to the best of your knowledge, the report is true and complete and accurate.

Another thing I want to mention is if anyone would need assistance in preparing the budget, if you wanted us to develop something specific to your agency's need, we do provide technical assistance to you. Or if you have questions, we do provide assistance with clarifying any questions that you have on there. So on the back of here we have the relative

assumptions that would be associated with each of the budgetary line items. I'm going to skip through because I do go into them in detail in the next upcoming slide.

So for example, with the personnel costs we show here the cost principals that you want to consider while you're thinking about the assumptions that you would document for personnel costs. So you would look at the uniform guidance part 200.430. Read that. Get an idea for what's included in personal services costs that you could submit for reimbursement. Example of what you would include in the assumption would include the name of the personnel whose salary that you plan on submitting for reimbursement. So you want to document them by name, the different labor categories, and their pay rates.

You want to make sure that you're using the most recent HR information so that you can properly calculate the hourly rate for each of the employees that you're going to be submitting their costs for reimbursement for. Then also you want to document the number of hours that you anticipate each person will be working that you're going to be submitting for reimbursement.

The fringe benefits that you submit, we give you the uniform guidance reference which is 200.431. It talks about fringe benefits, usually what fringe benefits are and what types of costs would usually fall into that category. But it's just important for you guys to make sure that you're using the annual fringe benefits for your agency. So you want to look at the fringe pool or the fringe accounts for your agency in determining what the rates will be for each of the employees and look at the effective dates of those rates as you're working with your accounting personnel to determine that.

For travel expenses you want to make sure that any of the costs that you're looking at is consistent with the federal travel regulations. You want to make sure that it's for an allowable purpose. So for example, travel is generally allowable but it has to be for something OHC related, housing counseling related. The costs that are associated with this for any of these line items, you have to just make sure that they're related to activities that are directly related to the housing counseling grant program.

In your assumption you want to document the purpose of the travel. Again, maybe you have a conference or a training or something like that, so document that. If you want to be very detailed you could put the dates.

Are they anticipated dates that the training will be on? The number of participants that you expect and any other itemized costs that you could think of that would be related to the travel.

For training you could look at the uniform guidance part 200.474 as well as 200.432 and take a look at what the guidance says. Pretty much in your assumptions you want to also document the purpose of the training, if you know the rates, what the training fees will be. You could document the number of hours if it's for fixed fee purposes and things like that. You want to make sure that all of that is documented in your assumption.

For housing counseling certification, again, we direct you to the same part of the uniform guidance. We could go to look at what maybe the types of costs that will be eligible and you want to document the purpose for the training for the certification, any testing that you may have done, any related salary for the employees' time for those that are participating in the training, any travel that may be related, if you're [ph] using consultants. You want to make sure that you're inputting that information as well. But also you want to make sure that you're limiting that to—if you're look at your HUD grant agreement there's a limit of \$65.48 for a consultant fee.

So you want to make sure that all of that is expressed in your assumptions as well.

For capacity building you just want to include the rationale for the costs that are associated with hiring additional staff. If you have any other proposed costs, you want to look at the uniform guidance for subpart E and see whether or not those costs are reasonable, allowable and necessary for the housing counseling grant program, and you want to make sure that you specify what those costs are and give a justification for what these costs include and how you came up with the assumption for the associated costs for those activities.

On this slide we talk about here you're comparing—this will be during your grant, the period of performance of the grant and here we're comparing the anatomized accounting of the actual costs versus your budget. So if you look at this, the agency will of course complete their name, the grant number, the start and end dates of the period that they're reporting on the grant fiscal year.

So in the first column you have the name of the project or the activity. So it may be personnel, fringe, training, travel, etc. And then for each line

item you want to document the budget and this is your approved budget for the grant year and then the actual costs for the quarter. Then it will show a variance total. So the variance total will show the amount that's left on the grant. The cumulative total amount is the cumulative to date.

So you'll see that there's a separation between the quarterly amount that the agency is reporting on for the period and then there's a cumulative to date amount that is also being computed. This is something that we share with agencies during technical assistance or one-on-one training that we do with agencies because it helps agencies to really monitor and make sure that they are not having any deviations between the budgetary line items and their actual costs that they submit for reimbursement.

If you look at the bottom of the page it will ask you to explain any negative budget variances because there really shouldn't be any. If you're using your approved budget, any variance will be a positive variance that's going to show the amount that you guys still have left to report on or submit for reimbursement. But if there's a negative amount in any of the line items, it's representing the fact that there's a deviation between your budgetary line item and the actual cost that you submitted for

reimbursement. Of course you will have needed to have approval for that prior to doing your quarterly reports.

So this is just an example for you to take a look at and consider. It's also a best practice that you set up your quarterly financial reports NOA. But it's going to show whoever's doing their quarterly financial reports, they'll have the information handy. What is their approved budgeted amount and what are the actual costs that they're submitting for reimbursements and making sure that there are no negative deviations or variances that they would have needed prior approval for.

The next phase in the budgeting process, you want to verify that the cost is allowable, reasonable and allocable. So allowable costs, you want to make sure that based on the NOFA, based on the uniform guidance and your HUD grant agreement as well as the HUD handbook, these costs are eligible for reimbursement under the grant. The costs should be reasonable. They should conform to any limitations or exclusions that are set forth in the principals.

So for example, again, if you're talking about costs like membership fees, generally membership fees are allowable under the grant if it's associated

with a cost that's specific to the housing counseling department. So you want to make sure that it conforms to the limitations or exclusions that you guys should be aware of based on the cost principals or the grant award.

Also you want to make sure that you have the adequate supporting documents for all of these charges that you're going to be submitting for reimbursement or that you're proposing on your budget.

Some eligible activities we have some of them listed here. So for example, salaries. We have examples of the expenses that are typically associated with salary. So for housing counseling personnel, for supervisors, salaries for oversight or compliance and quality control purposes. You just want to make sure that you're documenting that and justifying that whoever's salary is going to be submitted for reimbursement during the period of performance is justified. These are people who actually spent direct time providing direct services for the grant.

For training costs that may be associated with your training can include travel, training fees, the cost for registration, the salaries for employees who went to the training or provided training services or provided

workshops, seminars and any related material costs that you incurred for the training can also be included in that. For oversight you could include costs for administrative costs, any travel that may be related to oversight, any supplies.

If you needed to use consultants, that could also be an example of an expense for oversight. But you want to be mindful when using consultants by making sure that that was approved by HUD prior to, that's number one. And second, that the consultant fees does not exceed the threshold. Again, that threshold is \$65.48.

For marketing, certain costs that may be associated with marketing includes travel, the materials, printing, brochures, any consultants, things like that. For housing counseling certification that's going to include any training, any testing that the housing counselor may need to perform, the salaries for the time that they spent doing the testing or the training, any travel or any other certification expenses and for capacity building any costs that you have associated with hiring additional staff. We do want to point out that rent is no longer allowable as a direct expense under the housing counseling grant. So for this fiscal year going forward, you can no longer break off rent of office space and submit that for a

reimbursement as a budgetary line item. If you wanted to recap just some of the funds, it would have to be done as part of your indirect cost rate.

Specifically or expressly unallowable costs are alcoholic beverages, bad debts, collection of improper payments, contributions and donations, defense and prosecution for criminal and civil proceedings, entertainment costs, any fines or penalties, any fundraising or investment management unless we have prior written approval from HUD. There are a lot more but these are the ones that were more prevalent. So we cited here the uniform guidance subpart E 200.420 if you wanted to read further on what's included or expressly unallowable.

As far as allocability, you just want to make sure that the cost is assignable to the award and pretty much that just means that it has to be incurred specifically for the award and has to benefit the housing counseling program and be necessary for the overall operation of the program, and that's pretty much how you determine whether or not it's allocable to this HUD grant and whether or not you can include it on your budget and then submit it for reimbursement.

We have here some additional budgetary line items. So consultant fees, you want to make sure that it's for an allowable purpose and that it's allocable to the housing counseling grant program and that you're using reasonable rates and it doesn't exceed the ceiling [ph] but we already spoke about that. In your assumption you would talk about the purpose. Why did we need to use the consultants? What the rates are, the number of hours, and if you're going to be using fixed fee you want to document okay, what are the fixed fee line items? How was that determined? The fixed fee line items, how were those determined? And also if you're going to be using a different procurement method, you want to make sure that you're following your agency's policy for procuring the consultants.

As for training, again you want to look at 200.474, talk about the purpose of the training, the rates, the number of hours for the services that will be provided, and things like that in your assumption. For equipment, if you're going to be using equipment you want to make sure that it's allowable in accordance with part 200.438 and then in your assumption you would just document what units you're planning on purchasing, what the quantities are and the unit rates and what the use will be for. Any meals, you want to make sure that they're reasonable and consistent with

the FTR. You'll talk about the purpose for the meals, the number of participants and any itemized costs that you're projecting that you'll incur.

For any other costs that you propose like postage, printing and things like that, again you want to look at the uniform guidance subpart E and just make sure that they're allocable to the housing counseling program and that they're reasonable and necessary for the grant, and include your rationale and your allocation methodology for the expense.

We've spoken about personnel, so that is salary, expenses. You want to make sure that they're reasonable and that they meet the requirements for the experience level of the person and that they're consistent with your company's policy and also it has to be the rate that that person is being paid at your agency. Because of course if you guys do get selected for a review on the backend, these are things that we look for.

The fringe benefits, you want to make sure that you're using reasonable rates. So you want to make sure that you're using the annual rate and if there needs to make adjustments later, you can do so during the grant year but that would have to be approved by your HUD POC or your parent agency if that is the case. For any travel expenses as we have said before,

you want to make sure that these are consistent with the FTR and you're just documenting the purpose of the travel and the number of participants, etc., and that it's approved by HUD in advance. For any supplies you want to make sure that they're allowable and related to HUD specific activities and that you can document that in a justification for those line items, provide us with an itemized list, the use and the purpose for the supplies in your budget.

In step 4 is the internal review and budget submission. So once you've prepared your budgets you want to review it with your accounting personnel. You want to confirm the label rates that you're associating with each of the employees that you're proposing you'll submit their salaries and fringe benefits for reimbursement. You want to also talk with them about the fringe benefits and any other costs. Make sure that they're consistent with the uniform guidance requirements.

Also you want to take a look at the indirect cost rate information. If you're using the negotiated indirect cost rate agreement you want to take a look at that. Read through it. Look at the base for the indirect cost rate agreement. Look at the period of applicability and make sure that it's still

applicable. Make sure that you're applying it consistently with the NICRA.

If you're going to be using the 10% de minimis rate, you want to make sure that your agency has never had a NICRA. So you want to confirm that with management. So the accounting department or your executive director and just make sure that you have never received a NICRA. Because in order to use the 10% de minimis rate, that's one of the eligibility requirements.

There are other eligibility requirements so you would want to take a look at that and make sure that you are eligible. Then you would self-certify to say, okay, we're opting to use this rate. As for indirect costs we do provide training on that because as you already know, it's really expansive so it can't be covered in this topic, but we do provide training and we do provide one-on-one assistance and technical assistance if you have questions.

Also note that an authorized personnel must sign and date the budget. We recommend that you include the certification, but it isn't required unless otherwise stated. So once you submitted the budget, if HUD doesn't tell

you it's not approved then you know that that's the approved budget that you use going forward. We do encourage HUD POCs and parent agencies to make sure that they communicate to agencies and sub-grantees so that they know that that is their approved budget that they have to use going forward.

Here is the certification that's required for all financial reports and requests for statements. So as you're preparing for the grant year and to do your quarterly financial reports and your final reports, just make sure that you're including the certification. This is the one that we recommend you include on the budget but it's not required.

With the budget negotiation and approval process, in our experience in doing the grant execution package review, there is usually a lot of—with some agencies there may be a lot of back and forth. So it's very important that you try to minimize that by being as detailed as possible so that your HUD POC or your parent agency doesn't have to ask you a lot of questions in order to clarify what you meant.

If there's a request for explanation or additional documents, please respond in a timely manner to request for this information. If you receive

communication from HUD or your parent agency or even BMC—because we will be reviewing some of the packages—if we don't provide a response time due date, just send us an email. Ask us, okay, by when do you need this information? Just that everyone can be timely and get the packages approved in a timely manner.

If you have to submit revised budgets, we do recommend that you put revised on it and make sure that there's an updated date that's documented there and that you're making sure that an authorized official is signing off on the budget. Ensure that all revised budgets are signed and dated by an authorized official and once the grant execution package is approved, then the budget that's included with your grant execution package, that's the final budget and that should be submitted to the accounting department or whoever's going to be preparing the quarterly financial reporting during the period of performance so that you're making sure that there are no deviations between the budget and your actual costs.

Assistance that's available to you. As I have mentioned before we do provide technical assistance with preparing the budget. We help agencies with developing assumptions. We help agencies compute indirect costs,

review their proposed billing methodology and other relevant services for the budgeting process.

We can also help you with updating or modifying your policies and procedures relative to the budgeting process. We do help prepare personal activity reporting and quarterly financial reporting templates and also to address any findings that you may have had from a prior review. For financial analysis, in that section for parent agencies we do review grant execution packages for parent agencies. So that will help to reduce the burden for parent agency staff to review so many in a short time and then once we do the grant execution package review we do prepare and let you know what our recommendations are.

We also do financial capability assessments. So if you're a parent agency and your sub-grantees may not have provided or had their financial statements audited within the required two fiscal years, we do that in lieu of the audited financial statements. We do conduct risk assessments, financial review for sub-grantees, accounting system reviews, billing methodology reviews, indirect cost methodology reviews, as well as quarterly financial reporting and personal activity reviews.

We do provide training, one-on-one training with staff. We can come onsite, we can do it remotely to help your staff get up to speed as far as what are the requirements for the grant agreement, especially if they're new or if they haven't had the grant in a while. Also grant financial reporting, personnel activity reporting and how to implement the 10% de minimis rate.

We also conduct financial action plans where we do a readiness assessment by looking at the agency's current compliance with the uniform guidance and HUD requirements and see whether or not we can make recommendations for how they can get in compliance if they are not. If it appears that they are in compliance, then we do issue a report to say that okay, we have looked at these specific areas and everything seemed okay and we're not making any further recommendations.

How to get assistance. You would have to request it in writing from your HUD POC. So send an email to your HUD POC. Let them know the type of assistance is being requested and if the assistance is approved, who would be the person for us to reach out to.

Once your HUD POC, if they grant the approval, then they would initiate the assistance by submitting it to the HUD GTMs who then communicate that to BMC. Then BMC would reach out to your agency, talk to you about the type of assistance you need and in what format. So maybe you need a training. Maybe you just need technical assistance or some templates and we'll go over all of that information with you.

So from conducting the grant execution package reviews as well as we've done financial and administrative reviews and things like that, we have some lessons learned that we wanted to share with you. Some of the things that are very important is that you want to make sure that the budget that you're submitted is signed and dated by an authorized official. This is very important because you want to make sure that you're using the most recent version of the budget and that it's the approved budget that your agency is using going forward. This will reduce the possibilities for a finding when we conduct financial and administrative reviews.

The total amount on their budget should not exceed the amount of the grant. We really want to see, what are you going to be using the HUD funds for? So when preparing the budget, there's a line item for just the HUD grant. In that line item you want to specify how are we going to be

using the HUD funds? If you want to show like other leverage funds and things like that, there are other columns where you can put that information on.

The amount indicated on each line item should be what you anticipate to allocate that item to. We know that it's just a budget. It's a projection and so it may change. So please bear in mind that if there are deviations between the budget, you have to submit a revised budget to your HUD POC. Have them take a look at it and review it and once approved then you can submit the changes.

You can use that going forward as your newly approved budget and submit those costs for reimbursement. But as you can see, it's just writing what the line item is and the dollar amount. We have to really think about what are the costs that are being included with each of the line items? What are the assumptions? How do we know that these costs are even eligible for reimbursement under the grant?

If you have other direct costs and you have to—by using the form 424, you have to include another attachment. That's going to really discuss what the other direct costs are related to. So it's not sufficient to just have

a line item that says other direct costs. You must document what are those.

The amount that you allocate to indirect costs should be reported on the budget and I showed you where on the budget you would put that. Ensure that your billing methodology supports those proposed budgets that you're submitting and also just making sure that everything is calculated properly. So you want to back and make sure that everything checks out and everything reconciles prior to submission.

Some common errors that we notice a lot. A lot of agencies just don't put the signature on there, but it's something that's required. So please, please include the signature. Another one—and this is very important—you have to make sure that your budget reconciles to the award amount. That is the only way that HUD knows what the funds are being used for.

So please, if you're uncertain, if you have had several revisions, get something in writing from your HUD POC making sure that there's an understanding between you and HUD or your new current agency that okay, this is the approved budget that I'm using going forward with the grant.

We've seen instances where the line items included unallowable costs.

You want to avoid that at all costs and the way for you to do so is being as descriptive as possible when you submit your budget. Let us know what's included in these line items. What are your assumptions? That's the only way that we can tell whether or not the expenses that you're planning on submitting for reimbursement are related to an eligible activity.

You don't want on the backend if you get selected for a review, then once we're digging in and we look at okay, you went to a training but the training wasn't related to a HUD grant, but you did have a line item for training but you weren't specific enough to let HUD know that okay this is for a non-housing counseling activity, you don't want to get a finding at the backend for that. So be as descriptive as possible so that the HUD POC or your current agency can know what is included in these line items that you're going to be submitting for reimbursement.

Also, the budget may not be specific to the HUD grant. Of course, again, you want to make sure that it's for the HUD Office of Housing Counseling grant that you're preparing the budget for. We have seen a lot where agencies didn't provide adequate assumptions or explanations so that the

reviewer can understand the budgetary line item and that raises a lot of questions. We'll try to understand okay, what do you mean by this budgetary line item and things like that? And it just increases the back and forth during the negotiation process. So to eliminate that or reduce that, just be descriptive and let us know what your assumptions are so that we can make the proper determination as far as whether or not it's eligible.

Also we'll see the incorrect computation of indirect costs. So if you're putting indirect costs or planning on submitting indirect costs, you want to make sure that you're documenting, hey, this is based on a NICRA, this is our NICRA rate, and this is the period for which the rate is applicable to. So we can look at that information and be able to say okay, alright. This seems okay and we'll look at the base that's documented in the NICRA and make sure that you're doing that properly. Same thing goes for the 10% de minimis rate. We'll take a look at that also and make sure that you're using the right computation for indirect costs.

Things to remember. You'll want to look at the approved work plan while preparing the budget. Make sure that it's consistent or that it's reasonably consistent with the work plan. Take a look at the uniform guidance subpart E so that you can have an understanding of what the

[indiscernible] principals are. Someone from your accounting department or if you don't have one, you can go for yourself and read through it.

If you come across something where you're not sure, we do answer questions. Send it to your HUD POC. They can communicate that to us and then we'll reach out to you to help you to break down that information. Use an acceptable budget format. There's not a required form that you have to use but you do understand that you have to show the budgetary line items and then the cost for each of the line items that we discussed earlier. And also for each of the line items you want to show the assumption that you made for each of the line items.

Communicate with your accounting department, especially on the labor rates and fringe costs just so you're making sure that everyone is consistent and the information that you're putting on the budget is accurate. Make sure that it's signed and dated by an authorized official once you get that approved budget, indicate that it's the approved one and that's the one that you're going to be using going forward. So that you're making sure that there are no deviations from the budget going forward. Also, don't hesitate to contact your HUD POC if you have questions on any of these.

Some frequently asked questions: The first one, what are the mechanics for charging staff expenses that occur during the period of performance but before the ground was executed? So for example, if an agency wanted to charge the FY '18 grant for staff expenses from January 2018 and now it's October and we're just now getting the grant execution package, would they need to amend their personnel activity reporting documents and timesheets or is there some other way that they can document this? A lot of agencies will have this issue because you all are aware the period of performance is October 1, 2017 through September 30, 2019. So all eligible costs incurred during this period would be reimbursable, right?

What you want to make sure of is that you are setting up separate funds for your office of counseling department. So you know specifically that you would anticipate you will be getting the HUD award and you would have started to accrue costs related to the HUD grant since the start of your fiscal year. But the most important thing that you want to make sure of is that you weren't already reimbursed by another agency for that cost. So say it's for salaries and this person was on a project and they were reimbursed by another grant, of course you can't submit that person's salary to HUD for that specific activity because you were already

reimbursed. So you want to be very careful. Make sure that they weren't reimbursed by another agency.

Also you want to make sure that your timesheet or your activity reporting system is sophisticated enough to show that the work that they performed during the period is eligible for reimbursement under the HUD grant. So if you weren't maintaining anything like that then you would have to go back to make sure that you're documenting as such. But you want to make sure that you do have the timesheets and the parts, etc., to account for that time. But if you had already been doing so, then all you would have to do is just pull the information, look at the work that was performed. See if it's eligible. Just make sure that it wasn't reimbursed by another grant and then you can submit that for reimbursement.

The next question, "Does a grantee have to request prior approval for every time a counselor gets a raise or if they hire a new counselor, etc., or would they only need to request prior approval if the changes affect the line item of the approved budget or the performance to end?" With this question, because you are required to show each of the housing counselors the number of hours that they will be working and multiply that by the proposed hourly rate, then that would cause a change to the budget and

you would be required to resubmit, but that usually doesn't take a lot of effort. Once you get this new information you just update that, send it to your HUD POC for review and then once approved then you can go ahead and use that going forward.

Third question, "What happens if actual costs only deviate from budgetary line items by 10%? Is a budget modification still required?" The uniform guidance part 200.308 it does require that any deviation, it could be 1%. I'm sorry, but it does have to be approved in writing by your HUD POC. There's not a discretionary threshold for any deviations. But again, usually HUD POCs are very interactive. Once you send them and let them know the reason for the budget modification and things like that, then you can negotiate with them and have a new budget approved.

Fourth question, "What are leverage funds?" So leverage funds are really additional—they're funds that can be coming in from like a commitment through various different partnerships. So it could be in the form of cash or in-kind funding that are going to be associated with the housing counseling grant program. Once you have leverage funds, you want to make sure that you're tracking it for the housing counseling program specifically and keeping record of that going forward.

For resources, if you go to the uniform guidance part 200, the cost principles, that is an excellent source for guidance. If you had any questions on eligible costs or allowable costs making sure that they're reasonable, allowable and allocable to the grant. The HUD form SF424, you can get that and use that as your budget if you choose to do so. Also generally accepted accounting principles is a good source for you if you had any questions on the accounting and financial reporting.

You can visit us on the HUD Exchange at the link that's provided in the first bullet or email us at housing.counseling@hud.gov. Go to the bridge at the website that's provided in the link and the fourth link as well.

That concludes today's training. If you have any questions that haven't been answered by our associates here at BMC, please send your email to housing.counseling@hud.gov and include in the subject line Preparing a Budget so that we know how to direct the question. Of course we'll make sure to get back to you in a timely fashion. Thank you all for participating. Goodbye.

Moderator

Ladies and gentlemen, that does conclude your conference for today.

Thank you for your participation. You may now disconnect.