



OFFICE OF  
HOUSING COUNSELING

# U.S. Department of Housing and Urban Development Office of Housing Counseling



Facilitated by  
**Booth Management Consulting**  
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## Preparing a Grant Execution Package

October 25, 2018 2 PM EST

# Webinar Logistics



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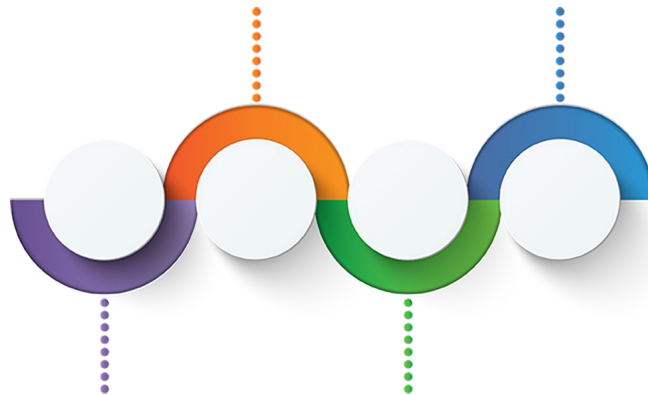


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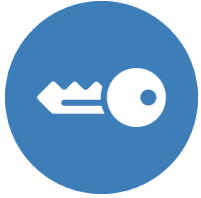
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Robin Booth, CPA  
Principal  
Booth Management Consulting**



# Training Topics



- Changes from Previous NOFA
- Grant Execution Financial Life Cycle
- Submission Requirements
- Common Errors
- Available Training



# Objectives



- Review financial document requirements during the Grant Execution review process
- Discuss common errors, omissions, and irregularities noted during the Grant Execution review process



# Changes from Previous NOFA



1. One-Year Award
2. 24-Month Period of Performance  
(10/1/2017 to 9/30/2019)
3. Eligible Activities
  - Salaries
  - Training
  - Oversight
  - Marketing
  - Outreach
  - Housing Counselor Certification



# **Grant Execution Financial Life Cycle**

# Grant Execution Financial Life Cycle



## Grant Execution Financial Life Cycle Steps

1. NOFA Application
2. Award
3. Grant Execution Package
4. Grant Reporting
5. Request for Payment
6. Oversight Review

# Grant Execution Financial Life Cycle



## 1. NOFA

- Pre-Award Accounting System Review
- Leverage funds supporting documentation
- OMB Circulars
- Code of Federal Regulations

## 2. Award

- Article XI, Reporting
- Federal Regulations

## 3. Grant Execution Package

- Financial disclosures and certifications
- OMB Circular A-133 submission
- Indirect Cost Rate Documentation
- Sub-allocation List (Intermediaries, MSOs, and SHFAS only)
- Billing Methodology (Intermediaries, MSOs, and SHFAS only)
- Budget



# Grant Execution Financial Life Cycle (continued)



## 4. Grant Reporting

- Authorized Individual
- Article XI, Reporting
- Sub-allocations, Administrative cost, Billing methodology, SF-425 (Intermediaries, MSOs, and SHFAS only)

## 5. Request for Payment

- Authorized Individual
- Request for Payment
- Draw-down funds with quarterly reports
- Supporting documentation

## 6. Oversight Review

- Financial & Administrative Review
- Financial Analysis



# Submission Requirements



# Grant Execution Package Checklist



## Office of Housing Counseling FY 2018 Housing Counseling Award-Grant Execution Checklist

- ✓ This is a checklist of required documents grantees must submit to execute their FY 2018 grant awards. See enclosed award letter for detailed requirements of each item.
- ✓ Grantees may use this checklist to make sure all appropriate documentation is included in your response to the enclosed award letter.
- ✓ An incomplete package will result in a delay in your organization's ability to execute the grant and access grant funding.
- ✓ All relevant documents are due to your assigned Point of Contact (POC) within 15 business days of the date of the enclosed award letter.

### Form HUD-1044 and Grant Agreement Signature Page

- ☐ One signed form HUD-1044
- ☐ Signed signature page only of the Grant Agreement

### Indirect Cost Rate Documentation

- ☐ Copy of Grantee's Negotiated Indirect Cost Rate Agreement (NICRA), *OR*
- ☐ Statement that Grantee has never received a NICRA and elects to charge a de minimis rate of 10% of modified total indirect costs in accordance with 2 C.F.R. Part 200.414, *OR*
- ☐ Statement that Grantee does not incur indirect costs or will not apply them to this grant.

### Financial Management Systems

- ☐ Documentation (e.g. a certification from the executive director or other qualified professional) demonstrating that the organization's financial management systems satisfy the requirements in applicable regulations at 2 C.F.R. Part 200.302

### Audit

- ☐ A copy of Grantee's single or program-specific audit (aka A-133 audit) for most recent fiscal year for Grantees that expended \$750,000 or more in Federal funds, *OR*
- ☐ A copy of the most recent independent financial audit for Grantees that did not expend \$750,000 or more in Federal awards.

# Grant Execution Package Checklist (continued)



## Code of Conduct

- ☐ Grantee has previously submitted its Code of Conduct, the information has not been revised, and the Grantee is listed on HUD's website at: [https://www.hud.gov/program\\_offices/som/cmmommt/grantsinfo/conducterants](https://www.hud.gov/program_offices/som/cmmommt/grantsinfo/conducterants)
- ☐ Submit a written Code of Conduct that meets the requirements outlined in the enclosed award letter. Grantees that have revised a previously submitted Code of Conduct and/or do not appear on the website listed above must submit a copy of its Code of Conduct.

## Projected Budget

- ☐ A comprehensive budget listing all proposed expenses under the Grant. See the enclosed award letter for detailed requirements.

## Projections for Housing Counseling Grant Activities

- ☐ Enter projections in the Housing Counseling System (HCS) under the "HUD-9902" menu item and select Projections for NOFA-2018-1. Save projections as draft. See item 5 of the enclosed award letter for more detailed instructions.
- ☐ Email your GTR the total number of households to be served with the grant.

## Sub-allocation list - Intermediaries, Multi-State Organizations (MSOs) and State Housing Finance Agencies (SHFAs) Only

- ☐ Enter updated list of subgrantees and funded branches, and their corresponding sub-allocations in HCS on the budget allocation screen.

## Client Management System (CMS)

- ☐ Grantee must submit a statement certifying that the organization and any subgrantees and funded branches, if applicable, utilize a CMS that meets HUD's requirements and interfaces with HUD's databases for the collection and submission of client-level data, form HUD- 9902, and agency profile information.
- ☐ Intermediaries, MSOs and SHFAs must also submit a list of all relevant subgrantees and the CMS they utilize.

# Form HUD 1044 and Grant Agreement



## Common Errors

1. Failure to provide signed Form HUD 1044
  - Can be found in award package from HUD POC
  - Must be signed by local HUD director
  - Must be signed by agency's Executive Director
2. Failure to sign signature page of the grant agreement
  - Can be found in award letter
  - Must be signed and dated by agency's Executive Director

# Indirect Cost Rate Documentation



There are three (3) options for requesting reimbursement of indirect costs:

- **Option 1:** Negotiated Indirect Cost Rate Agreement (NICRA)
- **Option 2:** 10% De Minimis Rate
- **Option 3:** Coast Allocation Plan



# Indirect Cost Rate Documentation



## OPTION 1: NICRA

*What is a NICRA?*

- An indirect rate negotiated with a Federal cognizant agency for Federal awards by non-Federal entities that allocate and claim indirect costs.
- A cognizant agency is generally the agency that provides the largest amount of direct federal funds to the organization.

# Indirect Cost Rate Documentation



## Common Error: Failure to apply the correct rate

Types of NICRA Rate	Description	When Renewed?
Provisional rate	Temporary rate for funding, interim reimbursement, and reporting indirect costs on awards	Upon Completion of the grant period
Final rate	Rate determined at the end of the accounting period based on the actual costs and not subject to adjustment	Typically annually
Predetermined Rate	Permanent rate established for a discrete period of time that corresponds to one or more of the organization's fiscal years	2 to 5 years
Fixed Rate with Carryforward	Fixed Rate set for the period covered under the funding action and any adjustments (difference between estimated and actual) will be carried forward to the a subsequent period	2 years, then annually thereafter

# Indirect Cost Rate Documentation



## NICRA Example:

### STATE AND LOCAL GOVERNMENTS RATE AGREEMENT

EIN: [REDACTED]

DATE: 08/01/2012

ORGANIZATION: [REDACTED]

FILING REF.: The preceding agreement was dated 05/12/2011

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

#### SECTION I: INDIRECT COST RATES

RATE TYPES:	FIXED	FINAL	PROV. (PROVISIONAL)	PRED. (PREDETERMINED)
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#### EFFECTIVE PERIOD

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE(%)</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
FINAL	07/01/2010	06/30/2011	21.20	On Site	All Programs
PROV.	07/01/2011	Until Amended		*Use same rates and conditions as cited for FYE 06/30/11.*	

#### \*BASE

Direct salaries and wages including all fringe benefits.

# Indirect Cost Rate Documentation



## How to use the NICRA:

1. Verify the indirect cost rate
2. Verify the rate effective date
3. Verify the base
4. Compute the indirect cost





# Indirect Cost Rate Documentation



## OPTION 2: 10% DE MINIMIS RATE

*What is the 10% De Minimis Rate?*

- A Federally-recognized rate that non-Federal entities (with exceptions) may use to recover allowable indirect costs on grants or cooperative agreements.

# Indirect Cost Rate Documentation



## Eligibility Requirements (ALL must be met):

- Must be a non-Federal entity that has *never* received a NICRA.
- Rate must be used indefinitely once elected and must be used consistently for all federal awards until such time the entity chooses to negotiate for a rate.
- Cost composition of the Modified Total Direct Cost (MTDC) must comply with §200.403 Factors affecting allowability of cost.

# Indirect Cost Rate Documentation



## Eligibility Requirements (ALL must be met):

- Non-Federal entities receiving over \$35 million in direct funding are prevented from selecting this rate. See Appendix VII to Part 200-States and Local Government and Indian Tribe Indirect Cost proposals, paragraph (d)(1)(b).
- Documentation supporting the methodology (as set forth in 2 CFR Part 200.403) used to determine the MTDC (as set forth in 2 CFR Part 200.68) should be provided as part of the Grantee's budget and retained for audit in accordance with records retention requirements.

# Indirect Cost Rate Documentation



## What are Modified Total Direct Costs (MTDC)?

- Recipients and sub-grantees electing the 10% De Minimis Rate must use the MTDC as its base.
- All costs must be identified specifically with a particular sponsored program or can be directly assigned to such activities relatively easily with a high degree of accuracy and must be necessary and reasonable for the performance of federal award and be consistent with policies and procedures that apply uniformly to both Federal and non-Federal activities of the grantee (2 CFR §200.403).

# Indirect Cost Rate Documentation



## What's included in MTDC?

- §2 CFR 200.68  
“All direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, sub-awards and sub-contracts up to the first \$25,000 of each sub-award or sub-contracts (regardless of the period of performances under the award).”
- Cost must be identified specifically with a particular sponsored program or can be directly assigned to such activities relatively easily with a high degree of accuracy.
- Must be necessary and reasonable for the performance of the Federal award and be consistent with policies and procedures that apply uniformly to both Federal and non-Federal activities of the grantee in accordance with §200.403.

# Indirect Cost Rate Documentation



## OPTION 3: COST ALLOCATION PLAN

*What is a Cost Allocation Plan?*

- A document that identifies and explains the distribution of allowable direct and indirect costs and declares the allocation *methods* used for distribution.
- States, local governments, and public assistance programs are the only entities that can submit a cost allocation plan and it must be approved in the same manner as an indirect rate.

# Financial Management System



## **Financial Management System (FMS):**

- The methodology and software that an organization uses to oversee and govern its income, expenses, and assets to accomplish the objectives of the organization.

## **FMS Certification:**

- Agencies must self-certify
- Official is certifying that the FMS is compliant
- Subject to verification

# Financial Management System



## Uniform Guidance Requirements

1. **§200.302 Financial Management:** “The financial management system of each non-Federal entity must provide for the following (see also §§200.333 Retention requirements for records, 200.334 Requests for transfer of records, 200.335 Methods for collection, transmission and storage of information, 200.336 Access to records, and 200.337 Restrictions on public access to records).
2. **§200.303 Internal controls:** Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See §200.303 Internal controls.
3. **§200.305 Payment:** Written procedures to implement the requirements of §200.305 Payment.
4. **Subpart E – Cost Principles:** Written procedures for determining the allowability of costs.



# Single and Financial Statement Audits



## Common Error:

Failure to submit Single Audit Report to Federal Clearinghouse

- A copy of Grantee's Single Audit (A-133):
  1. Must have **expended** over \$750,000 in **Federal** funds during the fiscal year
  2. Must be completed within nine (9) months after fiscal year end
  3. Must be submitted to Federal Clearinghouse

# Single and Financial Statement Audits



## Common Error:

Failure to submit financial audit or Single Audit report

- A copy of the most recent independent financial audit for Grantees that did not expend \$750,000 or more in Federal awards.
  - Must have been conducted within the past two fiscal years.
  - If agency submitted a Single Audit, no financial statement audit is required to be submitted.

# Financial Capability Assessment



- For agencies that do not have audited financial statements, HUD OHC may require a Financial Capability Assessment to verify the agency has the financial capability to perform the grant
- Will require submission of additional financial information
- Agency must be available to respond to inquiries and additional documentation request
- Intermediaries can request FCA for a HUD OHC grant

# Code of Conduct



## Common Errors:

1. Failure to provide on company letterhead that includes the name and title of the responsible official, mailing address, business telephone number and email address
2. Failure to have proper signature
3. Not posted on HUD's website
4. Code of Conduct on HUD's website is not recent

## Self Certification:

- Agencies must self-certify
- Official is certifying that the Statement is compliant
- Subject to verification

# Budget



## What is a Budget?

### §200.8 Budget.

Budget means the financial plan for the project or program that the Federal awarding agency or pass-through entity approves during the Federal award process or in subsequent amendments to the Federal award. It may include the Federal and non-Federal share or only the Federal share, as determined by the Federal awarding agency or pass-through entity.

### §200.308 Revision of budget and program plans.

(b) Recipients are required to report deviations from budget, project scope, or objective, and request prior approvals from Federal awarding agencies for budget and program plan revisions in accordance with this section.

# Budget



## Common Errors

1. Lack of signature
2. Budget does not reconcile to the award amount
3. Includes unallowable costs
4. Not specific to HUD grant
5. Did not provide adequate assumptions or explanations for reviewer to understand what the budgetary line item was
6. Incorrect computation of indirect costs

# Budget



## Preparing a Budget

- **Step 1:** Determine programmatic requirements consistent with approved work plan
- **Step 2:** Develop budget and assumptions
- **Step 3:** Verify allowability, allocability, and reasonableness
- **Step 4:** Review budget internally with accounting & finance
- **Step 5:** Submit budget to HUD and negotiate with POC



# Budget



## Step 1: Determine Programmatic Requirements

- Requirements for LHCA and sub-grantees:
  - Based on the approved award amount
  - Review approved work plan
  - If prior grant, review prior grant activity

**NOTE:** Parent agencies may provide sub-grantees with additional instructions for preparing their budgets.



# Budget



## Step 1: Determine Programmatic Requirements

### Requirements for Intermediaries:

1. Updated list of subrecipients and funded branches and their corresponding sub-allocations
  - a. If reimbursing subrecipients and/or branches at a fixed rate per counseling/education activity, budgets must be submitted
2. A detailed budget accounting for how all administrative funds (funds not passed through)
  - a. Includes funds for training, travel, salaries, and equipment for each quarter and cumulative

# Budget



## **Step 1: Determine Programmatic Requirements**

Requirements for Intermediaries (continued):

### **3. Billing Methodology**

- a. Explain clearly the methodology used to reimburse subgrantees or allocation to branches
- b. If using formulas, indicate hourly rate attributed to grant or how each cost is calculated for a fixed-cost reimbursement
- c. Explain process to ensure method/costs used do not exceed actual costs

# Budget



## Step 3: Verify

- Allowable
- Reasonable
- Allocable



# Budget

## Eligible Activities and Allowable Expenses



Eligible Activities	Examples of Expenses
Salaries	Housing counseling, supervision, oversight, compliance, and quality control salaries (justified)
Training	Travel, Training fees/costs/registration, salaries, workshops, seminars, and related materials
Oversight	Administrative Cost, travel, supplies, and consultants
Marketing	Travel, marketing materials, printing, brochures, consultants
Housing Counseling Certification	Training, testing (computer or proctored exams), salaries (time), travel, consultants, and other certification expenses
Capacity Building	Costs associated with hiring additional staff

**\*NOTE: Rent is no longer allowable as a direct expense**

# Budget



## Step 3: Verify Allowability, Allocability, Reasonableness

OMB Uniform Guidance, Subpart E, §200.420 Considerations for selected items of cost

1. Establishes principles for determining allowability of costs
2. Examples of costs expressly unallowable:
  - **§200.423 Alcoholic beverages**
  - **§200.426 Bad debts**
  - **§200.428 Collections of improper payments**
  - **§200.434 Contributions and donations**
  - **§200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements**
  - **§200.438 Entertainment costs**
  - **§200.441 Fines, penalties, damages and other settlements**
  - **§200.442 Fund raising and investment management (unless prior written approval from the Federal awarding agency)**

# Projections for HC Grant Activities



## Common Errors:

1. Failure to submit 9902 with Grant Execution package
2. Projected goals were not consistent with the budget for award the amount



# Sub-allocation List (Intermediaries Only)



## Common Errors:

1. Failure to provide a list of sub-grantees that reconcile to grant allocation listing
2. Failure to provide a brief explanation for how sub-award amounts of sub-grantees are determined



# Grant Execution (Intermediaries Only)



1. Documented process for Grant Execution process
2. Encouraged to use the same checklist for sub-grantees as provided by HUD OHC
3. All grant execution requirements for intermediaries should be passed through to the sub-grantees
4. Can request assistance from HUD OHC for the review of sub-grantees grant execution



# Common Errors

# Common Errors



1. Incomplete Grant Execution Package
2. Applying indirect cost rate without approved NICRA, 10% De Minimis Rate or Cost Allocation Plan
3. Incorrect application/calculation of indirect cost rate
4. Unacceptable or no Financial Management System
5. No separate fund accounting for HUD OHC grants
6. No recent financial statement audit, if applicable
7. No Single Audit, if applicable
8. Not submitting Single Audit to Federal Clearinghouse in a timely manner
9. No Code of Conduct Statement on HUD's website
10. No Budget submitted
11. Submitting budgets that do not reconcile grant award amount
12. Missing sub-allocation lists

# **Available Assistance**

# Available Assistance



## Training

Menu	Description	Onsite and/or Remote
Preparing a Budget	Topics include developing the budget, justifications and assumptions; understanding unallowable costs; and requirements for applying the 10% de Minimis rate.	Optional
Financial Management System Training	Training staff on maintaining a compliant financial management system; configuration of the accounting system; and development and training on relevant policies, procedures and internal controls	Optional
Grant Financial Reporting	This training will include a detailed look at all the financial grant reporting required under the HUD housing counseling grant agreement including preparing the quarterly report, Standard Form 425 (SF-425) for SHFAs, MSOs, and Intermediaries, the final report for LHCA's, and properly accounting for the grant in the organization's general ledger on an accrual basis of accounting.	Optional

# Available Training



## Training

Menu	Description	Onsite and/or Remote
Understanding Indirect Rates	This training will focus on understanding indirect costs, various indirect cost rate methodologies, how to calculate and apply indirect cost rate methodologies, etc.	Optional
Examples of Computing the 10% Di Minimis Rate	This training will focus on examples of computing and applying the 10% Di Minimis Rate. Specifically, on proper computation of the Modified Total Direct Costs (MTDC) and determining allowable and unallowable costs. It includes examples of computing the 10% De Minimis Rate for LHCA's and Intermediaries.	Optional
Understanding Billing Methodologies and Best Practices	This training will provide guidance on acceptable billing methodologies and practices for cost reimbursement and firm-fixed price billing methods including converting salaries to hourly rates, computing the fringe benefits rate, determining firm fixed price rates based on actual costs (labor hours, etc.), and reviewing and approving sub-grantee billing methodologies. It will also provide examples of best practices for documenting billing methodologies.	Optional

# Available Assistance



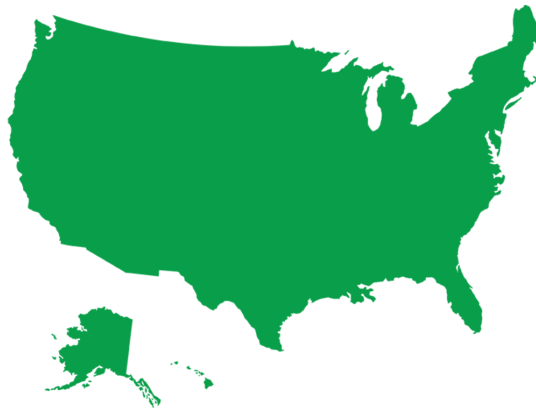
## Financial Analysis – Intermediaries Only

Menu	Description	Onsite and/or Remote
Grant Execution Package Reviews	Review grant execution package documents for completeness and accuracy. Provide recommendation to Intermediary whether to accept or reject package.	Remote
Financial Capability Assessments	Conduct Financial Capability Assessment in lieu of financial statement audit for agencies that have not, or are unable to, obtain one. Advise Intermediary as to whether the sub-grantee has the financial capacity to perform the grant.	Remote

# Requesting Services



1. **REQUEST Assistance from HUD POC:** State assistance required, person who will be the POC if approved, and availability for the assistance
2. **POC APPROVAL:** HUD POC reviews and determines for approval
3. **INITIATE ASSISTANCE:** If HUD POC approves, submit to the HUD GTM for assistance



# HUD Office of Housing Counseling



- Find us at:  
[www.hudexchange.info/counseling](http://www.hudexchange.info/counseling)
- Email us at:  
[Housing.counseling@hud.gov](mailto:Housing.counseling@hud.gov)
- The Bridge:  
<https://www.hudexchange.info/programs/housing-counseling/the-bridge/>





Please forward any questions to:  
**[housing.counseling@hud.gov](mailto:housing.counseling@hud.gov)**

with

**“Preparing a Grant Execution Package”  
in the Subject line**

**Note: Only questions related to the HUD, Office of  
Housing Counseling, Comprehensive Housing  
Counseling grant will be accepted and responded to.**