



## Final Transcript

### **HUD – US DEPT OF HOUSING & URBAN DEVELOPMENT: Submitting a Budget**

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#### **SPEAKERS**

Robin Booth

#### **PRESENTATION**

Moderator                    Ladies and gentlemen, thank you for standing by. Welcome to the Submitting a Budget Webinar. At this time, all participants are in a listen-only mode. Later, there will be an opportunity for questions. Should you require assistance during the call, please press star zero.

I'd like to turn the conference over to our host, Robin Booth. Please go ahead.

Robin                            First of all, happy New Year, and welcome to the Submitting a Budget Webinar for the Office of Housing Comprehensive Housing Counseling

Grant. The webinar, just going over some logistics, this webinar is being recorded and will be available along with the presentation materials at the [www.hud.gov/housingcounseling](http://www.hud.gov/housingcounseling) under Webinar Archives. Please give about 48 hours for the PowerPoint presentations to be uploaded onto the Webinar Archives.

Your lines will be muted during this presentation. At the end of the presentation, there may be, depending on time, the opportunity for live questions. At which time, you would hit star zero. That would put you in the queue, and you would be advised when you could ask your questions. There will also be discussion questions, and as I just gave you those particular instructions, star zero, that will put you in the queue and enable you to ask a question when asked for during this presentation.

Other ways to potentially ask questions is throughout this presentation, on your screen, you should have a field where it will say Questions that's highlighted in red. If you actually enter your question there, we do have staff here available to answer those questions during the presentation.

Some of those responses may be answered online or during a presentation.

Otherwise, immediately following the presentation or any time thereafter, you can also send questions to [housing.counseling@hud.gov](mailto:housing.counseling@hud.gov). In the subject line, we ask that you please put Submitting a Budget, so it'll be easier for us to know which question or which webinars the question is referred to and direct them to the right presenters. Once again, this presentation is being recorded, and you can also have access to the webinar materials.

At the completion of the webinar, you will receive a brief survey. We really appreciate you taking the time to complete the survey and providing as detailed responses as you can. We do use the survey results for planning purposes, to improve overall webinar training, and to identify future subject matters. So please take the time to complete that survey, and it definitely will help us better plan and present the webinars.

As it relates towards certificate of training, you will receive a thank you for attending email from GoToWebinar. This is in fact your certificate. You can print out the email or save the email for your records. There will not be a subsequent email or a separate attachment for a certificate.

With that, we will begin the presentation on Submitting a Budget. When we're designing the webinars and looking at the training requirements for the grant, we always take in consideration feedback from lessons learned, from various financial and administrative reviews, from technical assistance, guidance and feedback from HUD's point of contacts as well as from the grantees. As a result, we saw a need for some more guidance and information on submitting a budget under this particular grant.

My name is Robin Booth. I'm the facilitator for this webinar. My company, Booth Management Consulting, we are the quality audit and technical assistance contractor for the Office of Housing Counseling for the Comprehensive Housing Counseling Grant. In addition to performing these webinars, we do perform the financial administrator reviews, technical assistance, and other services for the Comprehensive Housing Counseling Grant.

Today, we will go over the overview of the budget in process. We're going to give some detailed guidance on preparing a budget, from looking at what your work plan says and ensuring that your budget is in line with your work plan. How do you develop the budget, the format, the assumptions? Looking at some of the considerations you need to have for

those costs or budget items that you're including, whether they meet the cost principles of the OMB Uniform Circular Subpart E relative to allowability, allocability, and reasonableness.

We'll give some suggestions on an internal review process that you all should have consistent with a lot of the new requirements that authorize individuals with knowledge about the grant now and are required to certify to submission of financial information. Go over some key points in a negotiations and approval process. Some things that you should remember, almost a quick reference for what you remember. Frequently ask questions as well as it relates to some of the budgeting topics.

Overview of budgeting process. The entire budgeting process is driven from Section 200.8 of the OMB Uniform Circular. By now, I hope that most of you are aware that we are now under the OMB Uniform or Omni Circular. It's also referred to as Super Circular, but all references are under those new regulations that consolidated the former OMB structure. So any questions relative to the budgeting, you should refer to these sections of the OMB Uniform Circular from Section 200.8 as well as Section 200.308 which deals with revision of budget and program plans.

Specifically because some of you may have other federal grants where they may have allowed different budgetary modifications or allow you to allocate funds within the budget through various line items. Under this particular grant, it adheres strictly to these particular regulations, so that all revisions of budget and program plans must be approved, must have prior approval by your HUD POC. So there is no minimum allocation or you can allocate up to 10% of your budget through different budgetary line items. Any changes to the original approved budget must be approved prior approved in writing.

So let's look at the overall process. Generally, after you all receive your notice of award, your grant award amount, you're then asked by your HUD POC to submit your budget. Oftentimes, in the application process where you are providing budgetary information relative, I guess, to the optimal use. If awarded the optimal amount under the Counseling Grant Program, once you get your award notice, you then need to look at your work plan and what was approved as your work plan as a part of the application process in conjunction with those costs directly associated with performing that work plan.

Experience and lessons learned has shown that sometimes grantees try to incorporate as a budgetary line item consistent with maybe how they were funded by other nonfederal funds, or they determine well, you know we're going to have some office supplies or we're going to have X, Y, and Z. We strongly encourage you, especially since generally there's limited dollars on these grants. They're small. To really look at where you can get the maximum use of the budget and those budgetary line items for your work plan, not just to use maybe what's historically been how you did budgets for other grants, especially since you have limited dollars.

So generally a lot of the budget can be directed to direct salaries for personnel in the acute and the related fringe benefits, and that's actually fine as long as those dollars are directly associated with the performance of the approved work plan. In your submissions, that budget, the budget that you submit in response to your notice of award, should be signed and dated, and it should have a certification which we'll review later in this presentation. That's also something that's new under the new Omni Circular Super Circular, but you need to be aware that your actual budget submission and response to the award should be signed and dated and be certified.

Then after you submit the budget, you then really go into informal negotiations. A lot of times, this is when your HUD POC is reviewing your budgets, they may come back, they may have questions, clarifications, and in fact, this could be considered a negotiation of sort. We'll talk about some key points to remember when negotiating a budget, how important it is to timely respond and to respond in writing, and if necessary, to ask for clarification during this negotiation process. Once you complete the negotiation process, you are then given an approved budget. In some instances, if you're HUD POC, if there is no negotiations and your budget is accepted as final, we're strongly recommending as a best practice for you as a grantee to verify with your HUD POC that in fact this is an approved budget.

You'll see in some of the techniques of best practices we talk about that we also recommend that once you do have that budget that's considered approved, and it's duly signed by the authorized individual and included that certification, maintain that budget in the grant file itself and provide a copy to your accounting and finance so that all parties involved are aware of what is considered to be the approved budget. I know HUD is working on formalizing more the process of indicating that a budget is approved, but you can use the concept that silence is acceptance to say that unless



they're negotiating, or they're requesting changes your budget is approved. However we strongly recommend that you confirm that through email or through some other communication so that within your organization you all are working from the same approved budget.

Like many organizations, the personnel turnover or just maybe moving to different programs or different grants and managing different grants, see what is considered the approved budget can be lost in those types of transitions. That's why we're strongly recommending that you clearly identify the approved budget. Make sure it's duly signed with the required certification.

Now when you're preparing a budget, if we looked at it just from step by step, the first thing you need to do is to look at what your approved work plan is, as far as how you're going to use, what you expect to accomplish under the Comprehensive Housing Counseling Grant and what dollars and budgetary line items that you can most effectively use in order to meet that work plan. So it's clear that your work that should be a direct relationship between what your performance goals under this grant and what budgetary line items you're proposing within your budget. You do want to develop

budget and assumptions, so not just the dollar amount, but you also want the corresponding assumptions to go with it.

We're going to talk more in depth about assumptions and how it's developed them and its presentation. They do not have to be expensive, written narrative on how you plan to use the dollars. It's generally in one sentence you should be able to really demonstrate how you plan to use those budgetary dollars. It's just a matter of making sure that you're providing the correct information for your HUD POC to have a clear understanding of how you're going to use the proposed dollars.

Your next step would be you want to verify liability, accountability, and reasonableness. These are all the cost principles that are in Subpart E of the Uniform Circular. And part of that is internally you all should be able to make that assessment prior to your submission of the budget. Some of our observations through working closely with HUD POCs when they're reviewing budgets is oftentimes they're making determinations of allowability when it appears that maybe that determination should have been made at the grant level. So it's important for you to understand what those cost principles are and to make sure that whatever your proposed

budgetary line items are, you've made that determination if they've met the cost principles.

Your next step would be to review your budget internally. That would be with your accounting department, with your finance department. Primary example is when you're doing your budget, if your accounting department doesn't realize, your payroll doesn't realize that there's certain labor categories that you're proposing as a part of that budget, they cannot then charge those particular labor hours to the correct program within their accounting system. So to be proactive, you should confer with accounting prior to submission of the budget to make sure that those individuals you're proposing for instance for personnel costs, those individuals you're proposing aren't being charged 100% to another grant, or that the rates that you're using are consistent with the actual payroll rates, or your fringe benefit rate that you're using that you submitted with your budget is in fact the true fringe benefit rate for the organization.

So there should be some internal review with your accounting and finance. And then finally you step into that submitting the budget and negotiating with the HUD POC and getting the final budget. We're going to talk

about each of these steps in more details throughout the next part of the presentation.

So step one, when we're looking at the programmatic aspect, first of all, it needs to be based on the approved award amount. So if in the original application, you're proposing a certain financial requirement or budgetary requirement for a certain performance under the grant. Once you get your approved award amount, you need to revisit what you proposed as far as what was approved in your work program and then look at how to best leverage the resources available to you under the HUD Grant with your other resources. Notice like the term I'm using is leverage, understanding that generally there's leveraged funds proposed within conjunction with these HUD Grants because oftentimes you need multiple funding sources in order to provide the services.

So you want to be as efficient as you can with what you're proposing as a budgetary line item for HUD, understanding that you will ultimately be responsible on the back end. So that budgetary line item is subject to review, and those costs being subject to review. So for instance, if the majority of the work is personnel and labor related, then make that your only budgetary line item. Whether it's personnel costs, or direct services,

and you can justify it with the corresponding fringe benefit. They'll create other line items you know like, oh, I'm going to put, you know I've heard it's life style, put a couple hundred dollars in supplies because we may need supplies.

Well, when you do that, remember that when you're subject to financial administrative review, then you're also going to subject to providing supporting documentation and internal control that's associated with that particular budgetary line item. So think about that on the front end because to the extent your line items match up with your work plan, then it's not necessary to have five or six different line items that actually the bulk of the budgetary requirements, the budgetary needs you'll need form HUD are in personnel. One of the things you want to do is look at any other financial administrator findings or if you've been cited in your performance review or anything relative to the budget whether it was not using the correct rates, or there were questions about labor categories. So you want to make sure you review any prior grant activity, any prior reports, anything that could have impacted the budget, so that when you resubmit your budget, you're submitting a budget that has a higher probability of being approved as is.

Also when you're looking at this, and this is additional information for intermediaries, MSOs, and HFSAs, please remember that you have to give updated lists of subgrantees and funded branches. For the intermediaries, MSOs, and HFSAs, this becomes more of an arduous process for you all because the amount that you're reflecting as the awarded amounts for your subgrantees and your funded branches, you also have to ensure that you complied with the requirements for award of subgrantees and sub requirements and be able to support that when examined or when requested either on a front end as a part of the budget review process or in the back end when we get to financial administrative reviews. So if you're not sure of the amount you're awarded each of your subgrantees, you need to solidify that and make sure that you've gone through your entire sub-award evaluation process, that it's consistent with the various regulatory requirements, and that you can support it if questioned on how you made determinations relative to how much you're awarding to your subgrantees.

Once again, when you're looking at this, you want to look at the history of your subgrantees. If you had subgrantees that historically, for whatever reasons, they haven't used all of the funds, or maybe you've become aware that there's changes in personnel, or organizationally they may not be in a position to really work with this particular grant, you want to take

that into consideration in the budget submission process so that you then don't have to worry about having a lot of revisions or budget modifications on the back end because potentially you have subgrantees, or that are not performing or they're not going to use the money that they've been allocated.

So for those that have subgrantees, this budgetary process is not just a matter of saying okay, I have 100 grantees and I'm going to kind of throw what I think I'm going to budget out to each one of them. You should have completed your subgrantee award process prior to submission of this budget because you will be held responsible for awarding and ensuring that those subgrantees expend the funds consistent with the amount that you're indicating as a part of the budgetary process.

The detailed budget accounting for all administrative funds, this too is yet for the intermediaries, MSOs and HFSA's. We really need you to look at the allowability of a lot of these other administrative funds that you're going to propose under this grant. Also to remember if you propose an indirect cost rate, you have to take that in consideration to make sure that the costs that you're including as a part of your indirect cost rate, you're

also not including as a part of your administrative funds. They belong in one or the other grouping.

So if in fact, those costs are historically included in your indirect cost rate, and you're proposing a rate, you cannot then take that same cost and say well, I also want it as a part of my administrative funds. You're recouping those costs as a part of your indirect cost rate, so make sure when you're looking at your indirect cost rate versus your administrative funds that you're not duplicating accounts or costs that are in your indirect cost pool and then charging them again as a separate cost under administrative funds. Those are the kind of things that we would identify as a part of your financial administrative review and/or your HUD POC would identify as a part of your budget process.

These organizations, MSOs, SHFAs and intermediaries, you also have to submit your billing methodology as a part of your budgetary approval process. This you have to have a detailed explanation of how you're going to build, how your subgrantees and how they're going to build as a part of your budget, and this is subject to approval as well. We also want to suggest that if you're changing your billing methodology that you indicate that as a part of your budget approval process so that your HUD



POC can almost be alerted to the fact that this is a new billing methodology, and that is not the one that historically organizations use. If you're assumptions have changed or your computations have changed, we would ask that, or it's a good practice to kind of indicate that in your budget submission so that the HUD POC could become more sensitive to the fact that this is a change.

Once again, we're still on step one. We're just looking at programmatic requirements, and this is reiterating once again on the billing methodology. This too is being approved as a part of the budgetary process. On the back end when we're doing financial and administrative reviews, we're just verifying that you complied with your budget. It's on the frontend that your billing methodology may be subject to even more questions or clarification. And once again, we ask that you please timely respond in writing and make sure you maintain whatever your response is as a part of that file that also includes your original budget and your revised budget.

The second step in this process is actually developing the budget itself and assumptions. Now of course, we're going to look at the formats. You can use the Form SF-424 format. We're also going to review a format or

template that we put together and made available to various grantees for preparing a budget in Excel that kind of gives a little bit more guidance and instructions on not just completing the budgetary line items, but then how to develop the assumption that corresponds with that budgetary line item.

Under the new FY16 grants, you now have to submit as a part of your quarterly report an itemized accounting. So that itemized accounting really of the actual versus the budgetary costs, so your itemized accounting really should just be another column that you could add to your budget to say okay, this was my budgeted costs, this is my actual, and then showing a variance as a part of your quarterly reporting. So the detailed, itemized budgetary line items becomes even more important on the back end when you have to do your quarterly reporting.

As far as assumptions to budgetary line items, as I said this is not an exhaustive narrative on indicating the exact person or the exact number of days and number of hours. These are assumptions that say hey, we're going to have this counselor. This is their hourly rate. We're estimating these hours times this rate, and that's how we came up with this dollar amount. This is our fringe benefits rate. These are the costs our fringe

benefits includes compensated leave, health and life, X, Y, and Z. Our organization's historical rate is this.

So we're taking this rate, times these number of hours, and here's our fringe benefits cost. Those are in fact how simple your assumptions can be. But what it does is provide your HUD POC with more information so that they can make the determinations they need to as a part of the budget review.

So things like your salaries and whether it's for direct or administrative salaries, you can in fact under this HUD request administrative salaries, but they have to be justified. And in justifying, you have to show that although these aren't direct salaries as far as performing the actual services, these are direct administrative salaries associated with managing the actual HUD Housing Counseling Grant, but if you're going to propose administrative salaries, you have to justify them, and all justification is another way of saying what's your assumption. What was the basis for proposing this budgetary line item?

For your fringe benefits, you should get from accounting what your fringe benefit rates are. The best justification that you can say is this is our

historical fringe benefit rate. It includes these fringe benefit costs, and then you're showing the rate times the number of times the payroll costs, and then that becomes your fringe benefit. It's the fringe times the rate times the number of hours, and then that becomes your fringe benefits. That could be a one sentence assumption that explains it.

Anything associated with the indirect cost rate. If you're proposing an indirect cost rate, and you have a NICRA, a Negotiated Indirect Cost Rate Agreement, then you would provide the actual, indirect, the actual NICRA in any amendment or update to that NICRA and then show what rate that's the approved rate. And then you're going to show the computation as you're taking approved rate times the modified total direct costs.

One of the things about the rate is not just how you came up with the rate, but how you're applying the rate to those costs that are included in the HUD Grant. So if you modified total direct costs, you have to meet those standards for what's considered allowable modified total direct costs. So once again, certain expenses like equipment, if you for some reason included it, and it was approved as a budgetary line item, it may not necessarily be a modified total direct cost. So although you're approved

from a budgetary line item, you can't apply your indirect rate to include that particular cost.

That's the kind of information you need to know when you're trying to apply that indirect cost rate. It's not just the rate itself under the OMB new Omni Circular. You can propose that 10% de Minimis rate if you don't have a NICRA, but even if you propose that 10% de Minimis rate, you have to be knowledgeable about what costs you can apply that rate to. So that requires an understanding of what's considered your modified total direct costs and then applying that 10% or your approved NICRA to those allowable and modified total direct costs only. We do have some training on the indirect cost rate and even applying that 10% to understand what's considered a modified total direct cost and how to appropriately apply those rates.

Just by way of definition, assumption, because I keep saying assumption, that's just a thing that's accepted as true or certain to happen without proof. So for a budget, it's just saying that this is what we're expecting to happen based on our history or based on our understanding of how we're going to move forward, and this is the presumed costs or expenses associated with it. That's all a budget assumption is. There's not a certain

type of assumption, but you should provide enough information that your HUD POC can clearly understand how those dollars are going to be used.

The importance is that one, it's documented and communicated, not just to your HUD POC, but even internally, as you have change in personnel or if there's transitions. If you have a budget that includes the assumptions, those new individuals that are now responsible for managing this particular grant have a clear understanding of how you develop that particular budgetary line item and what's acceptable to be included in that budgetary line items. The same would hold true for accounting or any other individuals internally, so that it minimized the likelihood of having findings or question costs or unallowable costs as we get into the financial administrator review. So it's not just for HUD POC, but internally using assumptions really allows for you to have a continuity and ensure that you're appropriately applying the budgetary line items.

This is the HUD Form SF-424 which is available electronically on HUD site. You can almost do any web search and find this form, and this is an acceptable form. It can be somewhat confusing if you're not used to this form because of the information that's requested that's not necessarily associated with this grant.

So when we look at column one, they give you the proposed expenses first of all or proposed categories from personnel to fringe to travel to equipment to supplies, contractual, etc. So they're giving you the proposed types of expenses and a lot of this for instance none of the construction would apply to the HUD Housing Counseling Grant because this is a standard form that could be used by any federal agency to do the budget, so it's pretty broad based. You can add in other expenses. I don't think you can actually change them in the writable version of this form, but if you only have personnel, and you're just like I want to keep a simple form, you could in fact use this form. But what you need to recognize is a lot of this may or may not be directly associated with the HUD Grant, and I'll be honest with you to complete this form accurately, based on how the information requested, it requires more work because you actually have to look at some areas that may or may not impact HUD, but if you use this form, you'll have to.

So when we look at column one, HUD share that would really be your budget specifically for the Housing Counseling Grant. So if you received a \$15,000 grant, it would be in this column that you're allocating that \$15,000 to those budgetary line items. The applicant match, there is no

matching requirement with HUD. We have leveraged funds which are not the same as matched funds, so there should not be any entries into this particular because there's no match for the HUD share of these funds.

If you have other HUD funds, in column three, this is where you would allocate your budget for the other HUD funds. So imagine if your other HUD funds, you have a lot more budgetary line items associated with it, while then you would try to manipulate this form to add all of the budgetary line items because you have to report on other HUD funds as well. And if you tend to use different line items for different grants, you can see how this form would continue to grow and grow and grow.

Column four, other federal shares. So if you had other federal shares, you would have to include it in this column as well. Then column five would be state shares, so that's any state grants associated with it. Then you go local, tribal, and federal.

Then in column six and column seven would be any of your other nongovernment kind of grants where you would itemize all of those budgetary, whatever that budget is for all of those grants into that one category. Then finally in column eight, if you have any program income



generated for any of these line items, you would then show that information and ultimately those columns would be totaled up, and you would come to total column nine.

When you get to row I, subtotal of direct costs, this would be where you put the total subtotal of just your direct costs, so all of those costs. Then here is that number would be where you made the determination of what's modified total direct costs, so you may even have to modify these other direct costs to get to modified total direct costs even before you applied the indirect cost rate. So I can see why a lot of times, especially for these smaller grants, this form it can be confusing, and it can require a lot of work because of the limitations on the formatting. So what we did and these are all of the instructions that correspond to using that particular form. As I said, all of this is available in a writable format that you can actually enter information online multiple places but including HUD and on OMB's website.

Now what we did was we took that SF-424, however, we put it in Excel. We kind of tried to give more instructions. We added the certifications, and this can be made available. If you would like this format you could

request it from your HUD POC, and we in turn would make it available to you. It's just a matter of you emailing and requesting it.

This is actually in Excel, so you have the flexibility of changing your accounts. Whatever your budgetary line items are whether it's personnel, you have the flexibility of the required signature or certification, by signing this report I certify, that information is now on this form.

We also provided further instructions on how to use the various lines throughout the form, and finally we gave you examples of assumptions that you can use when you're doing each of the budgetary line items on the form. For instance, for personnel the budgetary line item, what's the cost principle, and when we say cost principle what do you have to make sure that you comply with? The rates have to be reasonable. You have to meet grant requirements for experience.

They have to be within executive compensation requirements because if you are including direct labor or even administrative and sometimes it may include executive directors or X, Y, and Z, there is the potential that their compensation could be greater than what is allowable under the cost principle. You may not be able to bill at their rate. It may have to be up

to the ceiling or up to the maximum executive compensation requirement.

And then we also caution you to look at section 200-430 with compensation.

This kind of gives you a cheat sheet for those line items on the form that say, okay, when you're considering that these are your cost principles, you need to consider, and then give you example on how to develop the rate. As I said, this can be made available to you if you request it through your HUD POC, and it'll be in an Excel format that you'll be able to manipulate as required. That's a part of developing the budget and the budget assumptions.

Now, what we also did, and this is just for illustration purposes, we talked about the fact that under the FY16 grant forward you have to do this itemized accounting of actual versus budget expenses. This is yet another template that can be made available to you where it's driven from your budget, and this is in Excel. These are the line items from your budget.

Let me see if I can get a pen. Okay. These are the line items that correspond to your budget, so when you're quarterly reporting you're required to do for that quarter and the cumulative-to-date. This actually is,

once again, just another template to use so that you can pull it directly from your budget. You can meet the requirement for your quarterly reporting to budget versus actual, do your cumulative to date budget versus actual, and any variance. Once again, this is yet another template, but this would ensure primarily with LHCA's your compliance with the quarterly reporting for your grant.

Alright. It messed up. I am sorry. I think I'm having technical difficulties. Let me see. Go to the next page. Okay.

Step three when we have to look at the cost principles, if you've participated in any trainings with us under your housing counseling grants specifically too your financial requirements and these terms of allowability, allocability, and reasonableness which are the cornerstones to the entire cost principles for federal government, these are not necessarily cost principles that are normal to non-profit, that are not [indiscernible] federal awards, but for federal awards under Subpart E of the Omni Circular, it is critical that any cost you propose meet these principles of allowability, allocability, and reasonableness.

For it to be allowable it has to be reasonable, so this may even look at for instance, if you're proposing an administrative salary and you say that this

person is going to be doing the file management backend work and you propose a rate for \$60 an hour, well, even though what their services they're providing may be allowable or allocable, the question may be is it reasonable. If it's an administrative position, HUD could challenge that that rate is not reasonable for that administrative position. Although it's allowable, it still has to be reasonable and allocable.

It has to confirm with any limitations or exclusions set forth in the principles awards. I'm not aware of any particular cost that the housing counseling grant has specifically said. Even though this may be an allowable cost, it is not allowable under this grant. However, if in fact that were the case then it would exclude any costs that are expressly or specifically determined to be unallowable for a grant.

It has to be consistent with policies and procedures afforded all of your organization's activities. For example, travel, when you're proposing travel to HUD and as we talk about and gave in our examples of assumptions, you should include your estimated travel budget. But you should include where you're going, what the purpose will be, and how many people anticipate traveling. You really need to know that

information to come up with a travel budget anyway, so when preparing assumption all you're doing is putting that in writing.

Well, if your normal travel policy is that employees will submit all receipts for actual expenses not to exceed federal per diem, then that same policy would have to be applied to the HUD Grant. That would mean that they couldn't just use their per diem rates because your policy says actual expenses not to exceed per diem rates, so that means that if they're submitting actual expenses and they're actual expenses are lower than the per diem then they should be only submitting those actual expenses not just deferring to the per diem rate.

You want to make sure that, and once again this gets to communicating with your accounting and your finance, but you want to make sure that consistently applying any policies and procedures to this particular grant. It needs to be in accordance with GAAP, and you have to have any adequate documentation to support any of these costs. With that same travel you should have your expense reports; you should have your receipts for any airfare or train; you should have on the expense report, it should clearly say what the business purpose of the travel was, who participated in the travel, that it was charged to the housing counseling

grant, and that kind of adequate supporting documentation because even if the trip really was for the HUD Housing Counseling Grant and you did put it as a part of your budget, on the backend and without supporting documentation we can't verify whether those costs were actually charged for that purpose.

There are certain costs that are expressly unallowable, and subpart E Section 200.420—make sure you read this. We see more often than not, sometimes when it comes to training you might be attending a conference of a sort, and as a part of that conference they're doing a special event. Well, if that conference cost includes and it itemizes and shows the cost for let's say that event was golf, well, that portion of the cost associated with that entertainment is expressly unallowable. It's important that those individuals traveling or incurring these costs, they know there are certain things they just cannot charge to the HUD Housing Counseling Grant because of OMB Omi Service Subpart E as defined here.

Allocable. It has to be treated consistently, so if this person is supposedly direct salaried and you're treating them as direct salaried on HUD Grant, they should be direct salaried across the board on all of your other grants. If you're treating them as administrative salaried on HUD Grant, they

should be treated administrative on all of your grants. They have to be specific to this award if you're going to include them unless you're including the indirect cost rates. But all other costs have to be specific to this award, and the benefits have to be specific to the award.

Now, if you're doing an indirect and as a part of your indirect we're looking at if they're necessary for the overall operation of the organization. Even under that 10% de minimis rate if you're proposing that, you just want to make sure that any cost that you're considering to be necessary to the overall operation you're not also trying to charge those as direct cost. You want to be cognizant of that.

You have to be careful that you're not shifting cost between awards to deal with funny [ph] deficiencies. One of the key areas that we see this in is labor. You may have one grant that they pay more regularly, it's easier to bill time and to charge time, so basically you're charging all your staff to that particular grant. These are real world situations, but then when you finally get awarded your HUD Grant and now that same staff that you've already charged 100% of their salary to, you get your HUD Grant, personnel was your budgetary line item. To the extent that you already charged everybody's salaries for providing that direct services to another



grant, you can't charge it to HUD's grant because you've fully exhausted their salaries.

It may have been that you didn't have the HUD Grant, that grant was available, the funding was available, and you made that decision. But then you have to recognize that if in fact you just shifted those cost to deal with deficiencies maybe before you were waiting for HUD funds, you may have to propose a different budget or maybe when you're preparing a budget and because you understand sometimes the challenges with the timely award of the HUD funds that maybe you are going to charge all of your personnel to one particular grant, then you need to propose different budgetary line items on your HUD Grant. Because what you don't want to happen is by the time HUD Grant comes there you've already charged and been paid for this personnel under other cost reimbursement type grants whether it be HUD or for other non-profits, and now you realize I can't charge personnel. You'll be forced to do a budget modification request which is what we see.

Please think about that as a part of preparing the budget. Thinking of the timing of when the HUD monies are going to come. If you already know you have other grants to cover the personnel or what other expenses can

we cover under the HUD Grant taking in consideration the time period it takes generally to be award a grant fund. Those kinds of things should occur as a part of your preparing a budget.

Once again, this is just another table that encompasses the various cost principles, so giving different examples of some of the same, some of them different budgetary line items, what cost principles you need to consider, and then how do you write the assumptions for that. We added some different categories here like training. Well, you need to make sure the cost principles associated with training. You want to look at section 200.474 and 200.432. At a minimum your assumptions should say the purpose, the rates, number of hours, fixed fee services, and then services provided.

This is giving you yet another example that you can use as a cheat sheet, and when looking at budgetary line items what cost principles you should consider as well as how to write the assumptions associated with it.

I'm sorry I'm having—I don't know if it's technical difficulties or I'm pushing the wrong button.

Now you've done the budget, you've prepared your assumptions, this is when you should go and you do an internal review with accounting. If accounting prepared the budget, then accounting should be doing a review of the program area. Make sure that everybody is on the same page because when we come and do the financial and administrative reviews there is often a failure to communicate, so that when actual requests for reimbursements are coming in they may not be consistent with the budgetary line items and that's because there was not communication and/or all parties were unaware of what was really the approved budget.

This is a part of preparing the budget. You've done the budget. You've done the submissions. It's all in line with your work plan. Now you want to review it with accounting. You want to make sure these are the actual labor rates because when we come and review time, the rates that you're billing to HUD are the actual labor rates or pay rates that should be paid to the actual employees.

You want to look at your fringe benefits and other costs. If you're proposing the indirect rate, if there's a [indiscernible], you want to make sure you've gotten all the updated information from accounting. If you're proposing 10% de minimis rate, you just want to make sure that you're not

also proposing any cost as direct cost that should be included in that 10%.

You want to go over that with accounting.

You want to clarify who's the individual that'll be signing it because it should be an authorized individual that's certifying to that whole statement about this isn't fraudulent and all of those things. Then unless otherwise stated, once you submit the budget and you get all of your signed grant agreements back, that's considered your approved budget.

As I said, you should clearly indicate what's your approved budget. That budget should remain as a part of your contract file, and it should be shared with accounting and shared with anybody that'll be responsible for the financial reporting.

This certification is what that authorized individual will be certifying to, so that's what you want to make sure that the person that signs these budgets acknowledges and recognizes that they're taking responsibility for the statements within this representation.

Finally, you submitted your budget. You're now in budget negotiations and approval, so HUD POC may come back to you with questions. Even

if they call, everything should be in writing. Any kind of clarification—you should really ask for any kind of clarifications in writing as well, and respond in writing making sure that you're keeping whatever responses you had with your grant documentation.

If you have to submit an updated budget, please indicated revised or modified on that budget with a new signature and date, so that it becomes clear that this is no longer the budget originally submitted, but this is a revised budget. We often times will get a budget, and then somebody will say, oh, no that's the wrong budget. We actually revised the budget. If you've clearly indicated that it's revised and it has a new signature date, then that keeps all parties involved working from the same and correct document.

Respond within a reasonable time period. If you're not sure how much time, request when do you need this back by. Sometimes unfortunately at the present budget negotiations there may be delays and that's because maybe the HUD POC requested clarifications, it took you a little while for you to respond, then all of a sudden your budget kind of falls in the pipeline, it moves back in the pipeline. You want to be clear on when that

budget any kind of clarification should be back. It could just be a simple question, and make sure you timely respond in writing.

If you revise your budget, it should be resigned and re-dated. Don't simply take the same budget or keep using—a lot of times we've done it in Excel or something like that, and we don't get new signatures, and we don't re-date those. Those revised budgets should be re-dated and resigned and clearly say revised.

Verify what's your final approved budget. You should be clear. If you haven't heard from your HUD POC, but you have all your documents signed and your whole award package signed, it's a quick email to say just verifying that there's no changes to their budget. Internally you should indicate somewhere, somehow that this is the approved budget. It should go with accounting. It should be in a program area. Everybody should clearly know what's the approved budget.

Some things we want you to remember. Review your approved work plan after you get that contract award. Read OMB Omni Circular Subpart E; that's where the cost principles are. If you all are proposing something and you're not sure, a new budget line item that you've never used before,

you might just want to go look at Subpart E. Make sure it's not one of their expressly unallowable costs, but then you also then say, okay, it's not expressly unallowable, but it is reasonable. Is it allocable? Is it necessary? You have to ask yourselves those kinds of questions consistent with those cost principles.

Use an acceptable budget format. It makes it easier for the HUD team to review, and it also makes it easier to monitor on a quarterly basis when you have to submit the itemized budget versus actual.

Develop assumptions. I think we've kind of hammered in how that provides not just HUD, but internally everyone with a clear understanding on how you came to a budgetary amount. There should be communications with accounting with getting from them appropriate rates, appropriate fringed benefits, and any other grant requirements.

Make sure that certification is affixed to your budget, and that it's signed by an authorized individual. This includes any budget revisions. It should be resigned. That certification should be resigned and dated as well.

Indicate approved on the final budget. Whether it's hand written at the bottom somewhere, but make it clear that this is the approved budget. As always, if you have any questions, you shouldn't hesitate to contact your HUD POC.

Some of the frequently asked questions that we had that we wanted to just close in on and going over questions. The first one what are the mechanics for charging staff expenses that occur during the period of performance but before the grant was executed?

This is a key question because it's kind of a budgetary question, but it's not. But oftentimes the award process for the HUD Grant is delayed, and there may be an extended period of time where technically it's within the grant's period of performance, but it hasn't been awarded. A lot of times when you get your award from HUD it's retroactive. To ensure that you're properly treating it from an accounting perspective, you want to accrue the actual cost in your general ledger.

Some agencies, they'll setup almost like—I don't want to say suspense, but they'll put it in either G&A, the payroll, or they'll setup a suspense kind of project code or fund code, and say, okay, when you're doing your



time sheet you're going to charge to this code for now until we get the actual funding from HUD. And then once the funding comes in, we then go to that account, and we'll move the payroll cost or whatever cost from the account to the HUD account and are making sure that you're either explaining that this was the hold account for the HUD activities, and these costs were then transferred to the actual HUD count once awarded. And then you can make any adjustments that you need to to your time sheets, but it's better if you can somehow keep those costs together. And then make it an easy, very clear transition of moving those HUD costs from one account to another so that anybody, for instance on their times sheets, if they originally charged it to that account we just have to explain what happened with that particular account and what person. You don't necessarily have to have them go change every time sheet or go update their time sheet.

Now, you do have to ensure that your time sheets and the personnel activity reporting support those billed charges. That's why if you can create an account and kind of identify this as the HUD holding account because you're pending award of the grant, it makes it that much easier to then once the grant is awarded to clearly see that those costs were segregated and they were related to the grant. Employees know that that's

what happened because those time sheets are prepared by employees, and we often hear, well, we don't have an account to tell them to charge to yet because we haven't been awarded a grant. They performed the services, and they go back retroactive. They didn't know where to charge them at the time, and that's why we say, okay, setup a suspense account or this is a holding account. And then you can clearly explain how the cost went from that holding account to your HUD account.

Another frequently asked question. Does a grantee have to request prior written approval every time a counselor gets a raise, they hire a new counselor, etc. or would they only need to request prior written approval if the changes affect the line items of the approved budget or their performance? Section 200.308 that any budget deviations must be approved. A change in the salary resulting in the reduction of the number of hours to perform the services would be considered a deviation.

It's one thing to say one counselor to another counselor and they're at the same rate, but in fact, if somebody's getting an increase and your budgetary line item only has certain dollar amounts, well what impact is that salary increase going to have on the actual performance of work because if they get a salary increase that means that more dollars are going

to be charged at a higher rate, so that that could impact your performance as far as whatever your performance goals are under the grant.

That's why pursuant to this section you would have to have prior written approval, but if the rates aren't going to change then the rates aren't going to change. Now under the OMB and although this isn't a budgetary issue, you do have to notify HUD in writing of change in key personnel. The question being who's identified as key personnel and that would be part of what's in your grant. If the key personnel is the director of HUD Housing Counseling then you would need to notify them in writing of that change. That's not a budgetary issue, but I did want to put that out there.

Another frequently asked question, what cost can be included as other? In summary, there's no specific or no certain cost that goes into other.

What's other for one organization may or may not be other for another organization. What you have to do though is ensure that each item of cost incurred is for the same purpose, it's treated consistently, it's allowable, it's allocable, and it's reasonable.

It's more of a matter of making sure that it meets the cost principles as opposed to a certain type of other cost. To the extent that you can write an

assumption and justify that cost and it meets the cost principles, it can be included as other direct cost.

What happens if actual cost only deviate from budgetary line items by 10%? We get this because some other federal grants, they kind of give you that 10% flexibility meaning that as long as it doesn't deviate by more than 10% you don't need a prior written approval. Unfortunately, that's not how this grant is written. This grant does not give those thresholds, so you have to get any deviations—they have to be preapproved.

Unfortunately, you don't have a discretionary budgetary deviation threshold like you may have in some other grants.

The final question is what are leverage funds? These are not matching or cost sharing. This is just the organization saying, okay, we know that with HUD funds alone we can't possibly perform this work plan that we're proposing in its application. These are other sources that we're going to leverage to help us perform this HUD Grant, these HUD related services, or these housing counseling related service with HUD just being part of that.

It can be in a form of incorporating some other staff that's maybe being paid by another grant, but they're performing these grant services as well. It could be volunteers. It could be a lot of things. It could be commitment from the grantee or through partnerships, but you have to remember you have to be able to track those costs and you have to have supporting documentation.

But they're not matching. We're not looking for a dollar to dollar match. Just looking at where these other resources are going to come from that you're going to use in conjunction with HUD to meet whatever this work plan that you proposed as a part of your application.

Feel free to forward any questions that you have to submitting a budget. I believe we've answered all the questions. Have we answered all the questions?

M No, there were a few questions. We asked them to submit them, but if you want to entertain some now we can.

Robin I was going to look at and see. Is it okay to include salary for the program manager, and we answered that. Yes, provided that—that was a question,

was it okay to include salary for the program manager? Now, if the program manager is going to provide direct services and their time sheet and personnel activity report is going to support that or—the or is if you're proposing them as administrative services with a justification on how you're treating those as administrative services, but once again, we still have to be able to clearly see how they're charging time to the HUD Grant. You can in fact include a program manager salary; just make sure their time sheet reflects their charging time to HUD as well as the personnel activity report.

Another question says, it sounds like you are saying that intermediaries are supposed to make subgrant awards before submitting their budget to HUD. Intermediaries only have 15 business days to submit the budget during grant execution. This does not allow much time to gather itemized budget from each subgrantee. How should intermediaries manage this process?

That's actually a great question because the new uniform circular, they've really emphasized the importance of how awards are being made to subgrantees from the evaluation process to having to do a risk assessment and all of those things. Part of that should be done as a part of the

application process meaning when you submit your application to a certain extent it's believed that a lot of your subgrantees should have been identified or there's an existing relationship. When you get the final award from HUD you should really have already developed your subgrantee to the extent that once awarded you're not just starting the award process.

You should be really on the backend of the award process having done your due diligence as a part of submitting the application to HUD. When HUD comes back and says okay, this is your award amount. What you're basically doing now is if there was a process you've already completed your pre-award evaluation, you've already identified who your subgrantees are, so now you've done your risk assessments. Now you're taking those factors to determine how much each grantee will be awarded because they would have submitted to you a plan for this is how much work we're going to do or this our plan. That plan should've been incorporated in your plan as a part of the application process, so when you finally get the dollar amount for the award that should be like the end of the process.

But if you're just starting that process once after you know the dollar amount of the award, of course 15 business days would be very difficult. But I would strongly encourage that as a part of your submitting application to and responding to the note for that you had subgrantees that submitted that same kind of information to you and you were doing your evaluation kind of in conjunction with HUD doing its evaluation, so that once HUD determines this is your dollar amount you can then basically having done 85% of the awarding process, you should just then be looking at it from a dollar perspective based on, as I said, all of those award evaluation factors and the subgrantee's overall work plan.

Internally you should look at your process for award and the timing and try to do it more in conjunction with how HUD has you submitting information, so that once again when the final award amounts are made available—15 days, it shouldn't be difficult to then tell other grantees what the award amounts are.

M

Electronic signatures [indiscernible].



Robin

As it relates to electronic signatures, I would defer that to policy. Please send that question to the HUD House through email because that's more of a HUD policy issue, and we're not in a position to answer that.

Do the services have to be direct to clients or can they be the reporting for grants and monitoring counselor's activity? Well, actually that's the administrative services. To answer this question do the services have to be direct to clients or can they be the reporting for grants and monitoring counseling activities, that gets into when your justifying administrative services. That's when you're justifying that and your justification would say this person spends five hours a week at this rate performing these services, and they're still really direct to the HUD Grant because these are, but they're just for reporting and the monitoring which is more administrative then counseling which is more direct. Yes, they can be proposed as administrative services, but under direct. I know we answered that as well.

If there's any other questions please submit them to [housing.counseling@HUD.gov](mailto:housing.counseling@HUD.gov), and they'll ensure that they're forwarded to the appropriate individuals for response. You'll definitely receive a timely response. I thank you all for your time this afternoon, and

hopefully you were able to obtain some valuable information about submitting a budget. Thank you and have a great day.

Moderator

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

Thank you for your participation. You may now disconnect.