



Final Transcript

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

August 15, 2017/2:00 p.m. EDT

SPEAKERS

Robin Booth

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by and welcome to the Submitting 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 will now turn the conference over to our host, Ms. Robin Booth. Please go ahead.

Robin

Good afternoon and welcome to the U.S. Department of Housing & Urban Development Office of Housing Counseling's webinar on Submitting a Budget under the Comprehensive Housing Counseling Program grant.

Just to go over some of logistics, as the moderator said, the audio is available only by conference call. If you need to call in, the call-in information is 1-866-615-1888, and the participant code is 424969#. This is so you can join the conference call portion.

The entire webinar is being recorded and will be available on HUD Exchange in the archive section, generally within two business days. During this actual presentation, all of the lines will be muted. On a good note, there's a lot of participants in this webinar, so there will not be any live questions and your phones have automatically been muted.

You were provided—

Ginger

Robin, excuse me. This is Ginger. There seems to be a problem with the access code. Can you check that?

Robin Can I check the access code? Yes, I can. Let me go back to that page.
The access code that I have, 424969, that's not right?

Ginger No. It's 424869.

Robin Okay, 424869. Please see the correction. The access code was incorrect.
It's 424869 is the correct access code. So, we know that our question in
the chatbox works because that question came up really fast.

Back to the logistics, you should have received a handout prior to the
webinar; however, if you registered and you have the control panel, you
should see a pdf document in the control panel, which is actually the same
webinar training materials. If you just click on that, you should be able to
download them as well.

Within 24 to 48 hours, you will receive a thank you email. This is actually
your training certificate. There won't be an attachment. The body of the
email itself is your certificate, so you should please maintain this for your
records.

Unfortunately, well, fortunately, due to the number of participants in this webinar, we will not be taking live questions; however, we do have staff available to respond to questions that are submitted through your chatbox in the control panel. As I said, you have to have been registered to then be able to access this chatbox in the control panel.

If you have a question, please feel free to ask your question. A staff person will try to respond to that question. At the end of the webinar for those questions where we had multiple people ask a similar question, I will be attempting to respond to those. We'll read those live over the webinar and respond to them live.

However, if subsequent to this training, you have a question or if we may indicate as a response that you need to submit it through the Housing Counseling, maybe because we need to do more research or it's just a very extensive question, you can submit questions at any time to housing.counseling@hud.gov. In the subject line, please put "Submitting a Budget" so that it's easy for them to really distribute the question to the appropriate individuals, so you still have a chance after the webinar to submit a question.

Once again, it is not just the training materials that will be on the HUD Exchange but, also, the audio will be there as well, so you will have access to these materials subsequent to this training.

Immediately following this webinar, you should get a survey, and it's a brief survey. These surveys are very, very important. They're a great and useful tool to help HUD at OHC working with us under our contract to design training webinars that are useful, that provide a purpose and that provide you with the type of information you need to be as effective as you can under the counseling program.

Please complete the survey. We welcome them. Provide any comments. If you think there's some additional training areas or topics that we haven't discussed today, please provide that information. We do review those and we use those as a useful tool in developing future training.

Now, we'll start the actual presentation, Submitting a Budget. Actually, as most of you know, this is very timely because a lot of you are submitting your grant execution packages in response to your grant award amounts for the FY17 grant. The budget actually becomes a critical part of that entire review and approval process.

My name is Robin Booth. I am the audit principal for Booth Management Consulting. Our firm is a quality audit and technical assistance contractor. We provide webinar and training, technical assistance. We conduct action plans and we actually perform the financial and administrative reviews for the Office of Housing Counseling for their comprehensive housing counseling grant.

A lot of you have probably interacted with us in some capacity. If you're new to the agency, to this particular program, we look forward to the opportunity to work with you.

As it relates to that, our firm is also reviewing for some of the HUD POCs who request our assistance, we're also conducting the reviews of your grant execution packages. This is a new process. It hasn't happened in prior rounds of grants. Some of your HUD POCs may be submitting your grant documents for us to review, the financial documents that is, specifically, your budgets, your computation of your indirect cost, looking at your financial capability to perform, reviewing your audit. A lot of today's discussion will be referring to real-world examples of what we're already seeing and the review of the budget as a part of the grant award

and execution process. Once again, I just want to reiterate that this is timely as it relates to the current activity for the grant.

We are going to go over the overview, how to prepare a budget, you know, just recommendations. Part of this is HUD OHC has taken a very proactive approach with grantees to one, minimize your administrative burdens and try to make this as seamless as possible, recognizing that the more that is done up front due to the budgeting, making sure you have a clear budget, everybody understands what's a part of that budget and it's explained so that on a back end, when you're subject to a financial and administrative review, the goal is to minimize findings associated with budgeting and making sure costs are allowable and all of those things.

A lot of the information, especially if we're reviewing your budgets and your packages and we send you an email requesting clarification or additional information, it's actually to minimize the likelihood that there'll be a finding associated with this on the back end. The more we can hash out and get clarified during this process, the idea being the lower or at least to minimize the probability of findings associated with budgets during the financial and the review process.

Overview of budgeting process: I often tell grantees and others that we work with, these aren't Robin rules. These are rules under the Uniform Guidance. If you get a minute, you might want to look at section 2.8 of the Uniform Guidance relative to budget and what it means and then the requirement under section 200.308 to the revision of budget.

One of the things too that we're doing during the grant execution process is that, for those HUD POCs that we're at least reviewing their budgets, we're making clear what's the approved budget so that if you have changes in your personnel, if maybe you're getting someone else involved in this program and there not as knowledgeable, there's a clearly defined approved budget, so it's clear about what costs can be charged or reimbursed under this particular grant.

When you think about it, two or three years from now where this particular grant for FY17 may be subject to a financial and administrative review, it could very well be that it's not clear what was the actual approved budget. Now, at least during this round of grant execution, and for those HUD POCs that we're reviewing their financials, we are identifying this as a budget that's approved and trying to make that real clear.

That's important also because, as noted in the second bullet under section 200.308 in the slide, if there are any deviations from the budget, you have to request prior approval from federal awarding agency. HUD's grant does not have any kind of—some grants they allow you to reallocate dollars up to 10% of the total budget amount. That kind of flexibility is not in this particular grant, so based on what the requirement says, what the regulation says, any deviation, so if you decide you want to change how you're spending the money from a budgetary line item, that has to be approved.

If you change what rates you're going to charge for housing counseling, that needs to be approved because that is a deviation from the original computation that submitted whatever you had under personnel compensation. Those deviations, we've always cited those, I know, in financial and administrative reviews, but for those that may wonder where it came from, this is just a reminder.

The way it happens, just the overview of this entire process, you all submit your budgets as a part of the grant execution process. Please make sure they're signed and dated by the authorized individual, usually the

executive director or the person that's executing the grant document. The person that's signing the 1044 reasonably is the person that should be signing or someone knowledgeable about the financial areas of the organization, like your CFO, if you have one, or your accountant or someone that's taking responsibility for that budget that's been developed for this grant.

So, it must be signed and dated and include your title as well so we're clear what your role is. That's submitted as a part of your grant execution process. Then, of course, HUD reviews it. Part of that review, as I've just mentioned to you we're doing for those POCs that refer their grant execution packages through our contract for us to review. They'll be reviewed by a HUD POC or by our firm. We're going to have questions and clarifications.

This is your opportunity too. If you have a question about a budgetary line item, can you charge this to the grant? You can include it in your budget, but it's critically important that you also explain what's included in that line item.

For instance, as we're reviewing budgets and grants and execution packages right this minute, we'll see something like membership dues included in the budget. Well, under the Uniform Guidance, certain membership dues are expressly unallowable, meaning that you can't charge them to a federal award. So, in order for us to determine or your HUD POC to determine if the membership dues you're putting on your budget are allowable, you have to tell us what they are, who they're for, what organizations are these membership dues associated with, so that we can determine if, in fact, they meet the criteria or the regulatory requirements for membership and dues.

We already know some of them aren't allowable. So, just the line item itself doesn't provide us with sufficient information to meet the requirements to understand if the cost is allowable, reasonable and necessary, all of those things which are required under the regulations. In this question and clarification process, which some of you probably have received emails from my team as well as from your HUD POC, it's so that we can ensure on the front end that OHC is doing its required due diligence to verify elements of cost. That's what that's for.

Once we do the reviews and negotiations, then you'll get an approved budget from your HUD POC. As I said, I know that we're really reinforcing on our end for those packages we're reviewing that the HUD POC indicates this is the approved budget. Whether it's just by writing approved across the top of the budget, scanning it in and sending it back to you or in an email saying attached is the approved budget, what we're emphasizing is that everybody agreed that this is the final budget.

That's because financial and administrative review usually happens two to three years after a grant has actually ended. As I said, a lot of times, there's change in personnel or the responsibilities may shift, so the person who may ultimately be who we're communicating with during a financial and administrative review may not have any knowledge of how that whole budget was actually developed or what are the underlying assumptions and elements of that budget.

That's why it's just as important to your organization that when you're putting together the budget, you are providing assumptions and explanations of those line items so that anyone that picks up that file, they know how those costs are being charged to the grant.

The final part of this is that you're notified of approval of your budget and your other grant execution documents.

Some of my recommendations are recommendations to you for how to prepare a budget that makes sense. First, of course, you have to look at your programmatic requirements and then your approved work plan. We don't do that analysis, but the HUD POCs are really looking at what you're indicating in your work plan and comparing it to how you're allocating the award amount to the various budgetary line items.

Thinking of some of the things we're seeing right now in the budget process, let's say that you're proposing equipment as your total allocation for this budget but you have a work plan that suggests that you're going to provide so many units or elements of counseling to so many individuals. Well, you have to be able to justify how just using equipment is going to help you meet the work plan. Part of that is the other resources you're showing that are available like leveraged funds and things of that nature, but there has to be a relationship between a programmatic requirement and then what you're putting on the budget.

Once you understand what your—so you understand your requirements, you're then developing a budget and assumption. Throughout this presentation, I'm going to keep saying assumption. Assumptions and billing methodologies are very similar because they're providing an explanation of how you developed whatever that budgetary line item, how did you come up with personnel expenses? So, did you look at, okay, we're going to be using three counselors? These are the hourly rates for our counselors, and that's part of—you can refer back to the training we did on billing methodologies on how to convert from salaried to hourly rate if that's the case. But we have this counselor, this is her hourly rate and these are the number of hours she's doing. For that counselor, this is what our fringe benefit rate is, if we're charging fringe benefits. So, then, I know that's how we come up with our total personnel costs and our total fringe benefit.

Each quarter, when I'm then submitting, doing my quarterly report, and I'm submitting requests for reimbursements, I can go back to my original budget assumptions and say, oh, okay, for this labor category, which was the counselor, we spent \$28.30 for the direct. That's what I'm going to bill on my quarterly report. For fringe benefits, we gave a rate that's equal

to another \$4,000. So, then for each hour, divided by the total hours that we projected, that's what I'm going to put on my quarterly report.

Then, you can actually refer back to your budget as you're developing your quarterly reports and your requests for reimbursements and, ultimately, they should reconcile at the end of the grant. From a financial and administrative review, we then have a clear trail of how you went from your budget to what you've requested for reimbursement. Because we did more due diligence on the front end, verifying that what you've included on that budget are allowable and reasonable costs, your biggest burden from a financial review perspective then becomes, do I have the supporting documentation, which is what it should be.

The more you put into developing the budget and assumptions and usually the more may mean a couple of sentences explaining that budgetary line item, and you've done the work because generally you've had to think about what costs you're charging and how you computed those costs. It's just a matter of writing that down and including it with your budget.

So, part of step three is what the HUD POC and what we do. That's when we verify allowability, allocability and reasonableness. These are all cost

principles of sub-part E of the Uniform Guidance. They used to be in A112 of the OMB circulars, but these are requirements for any federal dollars for us to make sure they meet these cost principles.

And you should do that. You should do that internally. That's why I said, it should be somebody knowledgeable of your federal award. If you have finance or accounting people on site, hopefully, they're knowledgeable. For instance, when I brought out the example of membership dues, on your end, you should have gone then and looked at the Uniform Guidance under sub-part E and it actually lists what they call selected costs, and it lists clear as day membership dues. So, it actually says it. If you take a minute to read the paragraph on membership dues, before you include membership dues in the budget, you're going to verify what's allowable and what's not allowable so that when you submit the budget, you already know that what you're submitting is allowable for this federal award. That's what we mean by verify. You can do that just as easy as we can because that information is made available.

Now, if a certain cost isn't actually listed under Uniform Guidance, then you default back to basic principles: Is it reasonable? Is it allowable? Is it allocable? That's when you may need some additional consultation.

For instance, you could request technical assistance through your OHC POC, your HUD POC, and ask them the question about whether it meets the cost principles. In turn, we'll get it and we can work through those issues about how we can ensure it meets those cost principles, so that's even available to you. That's something you should do before you actually submit a budget.

Step four, you want to review that budget internally with accounting and finance, understanding that if you're a small organization, you may not have accounting and finance. If you have an external accountant that you use, if you have an external CPA, refer it to them, but don't forget, as a resource, you can also request that same technical assistance through the OHC, through the grant so that you can get that assistance before you actually submit it.

Then, finally, you want to submit a budget, hopefully, a pretty comprehensive budget, and negotiate it with HUD.

Each of these steps I've kind of gone through with you about comparing the programmatic, you want to look at your approved award amount and compare that to your work plan. Then, look at, if you've had this grant for

a while, if you had some historical data, look at what you've done in the past, whether it's on your actual completed 9902s, and make sure it makes sense.

You may have had lofty ideas of how much counseling you were going to be able to get done with these X amount of hours but then, based on history and looking at real information on clients you've served over time, you may need to modify your work plan to be consistent with what award amount.

You need to make that determination. It takes a little bit of time to just look at what you've done historically and compare that to where you are now. That should be a part of what we discussed in step one. For a little bit more detail on that, and as I've said, a lot of this I've already talked about. Now, for MSOs and SHFAs and intermediaries, of course, you have some additional responsibility which especially intermediaries can be quite lofty because you have to go through the award process with your sub-recipients. That means that you're supposed to go through the same or similar execution process as you go through with HUD but with your sub-recipients. You have to request from them a budget. You have to

request from them certain certifications like their financial management system and their CMS system.

You could take the execution checklist that you have to do for HUD and those are the same documents that you should be doing for your sub-recipients as a part of your award process. To submit an executed package to HUD, you have to determine the award amount, which becomes the most critical part.

As you're going through your own grant execution process with your sub-recipients, you've already identified what the award amounts are. So, you could use a similar approach to what HUD does. They give you the award notice and then you get a grant execution process. In order for you to submit your grant execution documents, you have to give an updated list of sub-recipients and the funded branches. That's synonymous to you giving an award notice. Then, you can continue your execution process as far as the sub-recipients after you've submitted the package to HUD for the entire grant to be awarded.

Once again, there's assistance available to you to help you to even review your sub-recipient packages. Specifically, you can request technical

assistance to have your sub-recipient packages reviewed by us under the HUD grant which may, once again, take some of the burden off of your organization for having to try to review the packages in a timely manner. Also, it reduces substantially the likelihood that your subs are going to have findings associated with costs being reimbursed, budget modifications and things like that.

That assistance is available to you, and it's not as if you have to have your total sub-recipient award package finalized by the time you submit your award package to actual HUD, but the assistance is there to help you review your sub-recipients. Some of the HUD POCs have indicated that if they have an intermediary, especially intermediary assigned, that they want us to review their sub-recipient packages too.

Now, you may not have done your whole sub-recipient award process yet and we recognize that, which is what we would pretty much indicate in the report to HUD, but what would happen is once you got those packages, you could submit them to us and we'd review them and give you the same kind of reporting detail for you to have in your files.

For intermediaries, well, SHFAs—MSOs are a little bit different in that we're looking at, we're more concerned with just understanding how the funds are going to be expended throughout your various branches. SHFAs are similar. We're just trying to understand, for instance, what labor categories for your personnel expenses. Certain of your other costs, we're trying to make sure that we have sufficient information to determine if they're allowable and meet the cost principles, things like that.

Now, I don't know how many of you all participated in the billing methodology training, but as you know, it began in the FY, I want to say '15 grant, but there is the option to do what's called fixed reimbursement billing. To the extent that it's available to any direct grant awardee, it's also available to your sub-recipients.

If, in fact, you have a sub-recipient who is proposing a fixed reimbursement amount as opposed to the actual billings amount, and you need to be able to review that fixed rate in order to determine if it once again is reasonable and necessary and if it's a rate you can accept, please feel free to go back and reference the training materials for understanding billing methodologies. That's on HUD Exchange. If you need additional assistance, once again, you can request it through your HUD POC, and

they can give us the go ahead to work with you from a technical assistance perspective if your sub-recipients can take advantage of that fixed rate billing methodology for this particular grant period.

The detailed budgeting for all administrative funds: For intermediaries, MSOs and SHFAs, you really have to provide us with explanation of your budgetary line items. I used membership dues. I can use a similar scenario for training. Under the Uniform Guidance, certain types of trainings are not allowable. So, if you have a line item “trainings,” we need to know what trainings are you considering to determine if they are allowable. As I said, that’s not a Robin rule. That is a rule to ensure that your budget is meeting the requirements and the standards set forth, in the Uniform Guidance.

We know you can charge up to 10% for admin costs, but if you have an account called “other” or “miscellaneous,” you have to be prepared for us to request clarification of what will be included in that account. If you provide that information as a part of your budget, as I said, we all know that as you’re writing your budget, you already have in mind what, you’ve already done some kind of analysis of what’s going to be in a budget line item. When you put memberships and dues, you know what memberships

you're talking about. When you put training, you know what training you're considering. All we're suggesting is that you share that one or two sentences of information as assumptions with your budget so that we understand what you understand. Then, at that point, it gives us sufficient information to determine if it's allowable, if it's reasonable, if it's allocable.

The more you take the time to kind of document what you're already doing as a part of just preparing the budget, the less time it will take with any kind of clarifications and requests for additional information. On the back end, well, one, as you're submitting requests for reimbursement, you have your budget then as your guiding document so that anyone would know, oh, for this grant, for the training line item, this is what they said was going to be in training. So, these were the types of training. So, if there's a change in personnel or maybe the person that originally prepared the budget is not involved in the actual running of the program and preparing the various requests for reimbursement, they have the documentation to know what was included in that budget and how it was developed, which is important.

Billing methodology: What I'm calling assumptions kind of go hand in glove, but that's just an explanation of how you're billing things. As I said, we did more in-depth training on billing and methodology. Please refer to those materials. We do need that information from the intermediaries, SMOs and SHFAs. Are you going to be billing your actual billing or are you going to be doing a fixed rate, fixed reimbursement? How are you going to be billing for the grant with your awarded grant amount?

Just additional budget-related requirements, and once again, this is for MSOs, intermediaries and SHFAs, clear methodology used to reimburse sub-grantees or branches. Most of you are reimbursing them based on their actual expenses, which is fine, but others have a more complicated methodology for reimbursements. Others may elect to take that fixed reimbursement, which means that we have to understand how you came up with that fixed fee amount.

Once again, there's a billing methodology training. It's on HUD Exchange. We will probably be conducting that training again, and we actually, I almost forgot, on the HUD Exchange, we have a guide for understanding billing methodologies that was just approved, and it should

be uploaded on HUD Exchange, if it has not been already. A lot of you all, we discussed it at the annual stakeholders meeting for the intermediaries but there's also a guide that's been released to provide further assistance.

So, when you're getting into your budget assumptions, which is step two, you know, I've kind of talked about this ad nauseum, just, one, if you're going to use SF424, that's fine, but you can use other formats. The SF424 kind of limits your budgetary line item categories because they're predetermined. I know when you all use that form, a lot of you, if it isn't in one of the categories, you'll put it under "other." Once again, you have to explain what that is, so that's where the assumptions come in as an attachment to that budget.

Just some suggestions on some of the assumptions for the budgetary line items: I've talked about salaries. If you're going to use administrative salaries in addition to saying the labor category and the hourly rate, you need to justify how that administrative should be charged for direct. It could be that this person's responsible for maintaining and updating files, entering data in the CMS or whatever it is, but that's another requirement

from the guidance. You have to justify how these administrative hours are just for this particular grant.

As it relates to indirect costs, that's yet another area that we've done more in-depth training, but we're checking as a part of this execution process that you've computed the indirect costs correctly. Whether you've elected and are eligible for the 10% de minimis rate or are you using your NICRA. So, we are computing and reconciling and verifying that that's computed accurately.

Now, that may be an area too that you have to go to your accounting or finance office and make sure, get some assistance to make sure you're doing the computation correctly as well, especially for intermediaries and MSOs that may have more budgetary line items to consider. So, that may be an area that you seek some more knowledgeable, more in-depth accounting and finance related experience so they can make sure you're computing it correctly.

Assumptions is just a thing that is accepted as true or as certain to happen without proof. So, you're just basically saying this is how we're almost sure we're going to spend the money, and this is how we've come up with

the total for that particular budgetary line item. They're just expectations, usually expected or presumed expenses. It's a budget. It's a guide. It's your goal that this is how the monies are going to be expended. That's why, under the guidance, if in fact you're going to deviate, you have to request that in writing prior to.

Now, with any of the costs that you're including on your budget, as I've said, if we do more work up front as a part of the approval process, on the back end, verifying the budget costs themselves won't be an issue but what you will have to make sure you do is have documented and communicated what that budget is. You want to make sure that, as I've said, any people involved in charging costs or developing requests for reimbursements and things knows what's approved to be charged to this particular grant. You want it done consistently and fairly across the board, whether it's housing counselor rates to hours and things of that nature. You want to ensure the results can be supported. You have to have supporting documentation on the back end. That will be your biggest area, that's your biggest responsibility on the back end is to make sure you have supporting documentation.

This is the HUD Form 424. As I said, when you look at it, you can see construction is a big part of it, which is not related to anything that you do. So, it's a guide, but the good thing is that HUD does not require you to use this form. Whatever format you present or provide, it has to be signed and it has to be dated. That is a minimum.

Here, they give you your basic categories from personnel, which includes direct labor, fringe benefits, travel and then contractual and supplies. A lot of the other categories really aren't related to this particular grant.

Now, under other direct costs, as I said, if you use this format, then if one of your line items doesn't fall in the other categories, you're putting it there. Once again, that's why it's important on whatever attached statement, and it can just be a statement that you attach, to explain what's included in that other. It may be best just to use another format because you're pretty much having to group all your other expenses in it. I know for like intermediaries and SHFAs and MSOs, a lot use other formats because they have a lot of other budgetary categories so they don't want to be limited because they're not necessarily present on this form. Any form that you submit has to be signed and dated.

It gives you detailed instructions on developing and preparing a budget.

We've provided an alternate template. Notice on this template, a lot of these templates that we show, we can make available to you during technical assistance and even modify them to be more consistent with your agency's organization. These templates cannot be posted to HUD Exchange because they haven't been approved. That's a very lengthy process.

When we refer to some templates, and this is something as I said we can make available through technical assistance, but we've made them more indicative of OHC categories like training and travel. Yes, we've included rent because if you're not charging indirect costs and you have supporting documentation and you have a reasonable methodology for how you're coming up with the billings for it, you can charge rent to the grant. But, as I said, there are a couple of factors that are critical to whether that charge can be allowable.

Phone, postage, supplies, notice that we have marketing and advertising. Under this program, they allow you to do marketing and advertising, but under the Uniform Guidance, certain elements of advertising aren't

allowable. We wanted to make sure that it's clear under this particular grant that is a cost that's acceptable.

I see technology and equipment. Yes, that is a line item, but clearly, that's a line item which you would have to explain what you project to be how you're going to spend that money because we have to look at whatever equipment and technology you're proposing to buy to make sure it meets the cost principles.

Notice that you have the printed name and title. We put the certification on this template that it's true and knowledgeable. HUD did not require on the budget for the certification as it relates to being true and accurate. You are required to have that certification affixed to your request for reimbursements, any request for reimbursements, and your final report. In this alternate format, though, we affixed it to this particular template.

In this alternate format, we also give you examples of—we give you instructions on how to complete the various line items for that particular template that we're using for that. Another thing to pay attention to too is to make sure you have the period of performance correct. When you're doing your budgets, please make sure you have that correct.

We also give you examples of assumptions like personnel. We give you the reference and the cost principles. This just happens to be section 200.430. Then, we tell you what your assumption should include, like examples of it: Name, pay rate, labor category, number of hours, those kinds of things. Fringe benefits, we need your rate and the effective date. That's the most critical thing.

Travel, the purpose of the travel, how can we determine if the travel is allowable and associated with the grant-related work unless we know where you're going and why—well, not even where you're going but why you're going, which is the purpose of travel? Once again, these are different worksheets within the template, but this is also to give you some guidance on how to write an assumption. If you read even what we have here, we're not talking paragraphs. We're talking sentences, but it does give sufficient information for us to make the kinds of determination we need to relative to the Uniform Guidance.

Once again, this is just for the intermediaries. This is all on one template, to be honest with you. For especially the intermediaries and MSOs, this is

a more breakout for you all of the itemized accounting of actual versus budget.

On a quarterly basis, you know that you're required to do actual versus budget reporting. This is a template you can use to do that. Once again, this is just something that we've developed providing technical assistance at certain agencies. So, you go from your budget amount, notice that we have it for the quarter ended, the total, your actual and then your variance. Then, the second set of columns has to do with the cumulative to date, your budget, your actual and your variance. This is meeting your quarterly reporting requirement to show the detailed listing of actual versus budget.

I've spoken a lot about the whole cost principles, allowability, accountability, allocability and reasonableness. These are all cost principles under sub-part E, and they're all what you have to consider with any cost charge to the grant.

The allowable, it would have to be reasonable. It has to be within the limitations of the cost principles and the guidance, consistent with any policies and procedures that you have internally. It has to be consistently

treated in accordance with generally accepted accounting principles and is adequately documented.

That's why we need more detailed information, to make this kind of determination. There's no way, if you just say, membership dues, that we can tell if it conforms to any limitations or exclusions set forth in the cost principles. Because we don't know what membership dues you're paying for, and so we can't determine if they meet the exclusions in the cost principles. That's why we need the information.

That's why, too, for intermediaries, especially that's reviewing sub-recipients, you need that information so that you can make sure you're making the proper determinations as a part of the budget approval process.

When you're preparing the budget, you should do that before it's even submitted to HUD. You should have done your own due diligence to verify that it meets, and as I said, if necessary, you can request technical assistance or submit a question and get clarification before you submit the budget. That's open to you.

I keep talking about the sub-part E and the selected items of cost. We just gave you some of the costs that are actually listed in the guidance. For each of these costs, you would need to read that section to determine if it's allowable or unallowable. Certain of these, for instance, like fundraising, sometimes, certain criteria makes it allowable, others make it unallowable. You would need to read that.

All of this starts under sub-part E, section 200.420. Then, you can see we skipped some numbers, but it goes from 421 to like 470. They're all elements of costs that you can look at, and when you're doing your budget and you're not sure if something's allowable, you can go look yourself and see what the criteria is. Then, before you submit the budget, you can make that determination.

Allocable, it has to be treated consistently with other costs incurred for the same purposes. The award has to benefit multiple distributed or based on benefits received from multiple parties, and it has to be necessary to overall operations. That's all a part of being allocable. Once again, understanding what the cost is, for instance, training, if you're doing training, is it allocable to this program? Because it may not be something

that is directly related to the overall operation. Okay, so that's why we have to determine allocability.

So, to verify this, these are just some guidance we're giving you. So for consultant fees, you have to consider some cost principles, whether it's allowable. You want to look at the purpose, if it's allocable to HUD OHC, if the rate is reasonable.

In the grant agreement, I think under the payment section, it gives you the ceilings for consultant fees. It indicates, I think it's \$63.47, and it gives you the annual amount. Well, you need to make sure that those consultant fees fall within those parameters, and that can be found in the grant agreement. Then, for training, same thing, the training is the same thing. You have to look under section 200.474 or section 200.432 in conferences because certain elements of conferences are not allowable so you need to verify that for training.

You can use these materials, and we just picked certain elements, and we pick common elements of cost, costs that we've seen consistently in budgets to kind of give you some guidance then on what the principle is,

and then how you write that assumption. You can refer to this even now and as you're preparing.

Some of you are responding to our requests for additional information.

This gives you some guidance on how to address those areas. Same thing with occupancy and other proposed costs, once again, use this as a reference to say okay, we've given you the cost principle consideration and then what a minimum assumption should be.

Before you submit this in step four, you should review this budget as a team. If the housing counselor has prepared it, they might want to review it with the supervisor and definitely with the accountant. If your supervisor or manager director prepared it, they should review it with the housing counselor, but definitely anybody with a financial background.

You want to review the budget before submission. You want to verify your rates, make sure you have your hourly rates right, you know your fringe benefits, those percentages, so when they're applied against the total—whatever you're proposing for that labor category and the number of hours you worked. If that's correct, you have to verify your indirect information. You have to make sure that if you're electing a 10% de

minimis rate, that you verify through your accounting and through the organization that you've never had a NICRA, a negotiated indirect cost rate agreement. Because if you have, then you're not eligible.

So, the last thing you want to do is certify a statement that could potentially result in actions against you. You don't want to certify to something that you haven't done your research to verify it's correct. You want to make sure that the authorized individual, a housing counselor, unless that's the only person in the organization, or if that's the individual that's making decisions relative to all areas of the grant—financial, programmatic, things of that nature—they're usually not the person that should be signing this.

It should be signed by the executive directors, or the manager, or someone in accounting that's knowledgeable about the elements of cost and how you came up with that budget. Unless otherwise stated, once submitted, you'll be notified if it's approved and that becomes your approved budget. So, after it's approved, any changes you have to get prior written approval once that budget is approved.

The certification and representations, now, as I said, this certification for all annual financial reports and requests for payments, this is the certification that has to be in a quarterly report. HUD is not requiring it to be on your budget, but HUD did require in the grant agreement that this certification be on your request for reimbursement and your final report.

Now, you get to your negotiations, and at this point, and this is so true now and especially as we're going through the execution packages, please respond in a timely manner. A lot of these, the award notice and the process itself generally takes a lot of time, so the last thing that OHC wants to do is hold up your award package. They want to get it signed and executed so you all can move forward providing the much-needed services that you do.

Please respond timely and in writing. I know from my team that's actually doing the reviews of the packages, we're usually giving you like one business day. HUD has access to review the documents and respond to them within three business days, so that doesn't give us a lot of time.

What we're doing is as soon as we get the package from HUD, we're reviewing it, identifying open items or clarifications and you're getting

this email from us requesting additional information. Usually we're asking for it, if not the same day, then the next business day. Actually, that helps you as well because to the extent that we can complete our review and analysis, and give the recommendation to HUD to approve your financial part of your package, then the sooner you can get the award document signed and have access to the grant funds.

If you are submitting an updated budget, indicate revised on that budget. Some of this, if we are doing your budget, when we do the final approved budget, that would be a revised, so it doesn't have to say revised. But, if you're dealing with a HUD POC and you're having to update your budget over and over again, for version control it's important to indicate revised and what date, and it still needs to be signed and dated. Any revisions, they must be signed and dated. Any updates to budgets must be signed and dated.

Verify the final approved budget. For those execution packages we're reviewing, we're submitting as a part of the final summary of the analysis that this is the approved budget based—well, this is the recommended approved budget. So, we're trying to make it very clear what's the

approved budget, and we know that's a HUD POCs are as well that's reviewing their own packages.

I've talked to you a lot about the services that are available through OHC. From technical assistance, from preparing the budget or if you have a question relative to whether a budgetary line item is allowable or you need assistance with the billing methodology, you can request technical assistance. Generally, we try to turn those around in one to two business days depending on how in-depth the issue is.

If you're an intermediary and you're reviewing sub-recipient packages, the same thing, you can request technical assistance to review those packages on your behalf. We would issue to you the same summary report we issue to HUD recommending either you accept the package as is, and all the documents appear to comply, or whatever additional information that we weren't able to obtain during our review process.

And as I said, we have to get those done in three business days unless we grant additional time to the grantee, so you'll get that information timely. That, once again, is OHC's efforts to help minimize some of your burdens relative to the oversight and monitoring of the sub-recipients.

Training is also available on how to do budgets, on maintaining adequate supporting documentation and on submitting and reviewing submissions for sub-recipients. So, let's say that you'd rather just try and get your personnel trained. Maybe, and this is once again directed towards intermediaries relative to training, but let's say you want to get your personnel trained on how to review sub-recipients award packages, but maybe this round of the grant, you'll say we'll take technical assistance but I want my staff trained. We want a process similar to this. Well, that's made available to you.

For LHCA's and other organizations, if you want your staff—if you want someone trained on how to prepare a budget, that's some training that also can be provided. Once again, to get this training, you have to request this from your HUD POC. Your HUD POC would in turn send that to the government technical monitors for our contract, who are Linda Bozeman, Gail Osgood, Tracy Fields, and you can also send it to Phyllis Ford. She's an integral part of it as well. When you request the assistance, don't try to figure out if it's called technical assistance or training, you just say what you need. Then at that point, once your HUD POC just says yes, they

need this. When it goes to the GTMs for approval, that's when we figure out if it's called a technical assistance session or is this really training.

So, your job would just be to say this is what I needed, this is the person who they would be working, with and this is the date I need it by. And at that point, we could work with how that falls into which service category and initiate assistance. It's pretty much that simple, from a requesting of assistance process.

As a recap, some things to remember, you want to review your approved work plan. Make sure you review Uniform Guidance sub-part E. I've referenced it a lot throughout this presentation because that's the basis for understanding the cost. Use an acceptable budget format. The SF424 may not make sense for your organization, because as I said, it's very specific on the budgetary line item category, and you may need more flexibility. Whatever format you use, you have to make sure to sign and date it.

You want to develop assumptions. I can't emphasize that enough. We've given you material that you can use to help develop them in this training, and for those of you that received or have already received requests from us for clarification, that's because we didn't necessarily have assumptions

so that we could make the required determinations under the federal award guidance.

Get your accounting and finance involved, especially if they're in-house. Things like labor rates and fringe benefits, that's important. You should get that information directly from them. Making sure that whatever indirect costs you're charging, that it's computed the correct way, you may need to have some assistance from accounting and finance.

You have to include the required certification signed and dated. We've already noticed in some of these packages, for instance, the financial management system certification, some of you all are just saying oh, we certify we have a financial management system. Well, that's not acceptable. You need to reference the specific section and it's actually in the on-award checklist that you're complying with because you're indicating you're complying with 2 CFR Part—I can't remember the section offhand—that deals with financial management, not necessarily that you just have a system. So, you need to clearly cite or reference the citation in the regulatory section, and it has to be signed and dated, so that's important.

The same thing with the certification on your CMS systems, you want to make sure they're signed and dated. If in fact, you're electing not to charge indirect costs, you notice on this checklist, HUD is requesting that statement. It has to be signed and dated. It's important that any authorizations are signed and dated by authorized individuals.

Indicate approved on your final budget. Send it to accounting, and keep it in your own grant file. After you go through this process and everything is approved, you should have what's called a permanent file for your grant file, and you want to keep the approved budget in it. But you also want to share it with accounting or whomever will be working on your request for reimbursement, so that they know what's actually approved to charge under this particular grant budget.

Do not hesitate to contact your HUD POC. There's a lot of assistance that is available to you to minimize and to share some of the administrative burdens of the grant. OHC is committed to taking a proactive approach so that on the backend, with financial and administrative reviews, we're minimizing or at least reducing substantially findings associated with these types of issues.

Some of our frequently asked questions, “What are the mechanics for charging staff expenses that occur during the period of performance, but before the grant was executed?” So, most of you all have already incurred a lot of costs on these grant dollars, so by the time you get the actual award notice and everything gets executed, you’re retroactively going back to the beginning of the period of performance and charging costs.

This is guidance on how to do that. You want to make sure that you’re accruing the actual cost in your general ledger. This is getting into accounting, so it may be best that you share this information with whomever is responsible for your general ledger and your other financial transactions. You can share this response to them with the frequently asked questions because this really clarifies how do you retroactively go charge costs to this grant, so please refer to this material.

Another question, “Does a grantee have to request prior written approval every time a counselor gets a raise or they hire a new counselor or will they only need to request prior written approval if the changes affect the line items of the approved?” Now, under section 200.308, it states that any budget deviation must be approved. So, a change in a salary actually does need to be approved because it could impact your work plan,

especially if there's a material change in their salary where now they're going to work less hours because they're going to kind of use up the dollars at a faster rate because their salary is higher.

That's why, too, you have to request prior written approval, so yes, you do have to request prior written approval, and that's why during the budget approval process, we're asking you for the rate. Those rates become the basis for how you came up with the total cost, so we have to be able to compare them when you do your quarterly reports and your request for reimbursement to make sure they reconcile. That's why you should have submitted your hourly rate along with your initial budget submission.

Question, "What happens if actual costs only deviate from budgetary line items by 10%. Is a budget modification still required?" Yes, it is.

There's no discretionary, budgetary deviation threshold under this grant, so any deviation requires a preapproval.

"What are leveraged funds?" These are not to be confused with matching. Pretty much with leveraged funds, you're recognizing that the HUD award will not be sufficient to cover the entire cost of the program to provide the housing counseling services. You're identifying other resources that

you're using to help run that program or to properly fund that program. It could be any kind of services, it could be other unrestricted donations you're getting from other third parties, but HUD doesn't have a requirement where dollar for dollar you have to match what they're putting in.

Basically, you're just showing them, yes, this is really what it takes. This is the true budget to do this program. Of that, HUD is supplementing this amount of it, and the rest of the resources are coming from these various areas. That's your leveraged funds. And they can be in cash or in kind services, but most importantly, they have to be tracked, they have to be verifiable, and they have to be identified for this particular HUD grant.

Just some resources and glossary, the part 2, just the whole reference to the guidance, the HUD Exchange if you wanted to look at that forum. We refer to GAAP throughout the document, and that's just explaining GAAP as generally accepted accounting principles.

With the HUD Exchange, once we know that the understanding billing methodologies have been uploaded, we would add that too because there

is going to be an understanding of billing methodology upload there on the HUD Exchange.

At this time, I'm going to ask Wilfredo if there are any questions that were asked by multiple people that we wanted to share at this time.

Wilfredo Well, the questions that we were getting throughout the presentation were all different. I will say that there were a couple of questions related to—these assumptions were similar to a budget narrative and you answered that as being yes. Most of the other questions were fairly specific to the situations of the individuals that were asking them.

Robin Okay. So, specific to their organization?

Wilfredo Correct.

Robin Yes. They may be better served to submit to the housing.counseling@HUD.gov so that we can then—and it may require technical assistance because a lot of times when we get questions specific to an organization, we need additional information just to make sure we're answering the question correctly. If, in fact, for those types of questions, I

know that I see that Wilfredo is responding to a lot of them. If you still need assistance, please submit the question to housing.counseling@HUD.gov. That's actually on this—if I go to my next slide, that's on that slide.

Ginger And, also, Wilfredo was also very good about on some of the questions, responding to all, so all the participants should have the answers to a lot of those questions.

Robin Exactly. Well, thanks, Ginger. I'm glad, that's good that everybody had their response. And just for the email address I just mumbled up a few minutes ago, if you still need additional, or they're very specific, you can request technical assistance, and you send a question to housing.counseling@HUD.gov. I think I said it correctly.

Any other questions you want to share, Wilfredo?

Ginger Here's one that just came in. It says "Do leveraged costs have to be included in the budget? Is there an option to not include those costs?"

Robin That is almost a programmatic—isn't that a programmatic kind of response? I think Gail is on the line. Because to the extent that you're not covering the total cost of the program, they want to see the leveraged cost. I don't know if you have to have leveraged funding.

Gail No. It's not required, but if you put it in your application for the grant, then you have to have it to explain why you don't have it, but yes.

Robin But, in the budget itself, you don't have to show the leveraged funds if that's on a grant when you do it. So, I guess to answer the question, no, it doesn't have to be shown in the budget but in the application where you're required to deal with leveraged funding, you have to provide that information.

Gail And documentation for it.

Robin Yes, and documentation for it. Yes.

Ginger That brings up a question that I just thought of that maybe needs to be clarified. The budget is just for the grant funds, correct?

Robin

Yes. When you use that SF424, let me tell you why it's so confusing.

Because it asks you for like the HUD share or the matching share and the others. You're really just accounting for the HUD portion of the grant. If you have other, it asks you for federal awards, and non-federal awards, so some of you actually do go in, you provide, I would say, your entire organization's budget and then in the column where it says HUD share, you put the HUD share in it.

Others don't. They just put the HUD share in it, and that's pretty much it. That's why if you elect an alternate format, you kind of don't have to deal with that whole trying to comply with the requirements, and I'm putting it back real fast to the SF424. Because as you see on this, you have HUD share, you have applicant match, you have other HUD funds, other federal shares, other state shares. That's why when you use that format, we're most concerned with the first column, HUD share because that's how you're budgeting.

And I can tell you from a review perspective, we're not focused in on it. We're not reviewing your match or your other HUD funds, or your other fed share. This budget is kind of a general budget that's used for all kinds of grants, and some of them, that other information is critical, which is

why it has to be disclosed. For this grant, we focus on column one, if you're using the SF424.

Any other questions?

Wilfredo We had one question just come up, well actually two. "What if you spend more than your grant fund?"

Robin Okay. I understand a lot of you like to show that to kind of show your commitment, which really is kind of like your leveraged funds for lack of a better term because you had to get the reverses from somewhere that do that. Really, it doesn't help from a review perspective because all we want to make sure is to see use of it, the HUD dollars.

So, sometimes it can make it more confusing because we don't know if— it could suggest that you didn't have sufficient funds or sufficient money to cover everything. So, when you're showing this negative number on the budget, it doesn't help your cause with HUD. It's better to treat it as leveraged funds and indicate it on your application in the appropriate section than to have a budget that doesn't equal zero.

Wilfredo There's a follow-up question here, Robin, regarding that previous question I had during your presentation. Somebody was asking if they have a fee-for-service, a base charge, if that needs to be part of the budget?

Robin Yes. If you have a fee-for-services as income?

Wilfredo Yes.

Robin Okay. I would kind of defer this question to technical assistance because I saw who wrote it, and we're dealing with that person with technical assistance. The thing with the program income is as you all know, if in fact, you're projecting any program income, then your expenditure—you first have to expend the program income and then you can spend the HUD award amount.

When you're doing your budget, because we're asking for the HUD share, remember we're asking for the HUD share here, so what happens is on the budget, you're just accounting for the HUD share. When you actually do your reporting, though, to the extent like your quarterly reports, to the extent that you have program income, you have to show that first you spent that program income and then you tapped into your HUD share.

From a budgetary perspective, we're just concerned with how you're spending the HUD money. From a reporting perspective, quarterly reports and likewise, that's when if you've gotten program income, you have to offset it against—well, first you use the program income money and pretty much show that we used the HUD money and the program income money and our expenditures came down to zero so that it doesn't appear as if we had a reserve and we have an additional funding left.

You have to be able to show that you've expended not just the HUD money, but any program income money as well. That does not need to be on your budget. That's actually in the application as well under program income.

Gail

The other thing is when they set up in the housing counseling system, when they do the projections and budget and stuff, they need to include the total amount of budget for that grant period for the fiscal year. Even though it's not required on the budget that they submit, it's when they appoint the HCF and set up the grant in there, they have to put the total budget in there, meaning just the total dollar amount.

Ginger For the whole program, right?

Gail Right. Yes, the housing counseling program. That's something that they can contact their HUD point of contact if they need any assistance with that.

Robin Okay.

Wilfredo We don't have any more questions.

Robin Okay. I thank you all for your time. As I said, if you have subsequent questions, please go to housing.counseling@HUD.gov. If you need any kind of assistance, please request it through your HUD POC, and hopefully, we'll have the opportunity to continue working with you through this whole budget submission process. Thank you and have a great afternoon.

Moderator That does conclude our conference for today. Thanks for your participation and for using AT&T Executive Teleconference. You may now disconnect.