



Uniform Guidance Overview

for Self-Help Housing Grantees

2-part series

DAY 2 August 25, 2022
Subparts E&F

Agenda

DAY1:

- Overarching concepts/training expectations
- Where to find information
 - Review handouts
 1. *UG Outline*
 2. *Ready, Set, ACTION PLAN – take notes!*
- Review highlights of Subparts A-D
 3. *UG DAY1 Training Slides- sent 8/23/22*

DAY2:

- Review highlights of Subparts E&F
- Final Exam – Shall we play a game?
 4. *UG DAY2 Training Slides-Coming Soon!*
 5. *ANSWERS to ??s & all the ACTION PLAN cheats-Coming Soon!*



Subpart E—Cost Principles

▼ Basic Considerations

200.402 – 200.411

- § 200.402 Composition of costs.
- § 200.403 Factors affecting allowability of costs.
- § 200.404 Reasonable costs.
- § 200.405 Allocable costs.
- § 200.406 Applicable credits.
- § 200.407 Prior written approval (prior approval).
- § 200.408 Limitation on allowance of costs.
- § 200.409 Special considerations.
- § 200.410 Collection of unallowable costs.
- § 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs.

Subpart E—Cost Principles

BASIC CONSIDERATIONS
§§ 200.402-.411

Subpart E—Cost Principles



for the record

§200.403 Factors affecting allowability of costs

- **Necessary** and **reasonable** and **allocable**
- Policies and procedures can apply uniformly to federally financed and other organization activities
- Treated consistently, as *direct or indirect cost*
- In accordance with GAAP
- Be adequately **documented**

NEW (h) Incurred during approved budget period; federal awarding agency may waive prior written approvals to carry forward unobligated balances to subsequent budget periods

Subpart E—Cost Principles

§200.404 Reasonable Costs

A cost is **reasonable** if, in its nature or amount, it does not exceed that which would be incurred by a **prudent person** under the circumstances prevailing at the time the decision was made to incur the costs.

- *General and ordinary and necessary*
- *Demonstrates Restraint: sound business practices, arm's-length bargaining, follows terms and conditions of Federal state and other laws and regulations*
- *Market prices for the geographic area*
- *Aligned with established spending practices and policies*

Dear Prudence,
What's *reasonable* in your opinion?

Subpart E—Cost Principles

§200.405 Allocable Costs *based on benefit, incurred specifically for the award*

(c) Any cost allocable to a Federal award may not be charged to other Federal awards to overcome restrictions or fund deficiencies

(d) Direct cost allocation principles:

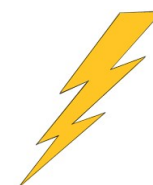
If a cost ***benefits two or more projects*** or activities in proportions that can be easily determined, the ***cost should be allocated to the projects*** based on the proportional benefit

If the proportions cannot be determined because of the interrelationship of the work involved, then the ***costs may be allocated on any reasonable documented basis***

Subpart D—Post Federal Award Requirements



ACTION PLAN ALERT



Quiz Questions/Topics	Answers	What Do I Need to Do About This? DUE DATE?
200.403 Factors affecting allowability of costs	<ul style="list-style-type: none">• <u>Necessary and reasonable and allocable</u>• Documented p&p• Incurred during budget period	

Subpart E—Cost Principles

§200.407 Prior written approval (prior approval)

- When difficult to determine, the NFE may seek the prior written approval of the cost in order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability.

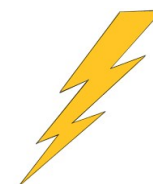


(a) – (y) of this section list of costs **requiring** prior approval

Subpart D—Post Federal Award Requirements



ACTION PLAN ALERT



Quiz Questions/Topics	Answers	What Do I Need to Do About This? DUE DATE?
200.407 Prior written approval	<ul style="list-style-type: none">• (a) – (y) of this section list <i>requires</i> prior approval• Or seek prior approval to avoid subsequent disallowance	

Subpart E—Cost Principles

§200.410 Collection of unallowable costs

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or PTE, must be refunded (including interest) to the Federal Government



Subpart E—Cost Principles

▼ Direct and Indirect (F&A) Costs

200.412 – 200.415

§ 200.412 Classification of costs.

§ 200.413 Direct costs.

§ 200.414 Indirect (F&A) costs.

§ 200.415 Required certifications.

Subpart E—Cost Principles

DIRECT & INDIRECT (F&A) COSTS
§§ 200.412-.415



Subpart E—Cost Principles

§200.412 Classification of costs

- There is no universal rule for classifying certain costs as either **direct** or **indirect** facilities and administrative (F&A) under every accounting system



It is essential that each item of cost **incurred for the same purpose be treated consistently** in like circumstances either as a direct or an indirect (F&A) cost

Subpart E—Cost Principles

§200.413 Direct costs

(a) Easily and accurately assigned to a specific award

(c) Salaries of administrative and clerical staff should normally be treated as indirect. **Direct charge** only if all of the following are met: *(unusual for many federal grants, but common for our MSH grant)*

- (1) Administrative or clerical services are integral to the project,
- (2) Individuals involved can be specifically identified with the project,
- (3) Such costs are explicitly included in the budget or have prior written approval, and
- (4) The costs are not also recovered as indirect



Subpart E—Cost Principles

§200.414 Indirect (F&A) costs

(a) Facilities and administration classification

- “Facilities” is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and **operations and maintenance (O&M)** expenses
- “Administration” is defined as general **admin**istration and general expenses such as the director's office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of “Facilities”

(c)(1) Negotiated rates must be accepted by all Federal awarding agencies

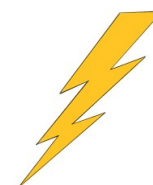
(e) Requirements of indirect (F&A) cost rate proposals and cost allocation plans

- **Appendix IV to Part 200**—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations and
- **Appendix VII to Part 200**—States and Local Government and Indian Tribe Indirect Cost Proposals

Subpart D—Post Federal Award Requirements



ACTION PLAN ALERT



Quiz Questions/Topics	Answers	What Do I Need to Do About This? DUE DATE?
200.413 Direct costs (a) Easily and accurately assigned to a specific award	Normally indirect, <u>but SHH grant meets qualifiers:</u> Direct charge for (1) Admin/clerical services integral to the project, (2) FTEs specifically identified with the project, (3) Such costs are included in the budget, and (4) The costs are not also recovered as indirect	
200.414 Indirect (F&A) costs <ul style="list-style-type: none">• Facilities, O&M, admin• Negotiated rates accepted by all federal awarding agencies		

Appendices to Part 200

Appendix IV to Part 200

Indirect (F&A) Costs Identification and Assignment, and Rate Determination
for Nonprofit Organizations

Appendix V to Part 200

State/Local Governmentwide Central Service Cost Allocation Plans

Subpart D—Post Federal Award Requirements



ACTION PLAN ALERT



Quiz Questions/Topics	Answers	What Do I Need to Do About This? DUE DATE?
Appendices to Part 200	Appendix IV to Part 200— Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations Appendix VII to Part 200— States and Local Government and Indian Tribe Indirect Cost Proposals	

Subpart E—Cost Principles

De Minimis 10%

Flat Rate, no regard to actual expenses

No approval required to use

Estimate based, may or may not recover all indirect costs

Do not have to prove costs

May use indefinitely

Negotiated Indirect Rate (NICRA)

Based on actual expenses (most recent audit)

Approved by federal negotiator (cognizant agency)

Will allocate all costs in the cost pool

Provide details of costs

Must re-negotiate each year (extension possible, dependent upon rate type)

Subpart E—Cost Principles

The UG updates effective 11/11/20 allow the NFE to begin using the 10% de minimis immediately.

TRUE OR FALSE?

- *FALSE – §200.414 (f) any NFE that does not have a **current** negotiated rate, must be expired*



Subpart E—Cost Principles



§200.414 Indirect (F&A) costs (cont.)

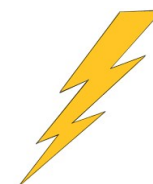
(f) Any NFE that **NEW** does not have a current negotiated (including provisional) rate (*formerly “never had”*), may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. **NEW** No documentation is required to justify the 10% de minimis indirect cost rate

- Costs must be consistently charged as either indirect or direct costs, but may not be double charged as both
- Once elected, must be used consistently for all Federal awards until such time as NFE chooses to negotiate for a rate, which the NFE may apply to do at any time

Subpart D—Post Federal Award Requirements



ACTION PLAN ALERT



Quiz Questions/Topics	Answers	What Do I Need to Do About This? DUE DATE?
Q??: The UG updates effective 11/11/20 allow the NFE to begin using the 10% de minimis immediately.	FALSE – 200.414 (f) any NFE that does not have a current negotiated rate, <u>must be expired</u>	

Subpart E—Cost Principles

§200.414 Indirect (F&A) costs (f) (cont.)
...back to Definitions §200.1



BEFORE APPLYING THE 10% DE MINIMIS, MTDC MUST BE DETERMINED

Modified Total Direct Cost (MTDC) means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC **excludes equipment**, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

See also **Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations**

Subpart E—Cost Principles



Let's Do Some Math!

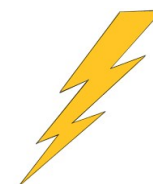
Total Direct Costs: 100,000
LESS EQUIPMENT: (7,500)
Modified Total Direct Costs: 92,500

10% De Minimis Indirect: 9,250
TOTAL GRANT: 109,250

Subpart D—Post Federal Award Requirements



ACTION PLAN ALERT



Quiz Questions/Topics	Answers	What Do I Need to Do About This? DUE DATE?
MTDC – excludes equipment	SH 523 GRANT Direct Costs – 100,000 Less Equipment – (7,500) MTDC = 92,500 10% de minimis indirect = 9,250 TOTAL GRANT = 109,250	

Subpart E—Cost Principles



Costs in the indirect cost pool are:

- Allowable, and
- Benefit ALL programs
- NOT allowed in the pool at any time: capital expenditures, losses on awards, unallowable costs, and expenditures that benefit some but not all programs

Subpart E—Cost Principles

Want to know
more about
Indirect?
Watch

"What the Heck with
Indirect?!"



Subpart E—Cost Principles

▼ General Provisions for Selected Items of Cost

200.420 – 200.476

§ 200.420 Considerations for selected items of	§ 200.439 Equipment and other capital expenditures.	
§ 200.421 Advertising and public relations.	§ 200.440 Exchange rates.	§ 200.459 Professional service costs.
§ 200.422 Advisory councils.	§ 200.441 Fines, penalties, damages and other	§ 200.460 Proposal costs.
§ 200.423 Alcoholic beverages.	§ 200.442 Fund raising and investment manage	§ 200.461 Publication and printing costs.
§ 200.424 Alumni/ae activities.	§ 200.443 Gains and losses on disposition of d	§ 200.462 Rearrangement and reconversion costs.
§ 200.425 Audit services.	§ 200.444 General costs of government.	§ 200.463 Recruiting costs.
§ 200.426 Bad debts.	§ 200.445 <u>Goods or services for personal use.</u>	§ 200.464 Relocation costs of employees.
§ 200.427 Bonding costs.	§ 200.446 Idle facilities and idle capacity.	§ 200.465 Rental costs of real property and equipment.
§ 200.428 Collections of improper payments.	§ 200.447 Insurance and indemnification.	§ 200.466 Scholarships and student aid costs.
§ 200.429 Commencement and convocation ce	§ 200.448 Intellectual property.	§ 200.467 Selling and marketing costs.
§ 200.430 Compensation - personal services.	§ 200.449 Interest.	§ 200.468 Specialized service facilities.
§ 200.431 Compensation - fringe benefits.	§ 200.450 Lobbying.	§ 200.469 Student activity costs.
§ 200.432 Conferences.	§ 200.451 Losses on other awards or contracts	§ 200.470 Taxes (including Value Added Tax).
§ 200.433 Contingency provisions.	§ 200.452 Maintenance and repair costs.	§ 200.471 Telecommunication costs and video surveillan
§ 200.434 Contributions and donations.	§ 200.453 Materials and supplies costs, includi	§ 200.472 Termination costs.
§ 200.435 Defense and prosecution of criminal	§ 200.454 Memberships, subscriptions, and pr	§ 200.473 Training and education costs.
infringements.	§ 200.455 Organization costs.	§ 200.474 Transportation costs.
§ 200.436 Depreciation.	§ 200.456 Participant support costs.	§ 200.475 Travel costs.
§ 200.437 Employee health and welfare costs.	§ 200.457 Plant and security costs.	§ 200.476 Trustees.
§ 200.438 Entertainment costs.	§ 200.458 Pre-award costs.	

Subpart E—Cost Principles

**GENERAL PROVISIONS FOR
SELECTED ITEMS OF COST
§§ 200.420-.476**

Subpart E—Cost Principles

ABC, Easy as 1,2,3
-The Guidance



§ 200.420 Considerations for selected items of cost

- Cost principles apply to direct and indirect costs
- Failure to mention a particular cost does not imply that is allowable or unallowable
 - Consider the treatment of similar items
- When there is a discrepancy between the ***principles in this section*** and the provisions of a specific Federal award, **the award governs**
 - *Read the terms of your grant!*

An alpha list of 55 cost items
ok or NOT ok to charge to the grant?

Subpart E—Cost Principles



You can't always get what you want, but if you try sometimes, you get what you need...*with prior written approval, of course*

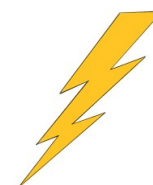
-Funder

Cost Item	Allowable?	Unallowable?	Prior Written Approval?
AUP Auditor Review of Custodial Family 502 Accounts	X		
Tool Trailer for Jobsite	X		X
Liability Insurance	X		
Maintenance & Repairs	X	X	
Memberships	X	X	
Pre-Award Costs	X		X

Subpart D—Post Federal Award Requirements



ACTION PLAN ALERT

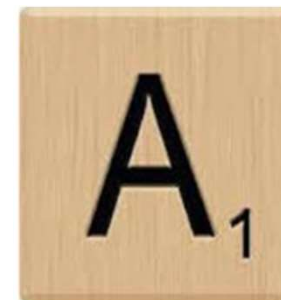


Quiz Questions/Topics	Answers	What Do I Need to Do About This? DUE DATE?
200.420 selected items of cost <ul style="list-style-type: none">• <i>Applies to direct & indirect costs</i>	200.421-.476 alpha list of allowable/unallowable/with prior written approval cost items	

Subpart E—Cost Principles

§200.425 Audit services

- Audits in accordance with Single Audit Act are allowable (federal awards exceed \$750,000)
- Only mention of allowable AUP (agreed-upon procedures) in the guidance relates to Pass-Through Entities monitor subrecipients, but...
 - (remember...the federal award terms govern: **1944-I says our 502 custodial accounts are required to be reviewed**, and therefore, and **allowable cost**, commonly done through AUP)



Subpart E—Cost Principles

RD Instruction 1944-I

§1944.422 Audit and other report requirements.

The grantee must submit an audit to the appropriate Rural Development District Office annually (or biennially if a State or local government with authority to do a less frequent audit requests it) and the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the grantee's audit period. The audit, conducted by the grantee's auditors, is to be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS), using the publication "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" developed by the Comptroller General of the United States in 1981, and any subsequent revisions. In addition, the audits are also to be performed in accordance with 2 CFR part 200 as adopted by USDA through 2 CFR part 400 and Rural Development requirements as specified in this subpart. Audits of the borrower loan funds will be required. The number of borrower accounts audited will be determined by the auditor. In incidences where it is difficult to determine the appropriate number of accounts to be audited, auditors should be authorized by the State Director to audit the lesser of 10 loans or 10 percent of total loans. Audits of the borrower funds do not necessarily need to be tested in the same manner as the organizational audit. Agreed Upon Procedures (AUPs) may be developed and used for the Section 502 or 504 loan funds in custodial accounts. At a minimum, an AUP engagement will include a review of the draw requests to ensure charges listed can be traced back to source documents and a reconciliation of the financial institution's account record. (Revised 12-12-19) PN 532.)

Subpart E—Cost Principles

§200.439 Equipment and other capital expenditures

a) See **§200.1** for the definitions of *capital expenditures*, *equipment*, *special purpose equipment*, *general purpose equipment*, *acquisition cost*, and *capital assets*

- Costs of special purpose equipment, are **allowable with prior written approval**
- When instructed by awarding agency, costs of equipment disposal are allowable

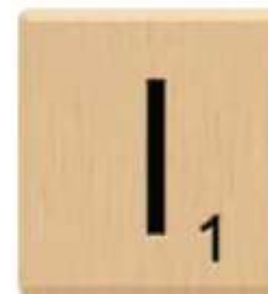


Subpart E—Cost Principles

§200.447 Insurance and indemnification

(a) Costs of insurance required or approved and maintained pursuant to the Federal award are **allowable**

(c) Actual **losses** which could have been covered by permissible insurance are unallowable

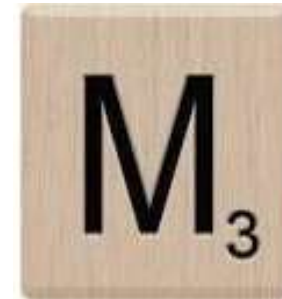


Subpart E—Cost Principles

§200.452 Maintenance and repair costs

Allowable: utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of buildings and equipment

Unallowable: improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life must be treated as capital expenditures (see §200.439).



Subpart E—Cost Principles

§200.454 Memberships, subscriptions, and professional activity costs

- (a) Memberships and subscriptions in business, technical, and professional organizations and periodicals are allowable
- (c) Membership in any civic or community organization are allowable with prior approval
- (e) Costs of membership in organizations whose primary purpose is **lobbying** are unallowable.



Subpart E—Cost Principles

§200.458 Pre-award costs

Pre-award costs are those incurred prior to the effective date of the Federal award directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work.

Such costs are **allowable** only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the **written approval** of the Federal awarding agency.

NEW These costs must be charged to the initial budget period of the award, unless otherwise specified by the Federal awarding agency



Subpart F—Audit Requirements

▼ Audits

200.501 – 200.507

- § 200.501 Audit requirements.
- § 200.502 Basis for determining Federal awards expended.
- § 200.503 Relation to other audit requirements.
- § 200.504 Frequency of audits.
- § 200.505 Sanctions.
- § 200.506 Audit costs.
- § 200.507 Program-specific audits.

Subpart F—Audit Requirements

At night I wake up with the sheets
soaking wet/ And a freight train
running through the/ Middle of my
head

-Staff Preparing for Audit



For the record

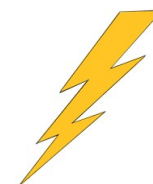
§200.501 Audit requirements

(a) *Audit required* - NFE that expends \$750,000 or more during the fiscal year in Federal awards must have a ***single audit*** for the year, unless circumstances are met allowing the ***program-specific audit***

Subpart D—Post Federal Award Requirements



ACTION PLAN ALERT



Quiz Questions/Topics	Answers	What Do I Need to Do About This? DUE DATE?
200.501 Audit requirements	NFE with \$750,000+ fiscal year in Federal awards - <u>single audit</u> < <u>program-specific audit</u>	

Subpart F—Audit Requirements

▼ Auditees

200.508 – 200.512

- § 200.508 Auditee responsibilities.
- § 200.509 Auditor selection.
- § 200.510 Financial statements.
- § 200.511 Audit findings follow-up.
- § 200.512 Report submission.

Subpart F—Audit Requirements

The auditor prepares the financial statements.

TRUE OR FALSE?

- *FALSE – your agency prepares the financial statements for the auditor to review §200.508(b)*



Subpart F—Audit Requirements

§200.508 Auditee responsibilities auditee **must**:



(a) Procure or arrange for the audit and ensure it is properly performed and submitted when due **(90 days following receipt)**



(b) Prepare financial statements, including the schedule of expenditures of Federal awards



(c) Promptly take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan

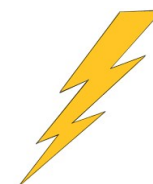


(d) Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed

Subpart D—Post Federal Award Requirements



ACTION PLAN ALERT



Quiz Questions/Topics	Answers	What Do I Need to Do About This? DUE DATE?
Q??? The auditor prepares the financial statements.	FALSE – your agency prepare the financial statements for the auditor to review 200.508(b)	

Subpart D—Post Federal Award Requirements



ACTION PLAN ALERT



Quiz Questions/Topics	Answers	What Do I Need to Do About This? DUE DATE?
200.508 Auditee responsibilities	<ul style="list-style-type: none">• Procure audit and submit within 90 days following receipt• Prepare financial statements, including the schedule of expenditures of Federal awards• Create and take corrective action plan on findings• Provide auditor with access to personnel, accounts, books, records, supporting documentation, etc.	

Subpart F—Audit Requirements

▼ Auditors


200.514 – 200.520

- § 200.514 Scope of audit.
- § 200.515 Audit reporting.
- § 200.516 Audit findings.
- § 200.517 Audit documentation.
- § 200.518 Major program determination.
- § 200.519 Criteria for Federal program risk.
- § 200.520 Criteria for a low-risk auditee.

Subpart F—Audit Requirements

§200.516 Audit Findings

(a) The auditor must report the following as audit findings in a ***schedule of findings and questioned costs*** relating to major programs:

Major program Significant deficiencies and material weaknesses in internal control over	Major program Significant instances of abuse	Major program Material noncompliance with statutes, regulations, terms and conditions
Major program Known or likely known questioned costs >\$25,000	Non-major program Known questioned costs >\$25,000, if auditor becomes aware	Major program Circumstances for other than unmodified opinion; report on compliance
Known or likely fraud affecting a Federal award	Auditee schedule of prior audit findings materially misrepresents status of any prior findings	

The Guidance Tells Me So...

TEST YOUR KNOWLEDGE NOW!

The 10% de minimis can be used immediately by any NFE, simply by indicating in writing the election to use it.

FALSE if you have a current negotiated indirect rate, you may elect to use the 10% de minimis once that rate has expired §200.414(f)



The Guidance Tells Me So...

TEST YOUR KNOWLEDGE NOW!

Costs of membership in organizations whose primary purpose is lobbying are unallowable.

TRUE §200.450



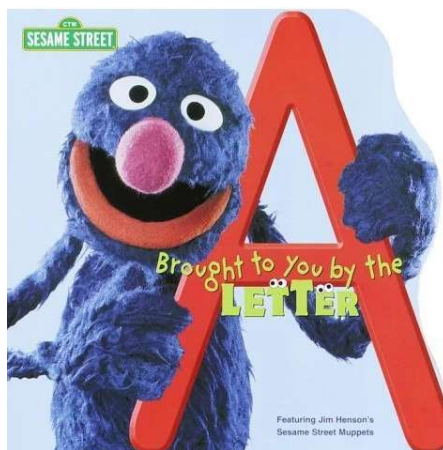
The Guidance Tells Me So...

TEST YOUR KNOWLEDGE NOW!

Audits are fun!

TRUE? 😊

Audits are an opportunity to learn! Be prepared, ask questions and seek guidance



Before the Final Exam...



Shall We Play a Game?



Poll #1

What areas would you like more training on?

- Financial Management Systems & Controls
- Budget Development & BTA Reporting
- Procurement
- 1944-I Compliance
- 523 Grant Application Financial Sections
- Close Out
- Other?



Tell Zoom (& Us!) What You Think!



Gather your thoughts and fill out the Zoom Eval that will appear when you leave the meeting – Thank you!

A&Q

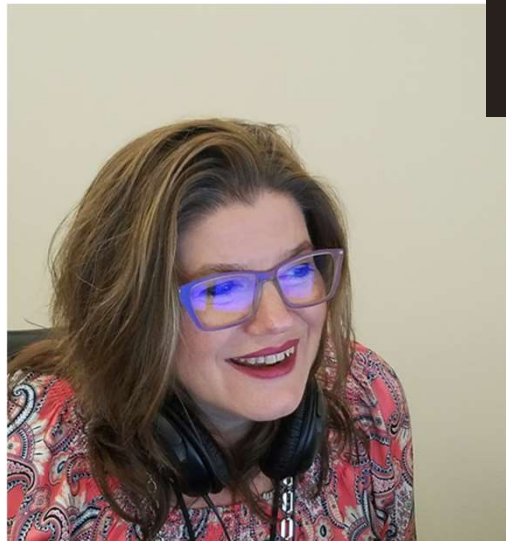
Questions about finance, Uniform Guidance, 1944-I, Self-Help Housing accounting, cooking, remodeling old farmhouses, music, donkeys...

Email me:

Samantha Bowley

Financial Management
Specialist

sbowley@rcac.org



**Any questions?
Or requests?**