



# CoC Fiscal Issues

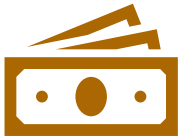
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INDIANA BALANCE OF  
STATE CONTINUUM OF  
CARE

# Match

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24 CFR 578.73 all HUD CoC funded activities – except leasing – must meet the 25% match requirement



Match must be documented prior to contract execution and demonstrated at end of grant term



If in **cash**, organization must show that it received and expended the cash on eligible CoC activities during the contract term



Benefits paid directly to program participants do not qualify as match – funds must be received by recipient agency

# Match can also be met with in-kind goods or services

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**If in-kind,**

- MOU between recipient and third-party providing match prior to contract
- Goods or services must be eligible under CoC Interim Rule
- Documentation of actual in-kind services/contributions received by program participants/project during grant term.
- Must be able to demonstrate that services were actually received
- If providing services, they should be valued at standard industry rates for similar services provided by persons with similar credentials.

# If match is not met

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If recipient cannot document that it has met the match through cash or in-kind, it will be required to pay the missing funds directly to HUD

# Poll – What can't be used as match

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Proceeds from the grantee's annual gala used to support agency programs

Resident income gained by program case managers using SOAR to secure SSI benefits for residents

Substance use treatment services provided to program participants through a MOU with a treatment provider

The cost of rent for the supportive services office that is donated by a member of the organization's board of directors

# Single Audit Requirement

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Agencies receiving a combined total of more than **\$750,000** in federal funds in a year must obtain a Single Audit (2 CFR 200.501)

- Selection of an auditor, required financial statements, audit findings follow-up are specified in 2 CFR 200.500
- Follow-up and corrective actions must be taken on all findings in a Corrective Action Plan
- Must be submitted to HUD within 9 months of end of audit period

# Program Income

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Program income is generated by a **grant-supported activity**

- In CoC program, most program income is tenant rent paid directly to recipient/sub-recipient
- Leasing, sponsor and project based rental assistance

Program income must be expended on **eligible program expenses** in the program year in which it was earned



Program income can be used to **meet match requirements**

# Documenting Time



Timesheets suffice for employees who work in a single project and a single budget line



For employees who work on more than one activity, direct and/or indirect, timesheets must be supported by personnel activity sheets



Time sheets must reconcile to activity logs (e.g., case notes for service staff, maintenance logs for operations staff)



# Determining Costs Eligibility

Costs  
are  
only  
eligible  
if they  
are:

- Associated with a HUD-eligible client
- Specifically eligible in CoC regulations (24 CFR 578)
- Delineated in the Technical Submission and the approved budget
- Documented



# Four Federal Cost Principles

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## Reasonable

- If the nature of the goods/services and the price paid reflects what a prudent person would have done in similar circumstances, cost is reasonable

## Allocable

- Can the cost be allocated to a federal award based on the benefit provided

## Consistently treated

- All costs for same purpose and in like circumstances must be treated uniformly as direct or indirect costs

## Allowable

- Is the expenditure eligible within general Federal regulations and the requirements of the specific award

# Principle of Cost Allocability

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In order for a cost to be allocable it must be:

- In the approved budget for the funded program
- Specifically linked to the eligible activities funded in the grant
- Reasonable
- Documented

# 'Reasonable Costs'

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## For a cost to be reasonable:

- It should be ordinary and necessary for the operation of the organization and/or project
- Cost is in accordance with market prices for comparable goods and services as evidenced by cost estimates and documentation
- The individual responsible acted with prudence for benefit of organization
- Cost was incurred after following established policies and procedures of the organization

# Unallowable costs all Federal awards

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Advertising and public relations

Alcoholic beverages

Bad debts

Contributions and donations

Entertainment costs

Fines, penalties, damages and other settlements

Fundraising and investment management costs

Goods or services for personal use

Interest expenses

Lobbying

Losses on other awards and contracts

Taxes



# Restrictions on Combining Funds

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In a single structure or housing unit, the following assistance may not be combined (24 CFR 578.87(c))

- Leasing and acquisition, rehabilitation, or new construction
- Short- or medium-term rental assistance and acquisition, rehabilitation, or new construction
- Rental assistance and leasing
- Rental assistance and operations

# Administrative Funding



Admin funding is a direct cost

## Eligible Admin costs include:

- General management, oversight and coordination
- Costs required for administration of the program including rental/purchase of equipment, insurance, utilities, office supplies, rental and maintenance of office space
- Training on CoC requirements
- Environmental review
- Cannot exceed 10% of CoC grant

# Administrative billing requires documentation

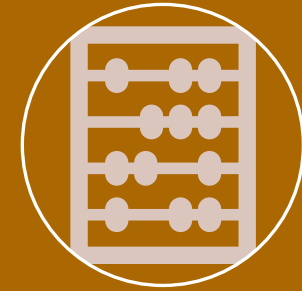
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If billing for staff, must have time sheets or similar documentation to support charges



If also claiming indirect costs, must be certain that no costs charged to admin are also claimed as indirect



All expenses must be linked to eligible administrative activity





# Indirect Costs

Indirect costs are organizational expenses that serve the general needs of the organization and are difficult to precisely allocate to individual projects

- Examples include General Administration, Fiscal Services, Human Resources, Information Technology
- Each organization determines which costs will be billed as direct or indirect
- Once classified, expenses must be treated consistently, and NO expense can be billed as both direct and indirect

All grantees may elect to claim indirect costs

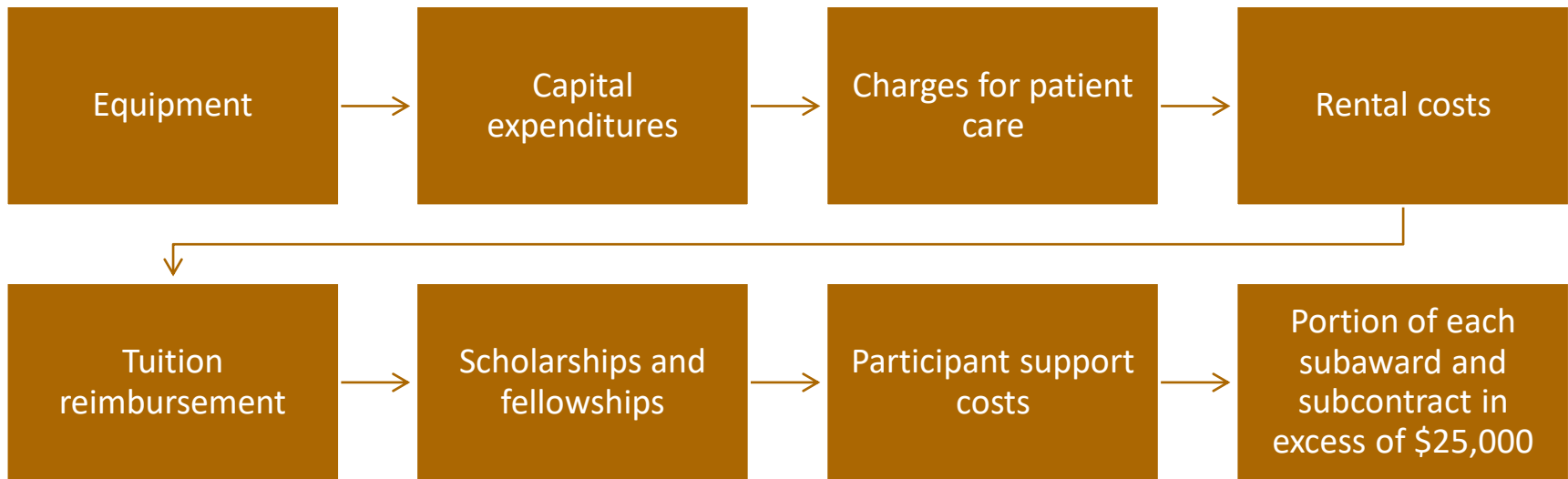
- May either negotiate a rate or
- May claim the 10% de minimis indirect rate

# 10% De Minimis Rate

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2 CFR  
200.414(f)  
**recipients**  
**and**  
**subrecipients**  
may claim  
the 10% de  
minimis rate  
if:

- They do not currently have and never have had a negotiated indirect cost rate
- They will use the rate indefinitely and consistently for all Federal awards until the entity chooses to negotiate a rate
- The de minimis will be based on Modified Total Direct Costs (MTDC)



# Exclusions from MTDC

### Rental assistance

- Short-, medium- and long-term rental assistance
- Security deposits
- Property damages

### Leasing

- Rent
- Utilities
- Security deposits
- Property damage

### Supportive services

- Childcare
- Moving costs
- Education, employment assistance, job training, tuition, scholarships
- Food
- Mental health, outpatient health, substance use treatment
- Utility deposits

Examples of CoC costs **excluded** from MTDC



## Admin and Indirect

You may claim indirect costs on allowable admin costs

Because HUD has classified admin funds as direct costs, the 10% limit on admin funding does not apply to costs billed as indirect

Any cost charged to the admin funding line must have back-up in terms of time sheets for salaried staff, invoices and allocation methodology for costs such as audits that are shared between programs

Costs paid for by indirect fees do not require documentation

## Using Indirect Costs in the CoC Program

Organizations must indicate at time of initial or renewal application to HUD intent to charge indirect costs

- With advance HUD approval, unrecovered indirect costs can be applied to matching funds requirement

If organization has a negotiated rate, a copy of the agreement must be attached to HUD application

Can  
Indirect  
Costs  
Help  
with  
Match?

2 CFR 200.306 “Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency.

Unrecovered indirect cost means the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award under the non-Federal entity's approved negotiated indirect cost rate.”

# Example of Indirect Cost Rate calculation

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Grant Totals		Calculations for Indirect			Adjusted Budget		
Item	Total	Excluded	Included	Rate	Indirect cost	Adjusted direct	Total
Case managers	\$50,000	\$0	\$50,000	10%	\$5,000	\$45,000	\$50,000
Rental asstnce	\$85,000	\$85,000	\$0	10%	\$0	\$85,000	\$85,000
Subgrant, legal	\$50,000	\$25,000	\$25,000	10%	\$2,500	\$47,500	\$50,000
Admin Staff	\$15,000	\$0	\$15,000	10%	\$1,500	\$13,500	\$15,000
Total	\$200,000	\$110,000	\$90,000		\$9,000	\$191,000	\$200,000



## Poll: Indirect Costs

Which of the following is FALSE?:

- Many costs can be charged as either direct or indirect – each recipient determines what, if any, costs will be billed as indirect
- Recipients claiming the 10% de minimis indirect rate are allowed to claim 10% of their total CoC budget as indirect costs
- Provided that a recipient has established controls to ensure that no cost is billed both as a direct and indirect, documentation of expenses is NOT required for costs billed to indirect
- To claim indirect costs on a CoC grant, a recipient must first inform HUD in the project application

# Tracking Under Spending

**CoC grantees are expected to fully expend HUD grants**

- **Renewal grants will be scored on the extent to which they have fully expended grants with points lost for under-expenditure**
- Indiana Balance of State will reduce grants that have under-expended by 25%

**All project partners are responsible for closely monitoring spending on all CoC grants:**

- Regularly assess expenditures against the amount available on each eligible budget line
- Increase spending to draw down funds or seek a contract amendment/modification to move funds to where they can be spent



# Compensation and Gifts

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Except for persons with lived experience, all CoC members serve without compensation



Cash payments (including gift cards) should not be made to program participants. Can be flexible in compensating people with lived experience



All CoC members are prohibited from soliciting or accepting gifts or gratuities while carrying out the business of the CoC in the hope or expectation of receiving a favor for their personal benefit.

# Internal Controls

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## 5 Key Internal Controls

- Organizational structure – as documented by organizational charts and position descriptions
- Policies and procedures – including hiring policies
- Separation of duties – especially related to handling revenue and expenditures
- Secure recordkeeping system
- Regular reconciliation of budgets and records

# Sanctions that HUD May Take

Suspending	Suspending payments
Continuing	Continuing the grant with a substitute grantee of HUD's choosing
Denying	Denying matching credit and requiring further match contributions
Requiring	Requiring grantee to reimburse the HUD line of credit
Reducing or terminating	Reducing or terminating the grant
Imposing	Imposing conditions on future grants
Imposing	Imposing other legally available remedies



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# Questions/Discussion

THANK YOU FOR PARTICIPATING