

# ESG & ESG-CV Office Hours

## 10/20/2021



# How to ask a question...

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- Webinar questions:
  - Click “Q & A” chat bubble to submit a question to the team
  - Please insert your name, organization and region associated with your question, you will need to type it in the “Your Name” box
  - The team will read questions out loud at the end of the presentation and will provide answers if possible
  - All questions will be saved and recorded as part of the public record



# Agenda

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- ESG Updates
- ESG-CV Updates
- Indirect Costs Presentation with MDG
- Q&A

# ESG Updates

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- Due to technical issues with the eCivis applications, **the due date for the 2021 ESG application has been extended to: October 29, 2021 (Friday)**
  - All applications must be submitted through eCivis – the online Grants Network System. **You can access the link to eCivis (online applications) on the ESG Webpage.**
  - Applications can be submitted in both allocations on a 'rolling' basis (prior to the October 29<sup>th</sup> deadline)

**For applicants that have submitted their 2021 ESG Applications and would like more time to work on their application, email the [ESGNOFA@hcd.ca.gov](mailto:ESGNOFA@hcd.ca.gov) inbox and the ESG team will revert the application back to the applicant.**

# ESG Updates

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## What's New in the 2021 NOFAs:

- Applications must be submitted through the eCivis online grants network system. (No paper/binders will be accepted this year)
- **Resolution Template – must be used by all applicants:** Please refer to the BoS or CoC NOFAs for information on submitting Resolutions.
- 2019 ESG Contracts: **Expenditure Deadline is: 10-22-21 (Friday)**

# ESG-CV Reminders & Updates

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- HUD Q4 ESG-CV Jot Form **was due to HCD on 10/19/2021** <https://form.jotform.com/212708359096160>
- RFF reimbursement for funds spent through September 30, 2021, is due in eCivis by 10/30/2021. Please email your RFF documents to your Grant Administrator prior to submitting in eCivis to ensure accuracy. Remember to redact all Personal Identifying Information from your RFF submissions.
- Office Hours registration link: [https://zoom.us/webinar/register/WN\\_hJUf6WxaSOemGvJCP5wYhQ](https://zoom.us/webinar/register/WN_hJUf6WxaSOemGvJCP5wYhQ) Once registered, an option will appear to add the meeting as a recurrence to your calendar.
- Racial Equity Foundation Training: 11/2/2021 from 11:00 am – 12:30 pm  
<https://docs.google.com/forms/d/e/1FAIpQLSdCzyB5b-SAo-LOS296MdwqHjn2NCutByGjOv-9q2AGdMackQ/viewform>
- If your Grant Administrator instructed you to do a budget revision for Indirect Costs, you must do so in eCivis by TODAY, October 20<sup>th</sup>.

# Indirect Cost Presentation Agenda

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- Purpose
- Cost Principles
- Direct and Indirect Costs
- Resources
- Questions and Discussion

# Purpose

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The purpose of this session is to enable you to:

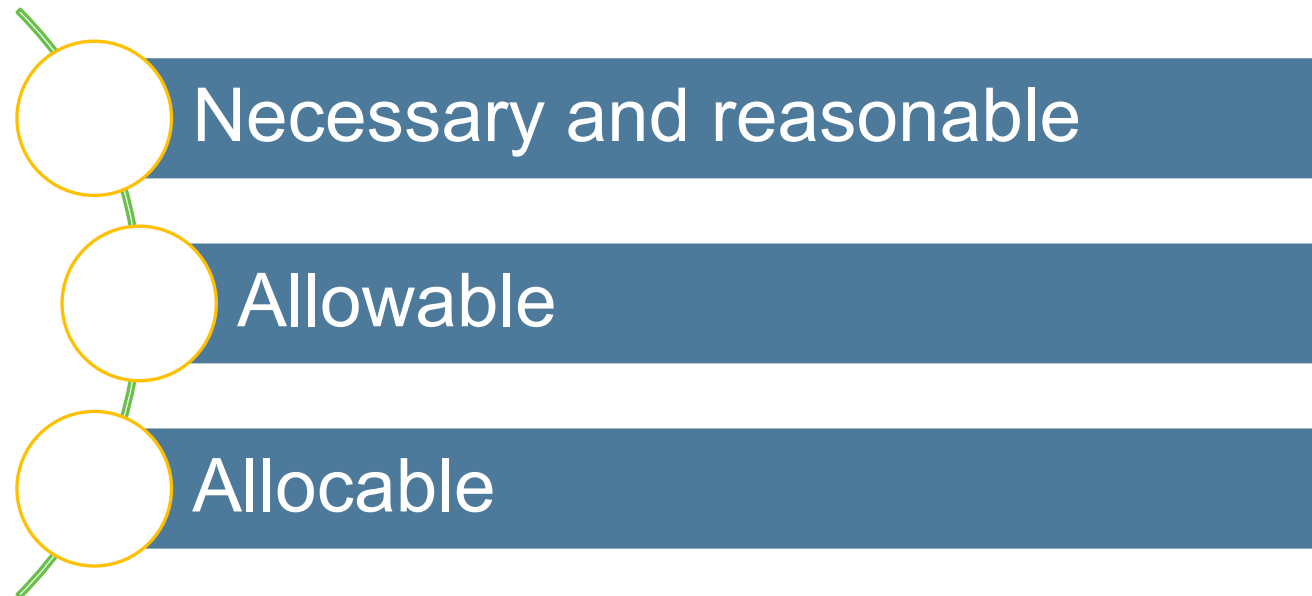
- Identify the difference between direct and indirect costs
- Recognize the three methods for computing indirect costs
- Calculate and seek reimbursement for eligible indirect costs as part of your Request for Funds (RFF)



# Cost Principles

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- All costs charged to and reimbursed by the grant award must be:



# Direct vs. Indirect Costs

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- There is no universal rule for classifying certain costs as either direct or indirect under every accounting system
- A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award
- Classifying a particular item of cost as direct or indirect depends on whether it can be identified directly with a cost objective
- Essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect cost

# Direct Costs

## Definition

The Uniform Administrative Guidance (2 CFR §200.413) defines direct costs as:

*“those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs. See also §200.405.”*

For the ESG and ESG-CV programs, most expenses are direct costs.

# Examples of Direct Costs

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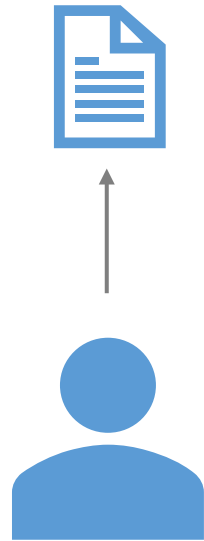
- Direct costs are those costs incurred specifically for the ESG or ESG-CV grant award and are not otherwise treated as indirect costs.
- Examples include:
  - Payroll costs incurred to administer the ESG or ESG-CV award, supported by timesheets and payroll records detailing the date and time the employee worked on the ESG or ESG-CV award
  - Employee benefits
  - Rental assistance on behalf of clients
  - Purchase of food for shelter meals
  - Other program materials and supplies

# Direct Costs

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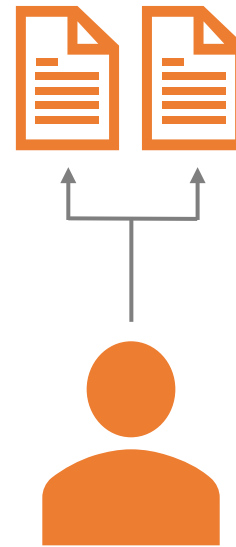
## Direct Costs

Staff Member A is fully dedicated to ESG-CV (100%)



## Direct Costs

Staff Member B works on ESG and ESG-CV and/or another federal grant, and documents their hours spent per grant on timesheets.



# Other Possible Direct Costs

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- **Special Note on Clerical Staff (2 CFR 200.413)**
  - Clerical support should normally be treated as indirect (F&A) costs. Charging as direct cost may be appropriate if:
    - Integral to the project
    - Specifically identified with project; and
    - Explicitly included in budget or with HCD's prior written approval
- **Special note About Computing Devices (2 CFR 200.453)**
  - Materials and supplies used for the performance of a Federal award may be charged as direct costs. In specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award

# Indirect Costs

## Definition

The Uniform Administrative Guidance (2 CFR §200.1) defines indirect costs as:

*“those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.”*

For the ESG or ESG-CV programs, an expense would only be indirect if it cannot be easily associated with a particular activity.

# Indirect Costs

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- What is an indirect cost rate?
  - An indirect cost rate is a tool for determining the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs
  - The indirect cost rate (or de minimis rate, if applicable) is NOT applied to the overall ESG or ESG-CV award amount. It is applied to the direct cost base (“modified total direct cost”).
- Indirect costs are classified under facilities and administration (F&A)
  - Facilities are defined as “the depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses”
  - Administration is defined as “the general administration 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”



# Examples of Indirect Costs

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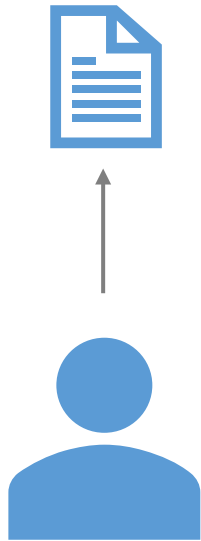
- Indirect costs are overhead or administrative costs incurred by an organization that cannot be readily identified to a specific activity or function.
- Examples include:
  - Facilities
  - Administration
  - Rent and utility costs
  - Accounting and administrative staff
  - Telephone
  - Computer and software

# Indirect Costs

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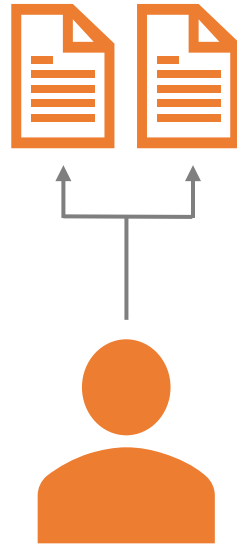
## Direct Costs

Staff Member A is fully dedicated to ESG-CV (100%)



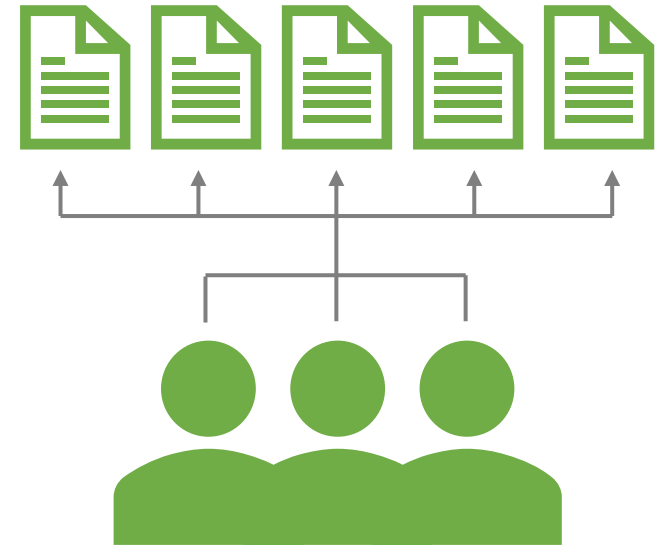
## Direct Costs

Staff Member B works on ESG-CV and another federal grant, and documents their hours spent per grant on timesheets.



## Indirect Costs

The Payroll and Human Resources departments process payroll for the entire organization.



# Modified Total Direct Costs

## Definition

The Uniform Administrative Guidance (2 CFR §200.1) defines Modified Total Direct Costs (MTDC) as:

*“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.”*

# Modified Total Direct Costs

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

# Modified Total Direct Costs

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- Included in MTDC calculation:
  - Direct salaries & wages, applicable fringe benefits
  - Materials & supplies
  - Services
  - Travel
  - Up to first \$25,000 of each subaward (regardless of the period of performance under the award)
- Excluded in MTDC calculation:
  - Equipment
  - Capital expenditures
  - Participant support cost
  - Rental costs
  - scholarships & fellowships
  - Portion of each sub-award and sub-contract exceeding \$25,000 regardless of the period of performance

# Indirect Cost Rate

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- Administrative entities or subrecipients may select one of the three options for requesting indirect costs:
  - 10% De Minimis Rate
  - Negotiated Indirect Cost Rate Agreement (NICRA)
  - Cost Allocation Plan
- Agreements must include selection and requirements for charging indirect costs
- Procedures for negotiation and approval of indirect cost rates are specified in the applicable appendix to 2 CFR part 200 below.
  - Appendix IV - requirements for **nonprofit organizations**
  - Appendix VII - requirements for **states, local governments, and Indian tribes**

# De Minimis Rate

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Administrative entities or subrecipients that do not currently have a negotiated indirect cost rate\* may elect to charge the de minimis rate of 10% of Modified Total Direct Costs (MTDC) which may be used indefinitely

- \*As of November 12, 2020, subrecipients may charge de minimis rate if previously had negotiated indirect cost rate but negotiated rates expired
- Non-Federal agencies receiving over \$35 million in direct Federal funding may not use the 10% De Minimis Rate
- If chosen, this methodology must be used consistently for all Federal awards until an ESG or ESG-CV awardee chooses to negotiate for an indirect rate
- No documentation is required to justify the 10% de minimis indirect cost rate

# Computing De Minimis Indirect Costs

- Example: Grant Award Amount = \$1,000,000

| Budget Line Item           | Direct Costs     | Exclusions        | MTDC             |
|----------------------------|------------------|-------------------|------------------|
| Direct Salaries            | \$500,000        | \$0               | \$500,000        |
| Fringe Benefits            | \$75,000         | \$0               | \$75,000         |
| Travel                     | \$5,000          | \$0               | \$5,000          |
| Supplies                   | \$10,000         | \$0               | \$10,000         |
| Subaward – Subrecipient #1 | \$85,000         | (\$60,000)        | \$25,000         |
| Subaward – Subrecipient #2 | \$20,000         | \$0               | \$20,000         |
| Marketing Outreach         | \$20,000         | (\$20,000)        | \$0              |
| <b>Total Costs</b>         | <b>\$905,000</b> | <b>(\$80,000)</b> | <b>\$795,000</b> |

| Cost Description               | Cost             |
|--------------------------------|------------------|
| Total Direct Costs             | \$905,000        |
| 10% Eligible Indirect MTDC     | \$79,500         |
| <b>Allowable Reimbursement</b> | <b>\$984,000</b> |



# Negotiated Indirect Cost Rate Agreement

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- What is a Negotiated Indirect Cost Rate Agreement (NICRA)?
  - NICRA is an indirect rate negotiated with a Federal cognizant agency for Federal awards by non-Federal entities that allocate and claim indirect costs.
  - NICRA used to calculate specific percentage rate that can be applied to a program or grant to determine amount that can be recovered and to justify the establishment of an indirect cost rate.
  - Grantees and subrecipients wishing to claim indirect costs under federal awards must prepare an indirect cost rate proposal to support those costs.
  - Additionally, governmental departments or agencies that receive \$35 million or more in direct federal funding must submit their indirect cost rate proposal to their cognizant agency for indirect costs.
- Cognizant agency is generally the agency that provides the largest amount of direct federal funds to the organization.

# Cost Allocation Plan

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- What is a Cost Allocation Plan?
  - An accounting report that calculates agency-wide indirect costs to departments, and grants that receive services from other departments.
  - A document that identifies and explains the distribution of allowable direct and indirect costs and declares the allocation methods used for distribution.
  - **States, local governments, and Indian Tribes** are the only entities that can submit a cost allocation plan and it must be approved in the same manner as an indirect rate.
  - Each local government entity receiving \$100 million or more in direct federal funding is required to submit a cost allocation plan to its cognizant agency for indirect costs on an annual basis.

# Cognizant Agencies

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- What is a cognizant agency?
  - A Cognizant agency is the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans, or indirect cost proposals developed under this part on behalf of all Federal agencies
  - All negotiated rates must be approved by the grant awardee's cognizant agency
  - The cognizant agency is the Federal agency that awards the most funds to the grant awardee
  - If awards provided by HUD represent the largest amount of funds awarded by Federal agencies, then the cognizant agency is the US Department of Health and Human Services (HHS)

# Other Considerations

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- Pass-Thru Agency:
  - Federal Uniform Guidance including section 200.331(a)(4) applies to Federal funds as specified in the terms and conditions of the Federal award when a pass-through entity uses Federal and non-Federal funds to make a sub-award.
- Non-Federal entities:
  - Non-Federal entities that are able to allocate and charge 100% of their costs directly may continue to do so. Claiming reimbursement for indirect costs is never mandatory; a non-Federal entity may conclude that the amount it would recover thereby would be immaterial and not worth the effort needed to obtain it
  - NICRA must be used if a sub-recipient already has a negotiated F&A rate with the Federal government
  - It is not permissible for pass-through entities to force or entice a proposed subrecipient without a negotiated rate to accept less than the de minimis rate

# Resources

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- Uniform Administrative Requirements
  - [2 Code of Federal Regulations Part 200](#)
  
- HUD Resources
  - [CoC and ESG Financial Management Virtual Binder](#)
  - [CoC and ESG Indirect Cost Toolkit](#)



Questions?

# ESG Resource Links

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- [ESG Regulations](#) - (update published April 2017)
- [ESG-CV Notice](#)
- General ESG Information
  - [HUD ESG Landing Page](#)
  - [ESG Program Overview](#)
  - [ESG Program HMIS Manual](#)
  - [ESG Minimum Habitability Standards ES and Permanent Housing](#)
- [ESG Standards and Inspections](#)
- [Habitability Example Checklist](#)

## TA Resources:

- [Disease Risks and Homelessness](#) - landing page for resources on a wide range of topics
- [ESG-CV Notice Summary](#)
- [Flexibilities/Waivers Granted by the CARES Act + Mega Waiver and Guidance](#) - applicable Waivers on pages 11-14
- [Strategies to Design and Implement a Successful ESG-CV Program](#)
- [IDIS Fact Sheet for ESG and ESG-CV Funds Setup](#)
- [ESG-CV Quarterly Reporting Calendar](#)
- [National Alliance RRH Toolkit](#)

# COVID Response Resources

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## **Standing Up Infection Control Measures:**

- [Alternative Approaches to Sheltering](#)
- [Shelter Preparedness Checklist](#)
- [Creative Staffing Solutions \(See Appendix 1\)](#)
- [COVID Informational Flyers](#)
- [Vaccine Messaging Toolkit](#)
- [Eligible ESG Program Costs for Infectious Disease Preparedness](#)

## **CDC and NHCHC Guidance:**

- [Strategies for Proactive Universal Testing](#)
- [Guidance for Service Providers to Respond to COVID](#)



# Contact Us...

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- If you have any further questions, please contact us:
  - Annual ESG – Please reach out to your ESG Representative or [ESG@hcd.ca.gov](mailto:ESG@hcd.ca.gov)
  - ESG-CV – Please reach out to your Grant Administrator