

Cost Allocation Principles

Additional Cost Principles

- ► The cost allocation plan must be updated every year to reflect the PHA's indirect cost allocations effectively
- ► The cost allocation plan must be signed by the lead accountant or executive director any time the cost allocation plan is changed
- No cost shifting is permitted to meet budgetary expenditure



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Cost Allocation Plan

- ▶ A documented plan to allocate indirect costs and sometimes frontline costs to various programs
- A cost allocation plan must be mathematically supported using cost drivers to determine the rate
 - · The allocation plan cannot be estimated
- ► Cost drivers could include:
- Direct payroll cost
- Number of units · Tenant case load
- Office space



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Cost Allocation

- ▶ When a cost cannot be directly assigned to a program but is benefiting several programs, the cost must be allocated across those programs that are benefiting
- ▶ When the cost is allocated, it must meet certain requirements
 - 2 CFR 200, sub-part E, Appendix V and Appendix VII discusses cost allocation and indirect cost rates for state and local governments (PHAs)
- ▶ Cost allocation plans and indirect rate proposals can be very elaborate and contain multiple drivers
- ▶ A driver is how a PHA will allocate an indirect cost
 - For example, if the PHA receives a phone bill for the entire PHA, it must determine how to allocate the cost across its programs
 - The PHA could use the number staff from each program to allocate the phone bill or the PHA could use the number of phone lines that are used in each program

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	BUDGETING	AND	COST	ALLOCATION



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Cost Allocation

Indirect costs must meet the following cost principles to be allocated to a grant:

- ▶ The PHA must have sound management practices
- ▶ The PHA is responsible for administering federal funds in compliance with underlying agreements, program objectives, and the terms and conditions of the federal award
- ▶ With its own staff, facilities, and experience, the PHA is responsible for employing the necessary organization and management techniques to assure proper and efficient administration of the federal award







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Accounting & Documentation

- ▶ The PHA's accounting practices must be consistent with these cost principles and obtain supporting documentation to allocate to the federal award
- When reviewing and negotiating proposals, the cognizant agency for indirect costs should assure the PHA is applying these accounting principles on a consistent basis
- ► The PHA may not earn or keep any profit resulting from federal financial assistance unless explicitly authorized by the terms and conditions



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Cost Criteria

Costs must meet the following general criteria in order to be allowable under federal awards:

- ▶ Be necessary and reasonable
- ▶ Adhere to any limitations or exclusions
- ▶ Be applied consistently
- ▶ Not to be assigned to a federal award as a direct cost, if other costs incurred for the same purpose have been allocated as indirect costs
- ▶ Be accounted for using Generally Accepted Accounting Principles (GAAP)
- ▶ Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a previous
- ▶ Be adequately documented
- ▶ Be incurred during the approved budget period

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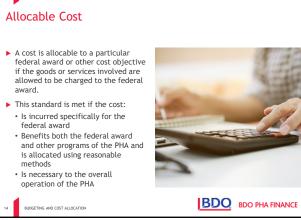
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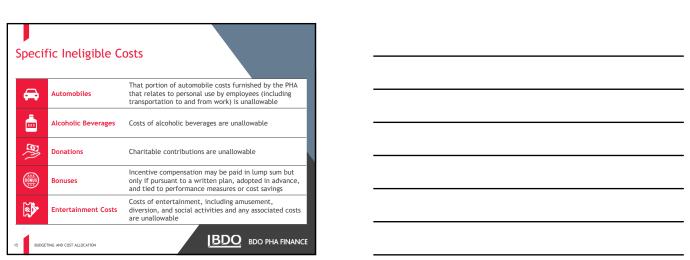
Cost Reasonableness A cost is reasonable if it does not exceed costs incurred by a prudent person under the same circumstances. Reasonableness of a cost can be determined by the following: The cost is ordinary and necessary for the operations of the PHA Followed procurement requirements and state and local laws Market prices for comparable goods or services for the geographic area Individuals acted with practicality with the purchase Insuring the PHA is not deviating policies and maintaining a reasonable cost

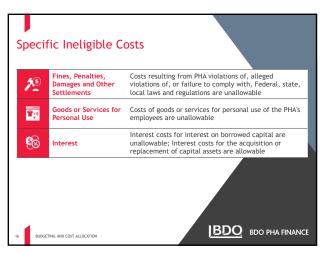
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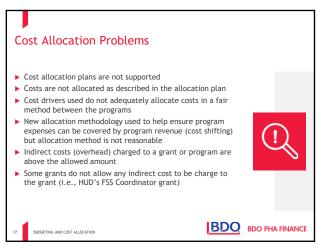
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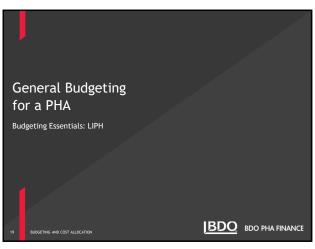




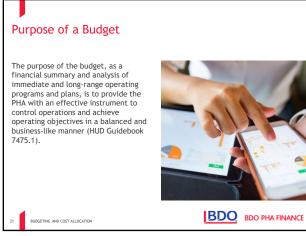




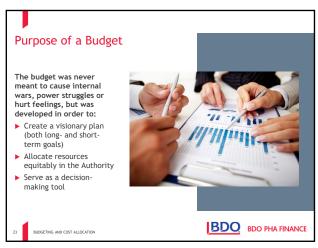








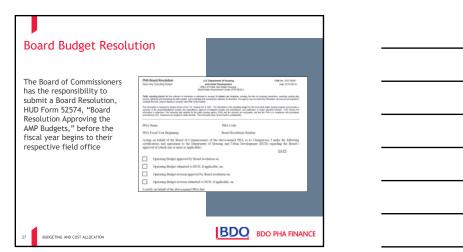




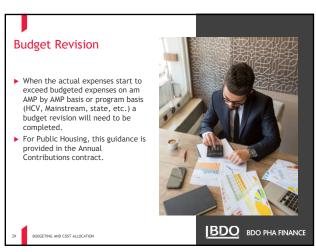














Role of the Executive Director In most instances, the Executive Director has the overall responsibility for budget preparation The Executive Director is accountable for the soundness and validity of the budget estimates Although outside experts can be tremendously helpful in the budget preparation, the responsibility remains with the PHA

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Role of Principal Staff To the maximum extent feasible, all departments within the PHA should have input into the final budget estimates Smaller PHAs with limited staff should, at a minimum, seek input from other staff

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Operating Budget Formulation Since the PHA is required to have a Board-approved budget before the beginning of the PHA fiscal year, planning should be developed sequentially, beginning early in the "Current Budget Year" This calls for coordinated effort by principal staff members, the Executive Director, and the Board It will help if staff assignments in connection with planning and preparing a budget are made to each division of the PHA's organization BDDC BDO PHA FINANCE







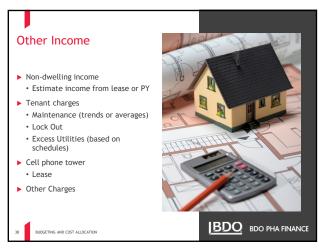


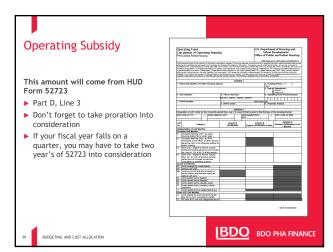
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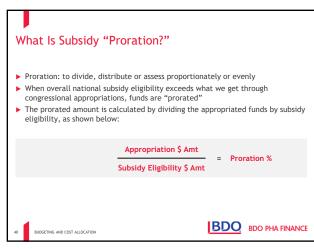
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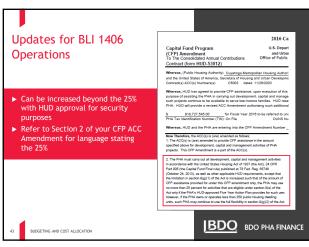


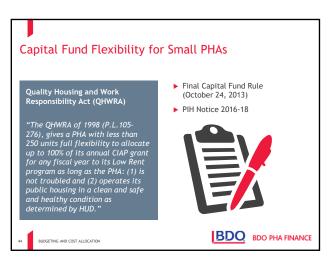














Capital Funds Uses for the AMP

MANAGEMENT IMPROVEMENTS - 1408

- ▶ Maximum budget amount is 10% of grant
- ▶ Limited to AMP use only
 - Exception if High Performer or HUD Approval
- ▶ PHAs will be allowed to charge certain shared functions to the
- Must be proven major U.S.es will be for AMP
- · Item must be reasonable and necessary to fulfill responsibilities of frontline costs









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Management Improvements

Non-capital activities that are projectspecific or PHA-wide improvements needed:

- ► To upgrade or improve the operation or maintenance of the PHA's projects, not part of day-to-day operations on a year-to-year basis
- ▶ To promote energy conservation, to sustain physical improvements at those projects or
- ▶ To correct management deficiencies
- · A management deficiency can be defined by HUD, your auditor or your PHA!







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Management Improvements

- ▶ Training for PHA personnel in operations and procedures, including resident selection, rent collection and eviction
- ► Improvements to management, financial, and accounting control systems of the PHA
- Improvement of resident and project security
- Activities that assure or foster equal opportunity

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Management Improvements ECONOMIC DEVELOPMENT COSTS

- ▶ Economic Development eligible costs include job training for residents and resident business development activities, for the purpose of carrying out activities related to the modernization-funded (CFP) management and physical improvements
- ▶ HUD encourages PHAs, to the greatest extent feasible, to:
- Hire residents as trainees, apprentices, or employees to carry out the modernization program under this part
- Contract with resident-owned businesses for modernization work



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Management Improvements RESIDENT MANAGEMENT COSTS

Resident Management eligible costs include technical assistance to a resident council or resident management corporation (RMC):

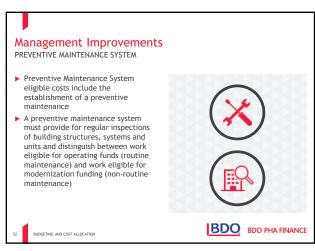
- ▶ Determine the feasibility of resident management to carry out management functions for a specific development or developments
- ► Train RMC board members in community organization, board development, and leadership to assist in the formation of an RMC





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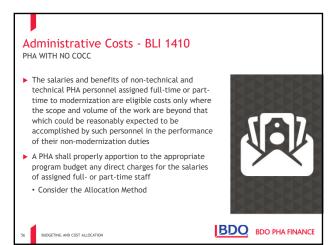


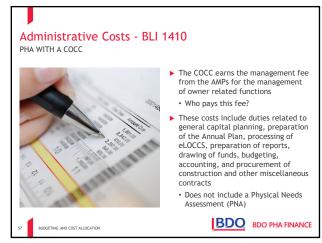






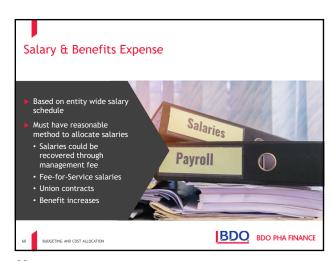
















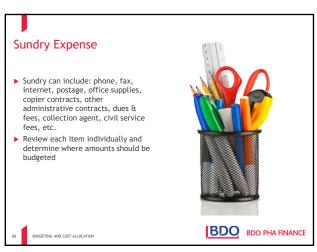


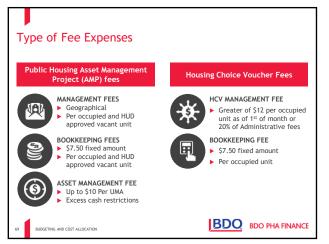














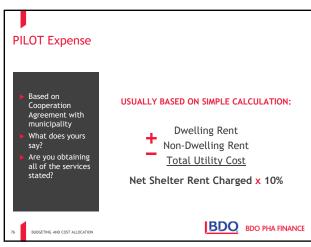


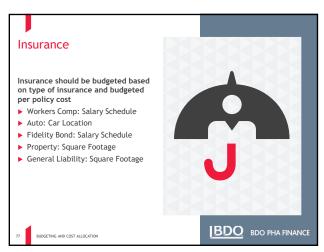


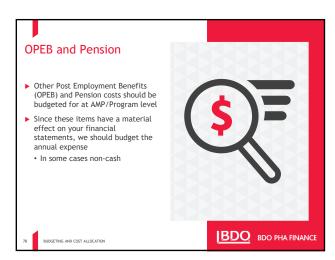


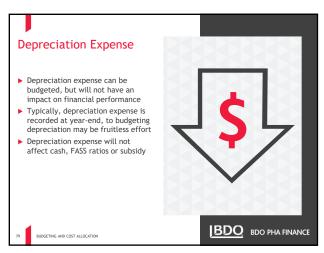








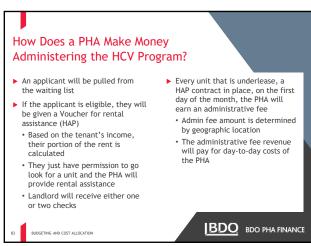


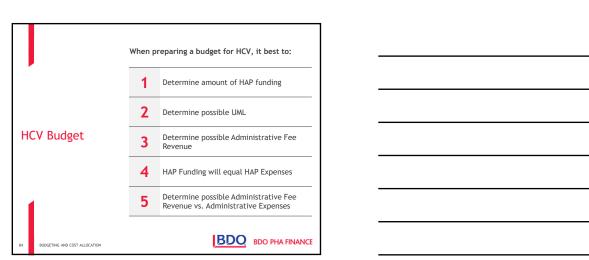


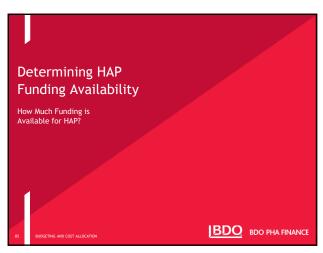










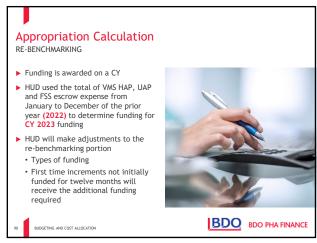


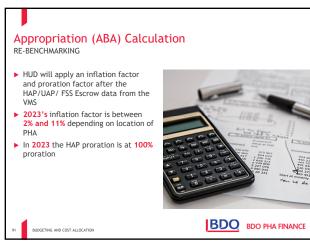


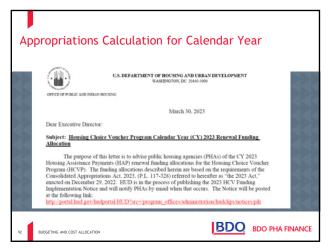


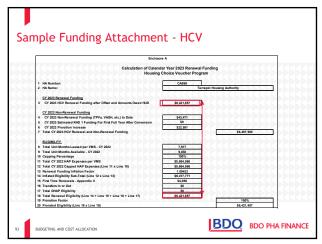


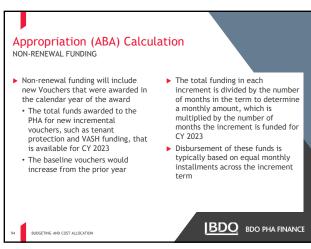




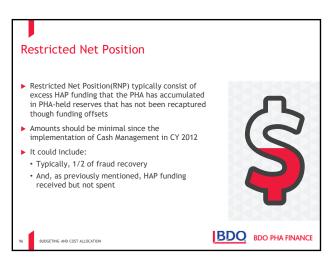


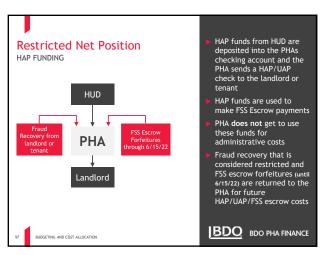






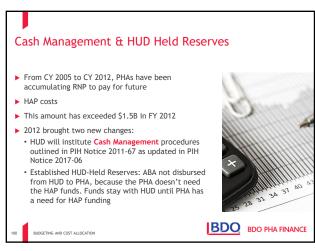




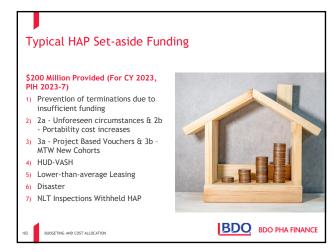


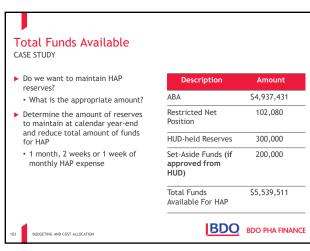












Estimating Admin For CASE STUDY		
for HAP" and divide by	Description	Amount
the avg. "PUC"	Annual Budget Authority	\$4,937,431
► Multiply by "A" and "B"	RNP	45,000
rate (7,200 UML for the	HUD-held Reserves	150,000
year gets the A Rate, anything over 7,200	Set-Aside Funds, New Funding & Other Income**	35,340
units gets the B rate	Less: Reserves (2 weeks)	(206,730)
Apply proration factor	Total Net Funding Available	\$4,961,041
** Other income would typically be ½ of fraud recovery	Latest PUC - from latest HAP register (HAP ÷ UML)	\$580
,	Total unit months available to lease	8,553
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Calculating Administrative Fees

PHA Num	A Rate	B Rate	
AK901	98.76	92.18	
AL001	66.91	62.45	
AL002	67.96	63.44	
AL004	66.03	61.63	
AL005	68.81	64.22	
AL006	66.03	61.63	
AL007	66.03	61.63	
AL008	64.77	60.46	
AL011	64.77	60.46	
AL012	66.03	61.63	
AL014	64.77	60.46	
AL047	67.98	63.46	
AL048	66.03	61.63	
AL049	66.03	61.63	
AL050	66.03	61.63	

- ▶ The "A" Rate will be used to calculate the first 600 units under lease each month
- ► The "B" Rate will be used to calculate units leased that are 601+ units leased each month
- Project Based Vouchers will earn Administrative Fees regardless of their leased status as of the first of the month
- Must be reported correctly in VMS
- ▶ These rates are before proration



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Expanded Uses for Administrative Fees HCV & MAINSTREAM

PIH Notice 2022-18 provides guidance on the use of HCV and Mainstream voucher ongoing administrative fees for expenses related to assisting HCV and Mainstream Voucher families to lease units, including the costs of security deposit assistance and landlord incentive and retention payments



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Administrative Activities

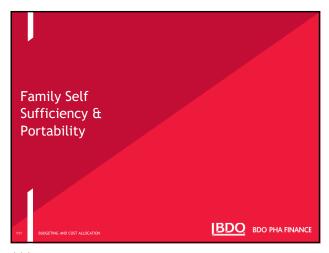
- ▶ These activities include front-line, day-to-day operational activities including but not limited to applicant intake, lease-up activities, income determinations and reexaminations, unit inspections, disbursing HAP to landlords, as well as policy and operational planning and implementation, financial management, and HCV record-keeping and reporting
- Indirect overhead activities associated with operating the HCV program including but not limited to PHA management, human resources, legal, finance, accounting and payroll, information technology, procurement, and quality
- ▶ PHAs that operate using HUD's asset management central office cost center (COCC) are permitted to charge the HCV program to recover its central office costs, and those costs are eligible expenses of HCV administrative fees

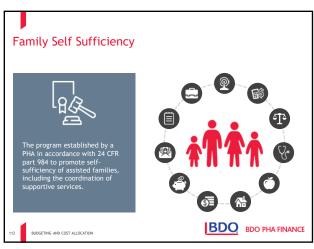
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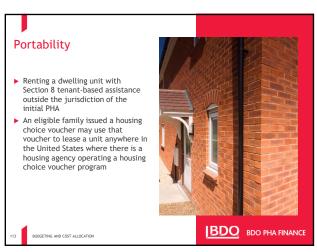




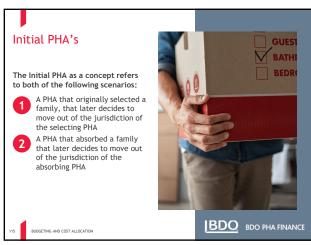




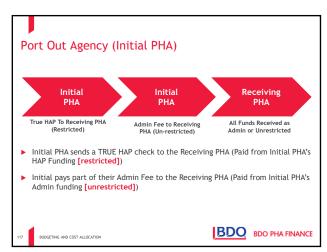


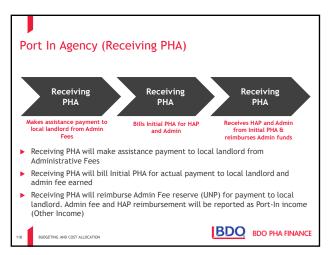




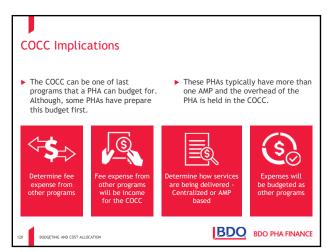






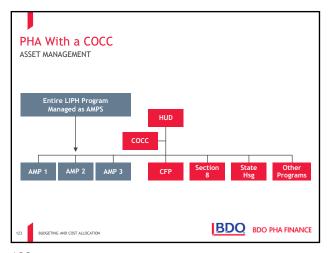


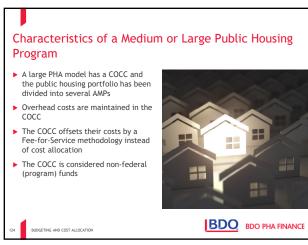




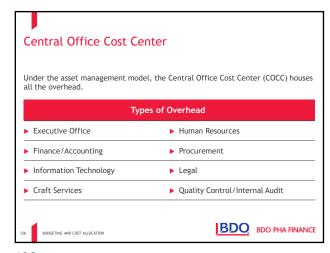


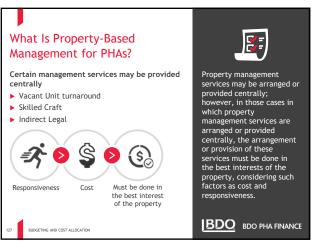


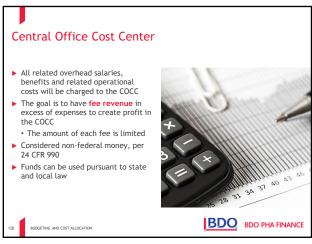


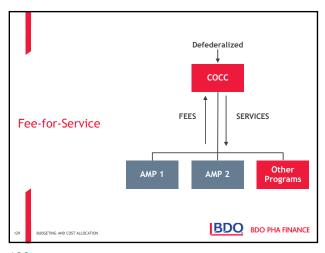


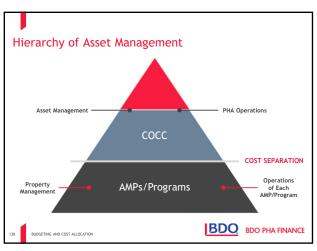








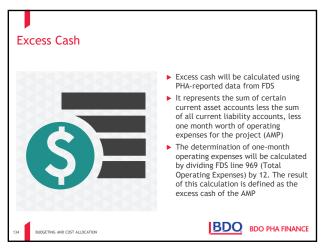


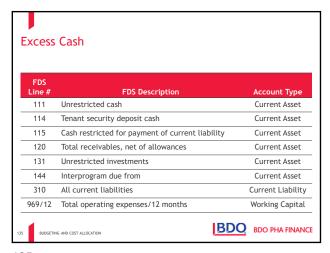


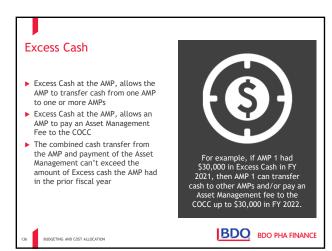


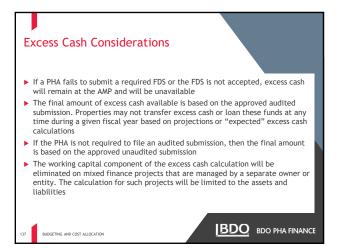
Summary of Allowable Fees			
Fee Description	Program	Amount	Methodology
Project Management Fee	LIPH	Published Annually	Monthly, based on occupied & HUD approved vacant units
Management Fee	HCV/S8	Higher of 20% or \$12 of Admin. Fee Earned	Occupied units as of 1st day of the month
Management Fee	CFP	10%	10% of total grant
Bookkeeping Fee	LIPH	\$7.50	Monthly, based on occupied & HUD approved vacant units
Bookkeeping Fee	HCV/S8	\$7.50	Occupied as of 1st day of the month
Asset Management Fee	LIPH	\$10	Monthly, ACC units (if Excess Cash)
Other	Various	Various	Mgmt. agreement / NOFA
Fee-for-Service	Various	Market Rate	Based on services provided











PHAs that choose to use Capital Fund Program funds for operations will have ordinary expenses associated with the use of these funds calculated as part of that AMP's operating expenses. HUD understands that PHAs may transfer Capital Fund Program funds to operations in order to create excess cash. While permissible, HUD cautions PHAs that the use of Capital Fund Program funds should be in the best interest of the property Cash and other resources can be transferred to AMPs from the COCC without any restrictions PHAs are encouraged to develop their own minimum working capital levels based on the individual current and projected AMP need, including any management restrictions Once the excess cash is transferred to another AMP, the PHA must realize that the cash has a strong probability that it won' be returned

Central Office Cost Center

- ➤ CAUTION! If the COCC starts to incur a deficit, then the COCC could be using amounts in excess of fee limits support the COCC
- ➤ Since fee revenue is limited by the amount of fees and a calculation, this could be come a major issue of defederalizing funds that should not be defederalized
- ► Having a fee limitation forces the COCC to "right size"



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