

## Appendix B

### (A) Administrative Costs

#### I. Purpose

The intent of this HUD grant program is to allow the Grantee to be reimbursed for the reasonable direct and indirect costs, subject to a top limit, for overall management of the grant. In most instances the grantee, whether a state or a local government, principally serves as a conduit to pass funding to sub-grantees, which are to be responsible for the conducting lead-hazard reduction work. Congress set a top limit of 10 percent of the total grant sum for the grantee to perform the function of overall management of the grant program, including passing on funding to sub-grantees. The cost of that function, for the purpose of this grant, is defined as the "administrative cost" of the grant, and is limited to 10 percent of the total grant amount. The balance of 90 percent or more of the total grant sum is reserved for sub-grantees or other direct-performers of lead-hazard identification and reduction work. Lead hazard identification and reduction includes, but is not necessarily limited to outreach, training, enrollment, lead paint inspection/risk assessments, interim controls, hazard abatement, clearance documentation, blood lead testing, and public education.

#### II. Administrative Costs: What They Are Not

For purposes of this HUD grant program, the term "administrative costs" should not be confused with the terms "general and administrative cost," "indirect costs," "overhead," and "burden rate." These are accounting terms usually represented by a government-accepted standard percentage rate. The percentage rate allocates a fair share of an organization's costs that cannot be attributed to a particular project or department (such as the chief executive's salary or the costs of the organization's headquarters building) to all projects and operating departments (such as the Fire Department, the Police Department, the Community Development Department, the Health Department, or this program). Such allocated costs are added to those projects' or departments' direct costs to determine their total costs to the organization.

#### III. Administrative Costs: What They Are

For the purposes of this HUD grant program, "*Administrative Costs*" are the grantee's allowable direct costs for the overall management of the grant

program. The allowable limit of such costs that can be reimbursed under this program is 10 percent of the total grant sum. The grantee should pay particular attention to accurately estimating costs, determining the necessity for and reasonableness of costs, and correctly computing all budget items and totals. Should the grantee's actual costs for overall management of the grant program exceed 10 percent of the total grant sum, those excess costs shall be paid for by the grantee. However, excess costs paid for by the grantee may be shown as part of the requirement for cost-sharing funds to support the grant. Indirect costs must be substantiated and approved by the appropriate federal agency or the grantee must provide an indirect cost rate plan. The indirect cost rate should be indicated in your budget. Grantees should also provide a narrative statement indicating how you arrived at your costs. When possible, you should use quotes from vendors or historical data. You must support all direct labor and salaries with mandated city/state pay scales or other documentation.

#### IV. Administrative Costs: Definition

##### A. General

Administrative costs are the allowable, reasonable, and necessary direct costs related to the overall management of the HUD grant for lead-hazard reduction activities. Those costs shall be segregated in a separate cost center within the grantee's accounting system, and they are eligible costs for reimbursement as part of the grant, subject to the 10 percent limit. Such administrative costs do not include any of the staff and overhead costs directly arising from specific sub-grantee program activities eligible under Section III (C) of this NOFA, because those costs are eligible for reimbursement under a separate cost center as a direct part of project activities.

The grantee may elect to serve solely as a conduit to sub-grantees, who will in turn perform the direct program activities eligible under this NOFA, or the grantee may elect to perform all or a part of the direct program activities in other parts of its own organization, which shall have their own segregated, cost centers for those direct program activities. In either case, not more than 10 percent of the total HUD grant sum may be devoted to administrative costs, and not less than 90 percent of the total grant sum shall be devoted to the direct delivery of program activities. The grantee shall take care not to mix or attribute administrative costs to the direct project cost centers.

##### B. Specific

Reasonable costs for the grantee's overall grant management, coordination, monitoring, and evaluation are eligible administrative costs. Subject to the 10 percent limit, such costs include, but are not limited to, necessary expenditures for the following goods, activities and services:

(1) Salaries, wages, and related costs of the grantee's staff, the staff of affiliated public agencies, or other staff engaged in grantee's overall grant management activities. In charging costs to this category the recipient may either include the entire salary, wages, and related costs allocable to the program for each person whose primary responsibilities (more than 65 percent of their time) with regard to the grant program involve direct overall grant management assignments, or the pro rata share of the salary, wages, and related costs of each person whose job includes any overall grant management assignments. The grantee may use only one of these two methods during this program. Overall grant management includes the following types of activities:

- (a) Preparing grantee program budgets and schedules, and amendments thereto;
  - (b) Developing systems for the selection and award of funding to sub-grantees and other sub-recipients;
  - (c) Developing suitable agreements for use with sub-grantees and other sub-recipients to carry out grant activities;
  - (d) Developing systems for assuring compliance with program requirements;
  - (e) Monitoring sub-grantee and sub-recipient activities for progress and compliance with program requirements;
  - (f) Preparing presentations, reports, and other documents related to the program for submission to HUD;
  - (g) Evaluating program results against stated objectives;
  - (h) Providing local officials and citizens with information about the overall grant program; however, a more general education program, helping the public understand the nature of lead hazards, lead hazard reduction, blood-lead screening, and the health consequences of lead-poisoning is a direct project support activity;
  - (i) Coordinating the resolution of overall grant audit and monitoring findings; and
  - (j) Managing or supervising persons whose responsibilities with regard to the program include such assignments as those described in paragraphs (a) through (i).
- (2) Travel costs incurred for official business in carrying out the overall grant management;