

COST PRINCIPLES – PRACTICE EXERCISES

Practice Exercise 1

THA used IHBG grant to rehab a low income housing property it owns. Which of the following are indirect costs that are partially allocable to the IHBG award?

1. The cost of the architect's fees who was hired to work on the project.
2. The salary costs of the grants manager who is responsible for multiple state, federal, and foundation grants.
3. The cost to move the families to another location while their building is being rehabbed.
4. The Accounts Payable personnel cost in THA's accounting department.

Practice Exercise 2

THA has been fined \$1,000 for a zoning violation for a project funded with IHBG grant. Which of the statements are True or False?

1. The fine is allowable because THA was not aware of the zoning violation. ____
2. It is not allowable because fines are unallowable costs under the IHBG program. ____
3. The fine is allowable because it was incurred as a result of compliance with specific provisions of the federal award. ____
4. The fine is allowable because it is a minimal amount. ____
5. The fine is allowable because THA has prior written approval of the IHBG award. ____

Practice Exercise 3

THA incurred advertising and public relations costs in 2016 and charged its IHBG grant. The external auditor found these costs and deemed them either allowable or unallowable. What did the auditor rule on each of the following costs?

1. Advertising costs for the recruitment of personnel required by THA to work in the federal program. _____
2. Costs of meetings and events related to other activities of the entities, including the costs of displays and exhibits. _____
3. Cost of advertising and public relations designed solely to promote the non-Federal entity. _____
4. Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the IHBG award. _____
5. Costs of conducting general liaison with news media and government public relations officers to keep the public informed on matters of public concern, such as notices of funding opportunities. _____

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Practice Exercise 4

A THA employee was required to attend an approved training conference related to her work that is funded with a federal grant. The employee brought her young daughter with her who required day care services. There were a couple of days in the conference where the employee had to participate in training that lasted longer than she anticipated, causing her to use the day care services beyond the 8 hours a day she normally would pay for child care services.

Scenario A: THA does not include temporary dependent care in its written travel policy. How much of the cost is allowable?

1. 100% of the total cost of the day care services.
2. Only the cost pertaining to the hours above and beyond the 8 hours a day the employee would have paid for child services.
3. 100% of the cost is unallowable.

Scenario B: Temporary dependent care is included in THA's written travel policy. How much of the cost is allowable?

1. 100% of the total cost of the day care services.
2. Only the cost pertaining to the hours above and beyond the 8 hours a day the employee would have paid for child services.
3. 100% of the cost is unallowable.

Practice Exercise 5

THA is a TDHE. THA purchased a vehicle with IHBG funds for the 1937 Housing Act Activity and capitalized it. It calculated depreciation, as required under Generally Accepted Accounting Principles (GAAP) and showed the depreciation amount as an expense of the activity in its financial statements. Indicate whether each comment below is True or False and Explain your answer.

1. The entry was proper. True or False?
2. Because the vehicle is an allowable cost of the IHBG program, depreciation expense is an allowable expense for reimbursement from IHBG funds. True or False?
3. Depreciation is not an allowable expense of the IHBG grant.

Practice Exercise 6

According to 2 CFR Part 200.430(i) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

THA's budget for compensation and fringe benefits is based on an allocated of its 25 employees to various grants and activities based on the employees job duties and department it reports to. During the year, some employees are paid and their compensation and fringe benefits are allocated to all the

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different activities and programs based on the budget, while other employees times are allocated based on timesheets where they have accurately recorded hours worked in different jobs and activities.

1. Is the allocation of employees' times based on a budget allowable? Yes or No?
2. If you answered YES, what must you have in place to ensure that the budgeted amounts charged to the grant "accurately reflects the work performed" by the employee?

Practice Exercise 8

An auditor did not question entertainment costs charged by the TDHE to the IHBG grant for payment for a Native Dancing group that entertained at the opening of the native community's annual meeting. The auditor did not consider the entertainment cost as a disallowed cost of the IHBG grant because (identify whether it is True or False):

1. The amount spent on the Dancing Group was only \$200; a very insignificant amount.
2. The entertainment cost is allowable because the activity for which the Dancing Group was invited to perform is approved in the IHP where the native community meets once a year to discuss their housing issues as a basis for establishing community housing needs.
3. Entertainment cost is for a programmatic purpose that is approved in the IHP.