



**U.S. Department of Housing and Urban Development
Office of Public and Indian Housing**

Special Attention of:
Administrators, Offices of Native American
Programs; and Tribes, Tribally Designated
Housing TDHE Entities (TDHE)

Notice PIH 2014-15

Issued: June 19, 2014

Expires: This notice remains in effect until
amended, superseded, or rescinded

Cross Reference(s): 24 CFR Part 1000
and OMB Circular A-87

SUBJECT: Administrative and Planning Expenses in the Indian Housing Block Grant (IHBG) Program

PURPOSE: This Notice provides specific guidance on administrative and planning expense requirements for recipients of IHBG funds. The regulatory requirements on IHBG administrative and planning expenses (24 CFR §§1000.236, 1000.238) changed on January 3, 2013. The regulation now identifies what percentage of the recipient's annual grant allocation or expenditures may be used for such purposes without prior HUD approval. This Notice replaces Notice PIH 2002-29.

In addition to the above IHBG regulatory requirements, NAHASDA recipients are also required to meet the cost guidelines in applicable OMB Circulars and the regulations at 2 CFR Part 225 (2013). Recipients should note that new Federal government regulations on Administrative Requirements, Cost Principles, and Audit Requirements were promulgated on December 26, 2013, at 2 CFR Part 200. HUD intends to update its regulations by December 26, 2014, to implement these new requirements in its programs. After HUD implements the new requirements, in 2 CFR Part 200 and (after December 26, 2014), all grant funds will be subject to 2 CFR Part 200. Until that time, applicable OMB Circulars and the regulations at 2 CFR Part 225 will continue to apply to IHBG funds awarded prior to December 26, 2014.

ADMINISTRATIVE AND PLANNING EXPENSES: NAHASDA recipients are required to meet the general allowability cost guidelines at 2 CFR Part 225 (2013). Expenses must: (1) be necessary and reasonable; (2) be allocable; (3) be authorized; (4) conform to any limitations or exclusions; (5) be consistent with policies, regulations, and procedures; (6) be accorded consistent treatment; (7) be determined according to generally accepted accounting principles; (8) not be included as a cost or used as a cost to meet cost sharing requirements; (9) be the net of all applicable credits; and (10) be adequately documented, 2CFR Part 225, App.A.(C).

The IHBG regulation at 24 CFR §1000.236 (2013) lists several examples of eligible administrative and planning expenses. Such expenses include, but are not limited to:

- (1) Costs of overall program and /or administrative management;
- (2) Coordination monitoring and evaluation;
- (3) Preparation of the Indian Housing Plan (IHP) including data collection and transition costs;

- (4) Preparation of the annual performance report;
- (5) Challenge to and collection of data for purposes of challenging the formula; and
- (6) Administrative and planning expenses associated with the expenditure of non-IHBG funds on affordable housing activities, as long as the source of the non-IHBG funds limits expenditure of its funds on such administrative expenses.

EXPENDITURE OF RESERVE ACCOUNTS FUNDS: The funds held in the reserve account(s) are to be used only for eligible administration and planning expenses in accordance with 24 CFR §1000.239 (2013). The amounts spent from the reserve account(s) are included in the recipient’s applicable 20 percent or 30 percent maximum amount of grant funds that may be used for administration and planning expenses. For additional information, see the Program Guidance for *Reserve Accounts for Administration and Planning*.

PERCENTAGE OF IHBG FUNDS TO BE USED FOR ADMINISTRATION AND PLANNING: The recipient’s annual grant amount determine the percentage of IHBG funds that can be used for administration and planning. A recipient may request HUD approval to exceed the 20 or 30 percent spending cap.

<i>Annual IHBG Grant</i>	<i>Administrative and Planning Spending Cap</i>
\$500,000 or Less	30%
More than \$500,000	20%

- **\$500,000 or less:** Recipients receiving \$500,000 or less may use up to 30 percent of their annual expenditures of grant funds or up to 30 percent of their annual grant amount, whichever is greater.
- **In Excess of \$500,000:** Recipients receiving in excess of \$500,000 may use up to 20 percent of their annual expenditures of grant funds or may use up to 20 percent of their annual grant amount, whichever is greater. The 20 percent cap also would apply to a recipient that receives IHBG funds on behalf of one or more beneficiaries if each beneficiary qualifies for the 20 percent spending cap.
- **One or more Beneficiaries:** If a recipient receives IHBG funds on behalf of one or more grant beneficiaries, the recipient may use up to 30 percent of the annual expenditure of grant funds or 30 percent of the grant amount, whichever is greater, for each beneficiary whose allocation is \$500,000 or less. For beneficiaries whose allocation is in excess of \$500,000, the recipient may use up to 20 percent of the annual expenditure of grant funds or up to 20 percent of the annual grant amount, whichever is greater.
- If the same percentage cap applies to all of the recipient’s beneficiary grant allocations, the recipient should state the grant amount or expenditure amount, the cap percentage applied, and the actual dollar amount of the cap. If the recipient applies a different cap percentage for each beneficiary, the following information must be provided:
 - (1) Name of each beneficiary
 - (2) Amount of each beneficiary allocation
 - (3) Applicable percentage cap for each beneficiary allocation
 - (4) Actual dollar amount of each cap
 - (5) Combined cap dollar amount

The following is an example of a recipient’s calculation of the maximum amount that can be spent on administrative and planning expenses to be included on line 4 when multiple grant

beneficiaries are included in the grant.

Grant Beneficiary	Annual Grant Amount (a)	Percentage Allowed (b)	Maximum A & P based on Annual Grant Amount (a x b)	Annual Expenditures (d)	Percentage Allowed (e)	Maximum A & P based on Annual Expenditures (d x e)
Name of Tribe	\$600,000	20%	\$120,000	\$450,000	20%	\$90,000
Name of Tribe	\$300,000	30%	90,000	\$600,000	30%	\$180,000
Total			\$210,000			\$270,000

In this example, the maximum amount that the recipient can spend on administrative and planning expenses is \$270,000. The calculation for the budgeted administrative and planning expense must be included on Line 4 in Section 6 of the IHP. Any revision to the calculation based upon actual expenditures must be included in Line 5 in Section 6 of the annual Performance Report (APR).

HUD recommends that a recipient consistently apply either the annual grant amount or annual expenditure amount in calculating the spending cap. A recipient may request HUD approval to exceed the 20 or 30 percent spending cap (24 CFR §1000.238 (2013)).

AFFORDABLE HOUSING ACTIVITIES WITH NON-IHBG FUNDING: If necessary, a recipient may use IHBG funds for expenses related to the administration and planning of affordable housing activities funded with non-IHBG funds. The total amount of IHBG funds spent on administration and planning for both IHBG and non-IHBG funded activities may not exceed the recipient’s allowable spending cap, except with HUD approval. The use of IHBG funds for administration and planning of activities funded with non-IHBG funds must comply with the IHBG restrictions on using funds for administration and planning, in addition to any requirement on administrative and planning expenses imposed by the non-IHBG funds (not including non-IHBG spending limits).

ELIGIBLE ADMINISTRATIVE AND PLANNING EXPENSES: The following illustrate eligible administrative and planning expenses.

- **Costs of overall program and/or administrative management**
 - Salary and the associated expenses of the Tribal Designated Housing Entity (TDHE) Executive Director and immediate staff or the tribe’s Housing Division Director and immediate staff while managing the housing entity’s or divisions overall operations.
 - Expense or a portion of the expense of obtaining a periodic financial review or audit of the recipient.
 - Expense or a portion of the expense of the accounting and personnel divisions of the recipient.
 - For those tribes that have an approved indirect cost rate, the applicable indirect expenses. For the indirect expenses to be allowable, the approved indirect cost rate proposal must include the IHBG program in the direct cost base and be prepared in accordance with Appendix E of 2 C.F.R §225 (2013).
 - Expenses to develop a comprehensive housing affordability strategy and community development plan describing needs, resources, priorities and proposed activities on a reservation-wide or Indian area-wide basis.

- **Coordination monitoring and evaluation**
 - Salary and associated expenses or contractor expense for the self-monitoring effort by the recipient.
 - Salary and associated expenses of a tribe when evaluating the operations of its TDHE.

- Salary and associated expenses of a recipient when evaluating the operations of a sub recipient.
- **Preparation of the IHP including data collection and transition costs**
 - Salary and associated expenses or contractor expenses for collecting housing and population data and preparing the IHP.
 - Start-up expenses of a tribe that is taking over the housing needs responsibility from a housing authority or TDHE.
- **Preparation of the Annual Performance Report (APR)**
 - Salary and associated expenses or contractor expenses for collecting data and compiling information for the APR.
 - Expense of making the APR available to the public and obtaining public comments before submitting the APR to the Area Office of Native American Programs (ONAP).
- **Challenge to and collection of data for purposes of challenging the formula**
 - Salary and associated expenses or contractor expense for gathering and presenting data to challenge the IHBG formula.
- **Staff and overhead costs directly related to carrying out affordable housing activities**
 - Administrative expenses of an individual affordable housing activity may be charged to administration and planning at the discretion of the recipient. If a recipient chooses to charge direct administration costs of an affordable housing activity as administrative and planning, the cost of developing or operating the activity will be understated. This may cause problems when, in the normal course of property management, the recipient evaluates the true cost of the activity for cost/benefit and whether to continue or repeat that activity. A recipient should review its financial management information needs before electing to charge direct costs to administrative and planning expense.

INELIGIBLE ADMINISTRATIVE AND PLANNING EXPENSES: The following are examples of ineligible administrative and planning expenses:

- **Funds or property used for personal employee use** is considered a contribution to others and in an unnecessary and unreasonable cost, and therefore, an ineligible IHBG expense.
 - IHBG funds used to pay personal obligations of an employee.
 - Recipient use of IHBG funds to pay the maintenance and operating expenses of the personal property.
 - Recipient's property used for personal purposes.
 - Recipient-owned funds or property being used for non-recipient business.
- **Paying a disproportionate share of a computer network's purchase and installation costs.**
 - A proportional share of the network cost is an eligible charge to the IHBG program; however, the amount actually charged to the IHBG program must be supported and reasonable in relation to the degree the system is used by the IHBG program.

- **Miscalculating the indirect cost rate allocation.**
 - In general, indirect costs are eligible under the IHBG program; however, in order for the indirect costs to be allowable, they must be supported by an approved indirect cost rate proposal that has been prepared in accordance with Appendix E to 2 C.F.R. Part 225 (2013).

- **Exceeding the IHBG administrative and planning percentage ceiling without HUD approval.**
 - A recipient may not exceed the maximum percentage award for administrative and planning. Any costs in excess of the percentage ceiling would be ineligible. The recipient must request prior approval by HUD to exceed the percentage limitation.

- **Inadequate documentation to support all administration and planning expenses related to affordable housing activities.**
 - The recipient's financial management records must support the costs charged to the administrative and planning expense line item. The actual amounts paid by the recipient must be documented in the recipient's financial records(for example, a recipient may not automatically charge the maximum percentage of the grant to administrative and planning expenses without providing supporting documentation).

- **A tribe's sub recipient agreement specified that administrative and planning expenses of the sub recipient were to be charged directly to housing activities.**
 - The sub recipient's responsibilities include preparing and submitting the IHP, the APR and progress reports to the tribe. Since, sub recipients must comply with the same requirements as recipients, classification of general administrative and planning costs to an affordable housing activity is inappropriate. In a situation where a tribe and a sub recipient both incur administrative and planning expenses, all such costs must be compiled from all sources to determine compliance with the IHBG programs limitation on planning and administrative expenses.

- **Non-IHBG funds used for administrative and planning activities to the maximum extent permitted before IHBG fund may be used for a non-IHBG fund.** The intent of §1000.236(a)(6) was to encourage leveraging of funds by enabling IHBG funds to be used for the administration and planning activities of non-IHBG funds related to affordable housing.
 - A recipient may only use IHBG funds for administration and planning of a non-IHBG fund after using the non-IHBG fund for administration and planning to the maximum extent permitted by that fund. For example, if a non-IHBG fund of \$100,000 only allows the use of that fund up to 10 percent of the allocation for administration and planning, the recipient must use \$10,000 for such activities before it can utilize IHBG grant funds to administer that non-IHBG fund.

- **IHBG funds used for administrative and planning activities of a non-IHBG fund beyond the IHBG limitation for administrative and planning expenses.**
 - If the non-IHBG fund limits administrative and planning expenditures, but that limitation is more generous than that allowed under IHBG (20 percent of annual expenditure or grant for recipients receiving more than \$500,000 and 30 percent of annual expenditure or grant for recipients receiving \$500,000 or less), then

IHBG fund may not be used for administrative and planning expenditures of that non-IHBG fund, unless approved by HUD in advance.

- When IHBG grant funds are used for administrative and planning activities of a non-IHBG program, the recipient must comply with IHBG rules governing administrative and planning expenditures.
- Administrative and planning expenses related to a non-IHBG fund must comply with IHBG rules governing administrative and planning expenditures when using IHBG grant funds.

If you have any questions regarding this Notice, please contact your local Area ONAP.

/s/

Sandra B. Henriquez, Assistant Secretary
for Public and Indian Housing