This policy guidance is being issued to clarify administrative and indirect costs for all grant programs awarded by the Office of Healthy Homes and Lead Hazard Control (OHHLHC).

According to federal regulations, administrative costs are expenses related to general management, oversight, coordination, evaluation, and reporting on eligible activities. Recipients of OHHLHC grant funds may charge up to 10 percent of their grant for administrative fees. Recipients often set aside or allow subrecipients to charge administrative fees. These amounts should be counted as part of the 10 percent administrative fee cap.

However, the costs for goods or services provided as a vendor would not be counted as part of the 10 percent administrative fee. A vendor is a contractor, dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program.

**Administrative Costs**

For OHHLHC grants, administrative costs include:

(a) *General management, oversight and coordination.*

Reasonable costs of overall program management, coordination, monitoring, and evaluation. Such costs include, but are not necessarily limited to, necessary expenditures for the following:

(1) Salaries, wages, and related costs of the recipient's staff, the staff of local public agencies, or other staff engaged in program administration. In charging costs to this category the recipient may either include the entire salary, wages, and related costs allocable to the program of each person whose primary responsibilities with regard to the program involve program administration assignments, or the pro rata share of the salary, wages, and related costs of each person whose job includes any program administration assignments. The recipient may use only one of these methods during the grant period. Program administration includes the following types of assignments:
(i) Providing local officials and citizens with information about the program;
(ii) Preparing program budgets and schedules, and amendments thereto;
(iii) Developing systems for assuring compliance with program requirements;
(iv) Developing interagency agreements and agreements with subrecipients and contractors to carry out program activities;
(v) Monitoring program activities for progress and compliance with program requirements;
(vi) Preparing reports and other documents related to the program for submission to HUD;
(vii) Coordinating the resolution of audit and monitoring findings;
(viii) Evaluating program results against stated objectives; and
(ix) Managing or supervising persons whose primary responsibilities with regard to the program include such assignments as those described in paragraph (a)(1)(i) through (viii) of this section.

(2) Travel costs incurred for official business in carrying out the program;
(3) Administrative services performed under third party contracts or agreements, including such services as general legal services, accounting services, and audit services; and,
(4) Other costs for goods and services required for administration of the program, including such goods and services as rental or purchase of equipment, insurance, utilities, office supplies, and rental and maintenance (but not purchase) of office space.

(b) **Indirect costs.**

Indirect costs are a sub-category of administrative costs. Indirect costs may only be charged to the OHHLHC grant program under a cost allocation plan prepared in accordance with OMB Circulars A-87 (Cost Principles for State and Local Governments) or A-122 (Cost Principles for Nonprofit Organizations), as applicable. Indirect costs (such as rent, utilities, maintenance and other costs that are shared among several departments of the recipient organization) are always categorized as administrative costs.

OMB Circular A-87 defines Indirect Costs as: those [costs]: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. The term “indirect costs,” as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. See Attachment 1 for more information.

**Cost Categories**

There are three cost categories associated with grants administered by the OHHLHC. They are:
<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Required % of Federal Award</th>
<th>Typical Activities</th>
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| Administrative| Not to exceed 10% of the federal grant, and includes the Indirect Costs | 1. Salaries are wages (including vacations, holidays, sick leave, and other excused absences of employees working specifically on objectives of a grant or contract – i.e, direct labor costs).  
2. Other employee fringe benefits allocable on direct labor employees.  
3. Consultant services contracted to oversee/manage specific grant/contract objectives.  
4. Travel of (direct labor) employees.  
5. Materials, supplies and equipment purchased directly for use on a specific grant or contract.  
6. Communication costs such as long distance telephone calls or telegrams identifiable with a specific award or activity.  
7. Indirect Costs. See Attachment 1 |
| Direct        | Minimum of:  
• LHC – 65%  
• HHP – 65%  
• LHRD – 80% | See Attachment 2 |
| Other Direct  | None           | See Attachment 2 |

Please contact your Government Technical Representative if you have any further questions.
ATTACHMENT 1: INDIRECT COSTS

What are indirect costs?
Indirect costs are a sub-category of administrative costs and represent the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the conduct of activities it performs. According to OMB Circular A-122 (2 CFR Part 230): “Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective…”

What is an indirect cost rate?
An indirect cost rate is simply a device for determining fairly and conveniently within the boundaries of sound administrative principles, what proportion of indirect cost each program should bear. Note that indirect costs are incurred for common or joint objectives and cannot be readily identified with a particular grant, contract or other activity of the organization. An indirect cost rate is the ratio between the total indirect expenses and some direct cost base. The indirect cost allocation methods used by each organization depend on its own structure, program functions, and accounting system.


How are indirect cost rates determined?
The cognizant federal agency is responsible for approving indirect cost rates for recipients based on an indirect cost proposal submission. The indirect cost proposal or cost allocation plan should:

1. Identify all the activities carried on by the Department or unit and their attendant costs. All activities must be included regardless of the source of funds used to pay for them.
2. Incorporate those costs allocated to the departments or units through the central service cost allocation plan.
3. Classify the activities and their costs as direct or indirect.
4. Eliminate from indirect costs capital expenditures and those stipulated as unallowable by OMB Circular or program legislation.
5. Compute the rate by dividing the total remaining indirect costs by the direct cost base selected for distribution of the indirect costs. The most frequently used base is Modified Total Direct Costs (MTDC).

Step 4 above requires judgment on whether to "exclude" any disallowed or distorting costs or reclassify those costs to the direct costs base. The determining factor is if the cost at issue generates overhead or benefits from indirect costs, then it should be reclassified to the base and allocated a fair share of indirect costs.
ATTACHMENT 2: DIRECT COSTS

Lead-based Paint and Lead Hazard Reduction Grants (LHC/LHRD)

There are two types of direct costs: Lead Hazard Control Direct Costs and Other Direct Costs.

(1) Lead Hazard Control Direct Costs:
Lead hazard control direct costs are defined as costs specifically related to the performance of lead hazard control activities, as defined below. When preparing the budget, you must document how at least 65 percent of the requested grant amount for the Lead-Based Paint Hazard Control Grant program, or at least 80 percent of the requested grant amount for the Lead Hazard Reduction Demonstration Grant Program is dedicated specifically for direct lead hazard control activities. Lead hazard control activities are defined as:

- Performing lead dust, soil and paint-chip testing, lead-based paint inspections, risk assessments, clearance examination, and engineering and architectural activities that are required for, and in direct support of, interim control and lead hazard control work, of eligible housing units constructed prior to 1978 to determine the presence of lead-based paint and/or lead hazards from paint, dust, or soil through the use of acceptable testing procedures.
- The control or elimination of all lead-based paint hazards identified in housing units and in common areas of multi-family housing by either of the following strategies (or a combination), through either interim controls or lead-based paint abatement. For a complete description of interim controls and abatement, see HUD’s Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing, located at http://portal.hud.gov/hudportal/HUD?src=/program_offices/healthy_homes/lbp/hudguide
- Undertaking minimal housing intervention activities that are specifically required to carry out effective hazard control, and without which the hazard control could not be completed, maintained, and sustained. Refer to HUD Policy Guidance 2008-02 on the OHHLHC website, located at http://www.hud.gov/offices/lead/library/lead/PGI-2008-02_Doing_Minimal_Rehab.pdf.
- Carrying out temporary relocation for temporarily displaced families and individuals while the remediation is conducted and until the time the affected unit receives clearance for re-occupancy. When persons with disabilities are temporarily relocated, they must be placed in housing that provides, at a minimum, the same accessibility features as the housing in which they currently resides. HUD expects that most temporary relocation for lead hazard control work would be for 10 days or less.
- Lead Hazard Control-Specific Soft Project Costs. Activities that directly support the undertaking of lead hazard control activities, and without such support activities, the lead hazard control activities could not be conducted. These soft project costs may include: staff costs for intake, review and approval of applications and preparation of documents to be signed by applicants for lead remediation work; staff costs for arranging for temporary relocation; staff costs associated with reimbursement, and providing assistance to residents in relation to lead hazard control; and travel for staff that perform lead hazard control.
(2) Other Allowable Direct Costs:
Costs for the activities below are allowable Direct Costs, but should not be counted as Lead Hazard Control Direct Costs (i.e., counted towards the 65% minimum):

- Purchasing or Leasing Equipment Having a Per-Unit Cost under $5,000. Award recipients that purchase X-ray fluorescence (XRF) analyzers or other equipment in excess of $5,000 apiece must complete the General Services Administration’s annual Tangible Personal Property Report, if and after that report receives OMB approval under the Paperwork Reduction Act of 1995 (see 75 Federal Register 14441-14442; March 25, 2010). This report has four components: the Annual Report, the Final (Award Closeout) Report, and the Disposition Report/Request, and, if needed, the Supplemental Sheet (see http://www.whitehouse.gov/omb/ grants_standard_report_forms). Generally, the average estimated time to complete each of these components is 0.5 hours; it is likely to be less for this grant program.

- Performing blood lead testing or air sampling to protect the health of the hazard control workers, supervisors, and contractors.

- Conducting pre-hazard control blood lead testing of persons residing in or frequently visiting units undergoing lead hazard control work.

- Conducting targeted outreach, affirmative marketing, education or outreach programs on lead hazard control and lead poisoning prevention that will result in increased lead hazard control activities or designed to increase the ability of the program to deliver lead hazard control services including educating owners of rental properties, tenants, and others on the Residential Lead-Based Paint Hazard Reduction Act, Lead Safe Housing Rule (24 CFR part 35, subparts B-R), and applicable provisions of the Fair Housing Act especially as it pertains to familial status (e.g., families with children) and disability discrimination, providing meaningful access to these program benefits and information to Limited English Proficient (LEP) individuals through language assistance strategies and services, in accordance with Title VI of the Civil Rights Act of 1964 and the Final Guidance to Federal Financial Assistance Recipients Regarding Title VI, Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons published on January 22, 2007 in the Federal Register (72 FR 2732), and providing training on lead-safe maintenance and renovation practices and management. Upon request, this also would include making all materials available in alternative formats to persons with disabilities (e.g., Braille, audio, and large type). Also, a registry of lead-safe units should be developed and provided to families as part of the outreach program.

- Supporting data collection, analysis, and evaluation of grant program activities. This includes compiling and delivering such data as may be required by HUD.

- Providing resources to build capacity for lead-safe housing and lead hazard control, including free delivery of HUD-approved lead-safe work practices training courses for housing rehabilitation contractors, rehabilitation workers, renovators, remodelers, homeowners, renters, painters, maintenance staff, and others conducting renovation, rehabilitation, maintenance, hazard control, or other work in private housing; free delivery of lead sampling technician training, lead-based paint worker or contractor certification training; subsidies for licensing or certification fees to low-income persons seeking credentials as lead-based paint workers or contractors, lead sampling technicians or certified renovators; and completion of other HUD-approved courses that further the effectiveness of lead hazard control interventions or promote the integration of this grant
program with housing rehabilitation, property maintenance, weatherization, healthy homes initiatives, and housing-related health hazard interventions, such as the Essentials for Healthy Homes Practitioners Course.

- Conducting planning, coordination, and training activities to comply with HUD’s Lead Safe Housing Rule (24 CFR part 35, subparts B-R). These activities should support the expansion of a workforce properly trained in lead-safe work practices that is available to conduct interim controls on HUD-assisted housing covered by these regulations.
- Participating in technical studies, or developing information systems to enhance the delivery, analysis, or conduct of lead hazard control activities, or to facilitate targeting and consolidating resources to further childhood lead poisoning prevention efforts. For the programs in this NOFA, we do not expect research that could affect human subjects to be conducted.

**Healthy Homes Production Grants**

**There are two types of direct costs:** Direct Healthy Home Remediation Costs and Other Allowable Direct Costs.


   The following kinds of activities are considered direct healthy home remediation costs:
   - Assessing and remediating housing-related health and safety hazards to identify and correct hazardous conditions that pose a likelihood of harm to occupant health, if not addressed.
   - Conducting sampling and analysis for lead, allergens, carbon monoxide and/or other housing-related health and safety hazards as appropriate, following established protocols and procedures when possible. Residential paint, soil or dust samples to be analyzed for lead must be analyzed by a laboratory recognized by the U.S. Environmental Protection Agency’s (EPA’s) National Lead Laboratory Accreditation Program (NLLAP) ([http://www.epa.gov/lead/pubs/nllap.htm](http://www.epa.gov/lead/pubs/nllap.htm)) with the recognition under NLLAP applicable to the medium analyzed. Samples to be analyzed for mold must be submitted to a laboratory accredited in the Environmental Microbiological Laboratory Accreditation Program (EMLAP), administered by the American Industrial Hygiene Association (AIHA) Laboratory Accreditation Programs, LLC.
   - Healthy Home Remediation soft project costs. Soft project costs are those activities that directly support the undertaking of healthy homes activities, without which, such activities could not be conducted. These project costs may include: staff costs for intake, review and approval of applications and preparation of documents to be signed by applicants for remediation work; staff costs for arranging for temporary relocation, staff costs associated with reimbursement, and providing assistance to residents in relation to remediation; travel for staff that perform the remediation; and, development of necessary architectural, engineering and work specification write-ups and other construction management services in support of the healthy home intervention activities.
(2) Other Allowable Direct Costs. Costs for the activities below are allowable Direct Costs, but are not considered “Direct Healthy Home Remediation Cost Allocation” (i.e., counted towards the 65% minimum):

- Purchasing or leasing equipment having a per-unit cost under $5,000.
- Supporting data collection, analysis, and evaluation of grant program activities. This includes compiling and delivering such data as may be required by HUD.
- Providing resources to build capacity for healthy homes interventions, including delivery of HUD-approved training courses for housing rehabilitation contractors, rehabilitation workers, renovators, remodelers, homeowners, renters, painters, maintenance staff, health practitioners, and others conducting renovation, rehabilitation, maintenance, hazard control, or other work in private housing; subsidies for licensing or certification fees to low-income persons seeking credentials as healthy housing practitioners, lead sampling technicians or certified renovators; and, completion of other HUD-approved courses that further the effectiveness of hazard control interventions or promote the integration of this grant program with housing rehabilitation, property maintenance, weatherization, and housing-related health hazard interventions, such as the Healthy Homes Practitioners Training Course or the Healthy Homes for Code Inspectors Course. Applicants are not permitted to allocate more than one (1) percent of their federal award to training activities.
- Conducting targeted outreach, affirmative marketing, or education that help promote participation in the program and further the goal of protecting children and other vulnerable populations from housing-related health hazards, including providing access to these program benefits and information to Limited English Proficient (LEP) individuals through language assistance services. The recipient must adopt and implement procedures to ensure that interested persons (including persons with impaired vision or hearing) can obtain information concerning the existence and location of accessible services, activities, and facilities. See 24 CFR Part 8.6(b). Upon request, information and communications related to all training, education, marketing, and outreach activities conducted pursuant to this NOFA must be provided in a manner that is effective for the requesting individual’s disability pursuant to Section 504 of the Rehabilitation Act of 1973 and 24 CFR Part 8.6. HUD encourages its funding recipients to adopt the goals and objectives of Section 508 of the Rehabilitation Act by ensuring, whenever electronic information technology (EIT) is used, procured, or developed, that persons with disabilities have access to and use the information and data made available through the EIT on a comparable basis as is made available to and used by persons without disabilities.
- Evaluating the effectiveness of hazard remediation conducted under this grant to assess how healthy homes interventions affect the health of the population being served relative to the population at large.
- Securing liability insurance for housing-related environmental health and safety hazard evaluation and control activities. This is considered either an indirect cost or an administrative cost, depending on the relationship of the insurance applicable for this grant to the applicant’s overall insurance policy portfolio.
- Purchasing resident supplies, to include environmentally safe or low-toxicity cleaning supplies, integrated pest management kits, or household safety items as required with the identified housing related health hazards and direct intervention activities.