



OFFICE OF  
HOUSING COUNSELING  
LET'S MAKE HOME HAPPEN

# Billing Methodologies and Best Practices

*"Built to Last Built for Change"*

**August 9, 2017**

**Facilitated By  
Robin L. Booth, CPA  
Audit Principal  
Booth Management Consulting**

# Training Topics



- What is a Billing Methodology?
- Acceptable Billing Methodologies
- Applying Billing Methodologies
- Best Practices
- Questions?

# What Is A Billing Methodology?

## Sub-Grantees

- Documented method for how the organization will bill the Grant.

## Intermediaries, SHFAS, & MSOs

- Documented method for how the organization will bill HUD and reimburse Sub-grantees or Branches.

### ***Method should detail the computation of:***

- Hourly rates
- Fringe benefits
- If applicable, Fixed price reimbursement
- All other budgetary line items

# What Is a Billing Methodology?

- Any employee funded by federal grants must document the time they spend working on the grant's objectives.
- Methodology and documentation must be based on actual hourly rates and time spent by employees on awards being charged.
- If fixed cost reimbursement – detail the process used to ensure that the fixed cost reimbursement rate does not exceed the actual cost of providing the housing counseling services.

# Intermediaries, SHFAs, MSOs FY16-17 Grant Agreement

For each Sub-grantee and Branch, Grantees must submit a separate report containing the following items. Grantees that manage networks of counseling agencies and also provide direct housing counseling services at the Grantee's main office must also submit a separate report containing the following items for the direct housing counseling services provided at the Grantee's main office.

1. Grantee's name, address, and Grant number as they appear on the Grant document.
2. Start and end dates of the report period.
3. Hourly rate. Identify each counselor or other employee whose time/activity is being billed to the Grant, the individual's title, and the hourly billing rate used to calculate reimbursement from HUD or a Parent Organization for that individual's time/activity; or, in the event of fixed-price reimbursement, document actual expenses. Explain the method used for calculating hourly rates, e.g. whether benefits are included in the rate.

# Intermediaries, SHFAs, MSOs FY16-17 Grant Agreement (cont.)

4. Fixed-Price Reimbursement. Grantee must document actual expenses which must be reasonable and does not exceed actual costs.
5. Staff hours. Indicate for each relevant counselor and other employee the total number of hours being billed to the Grant cumulatively and for the quarter. For each individual whose work time will be reimbursed from the Grant, multiply the relevant hours by the relevant hourly rate (see item #3) and indicate the cumulative total and total for the quarter.
6. Itemized Accounting of Actual Costs. Submit a detailed, comprehensive itemized accounting of actual costs listing expenses for each distinct quarter, and the Grant period to date, under the Grant. At a minimum, the accounting must include the following as applicable: salaries, fringe and other benefits, training, travel, rent, phone, postage, supplies, technology/equipment, marketing, and indirect costs. The accounting must itemize the expenditure of each dollar being billed to the Grant. The itemized accounting of actual expenses may be submitted on form HUD-424 CB, or in a format of the Grantee's choosing if the form HUD-424 CB does not provide enough detail. Any deviation between the itemized accounting of actual costs and the budget submitted at the time of Grant execution must be explained in detail and approved by the GTR.

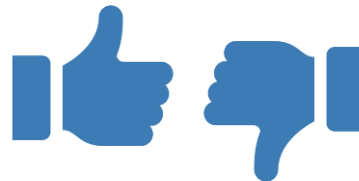
# Determining Acceptable Methodologies

Type of Cost	ACCEPTABLE METHODOLOGIES	UNACCEPTABLE METHODOLOGIES
Direct Labor	<ol style="list-style-type: none"> <li>Using actual hourly rates for hourly employees and computing the hourly rate for salaried employees based on annual hours worked</li> </ol>	<ol style="list-style-type: none"> <li>Computing hourly rates as a percentage of the person's salary based on estimated level of effort.</li> <li>Including non salary related costs in the hourly rate such as office space and supplies to counselors.</li> </ol>
Fringe Benefits	<ol style="list-style-type: none"> <li>Compute based on actual fringe benefits paid on behalf of the employee including insurances (health, life, dental, vision, disability), employer's share of FICA/Medicare, compensated leave, unemployment, workmen's compensation, etc.</li> <li>Determine the annual costs for all fringe benefits.</li> </ol>	<ol style="list-style-type: none"> <li>Computed based on an estimate not supported by actual costs or including fringe benefits that are paid for by the employee instead of the organization.</li> <li>Changing the fringe benefit rate each quarter due to changes in the actual fringe related costs. Costs should be annualized.</li> </ol>
Indirect Cost	<p>If Negotiated Indirect Cost Rate (NICRA), using the approved or lower rate, if no NICRA either use no rate or elect the 10% De Minimis Rate.</p>	<ol style="list-style-type: none"> <li>Using a rate not approved by a Federal cognizant agency.</li> <li>Using the parent rate (if a sub-grantee).</li> <li>Electing the 10% De Minimis rate although not eligible.</li> <li>Applying a program charge (overhead rate)</li> </ol>



# Determining Acceptable Methodologies

Type of Cost	ACCEPTABLE METHODOLOGIES	UNACCEPTABLE METHODOLOGIES
Fixed Price Reimbursement	Multiplying actual hourly rates x actual hours, based on available data such as time tracking, staffing utilization reports, etc. to compute a fixed price amount.	<ol style="list-style-type: none"><li>1. Estimating the level of effort in hours.</li><li>2. Using percentages of salaries based on level of effort to compute hourly rates.</li><li>3. Failure to document the source of the data for determining hours per</li></ol>
Travel	Reimbursement based on actual costs and/or per diem.	Using per diem for Federal awards only, and the lower of per diem or actual for non Federal awards.



# Applying The Methodology



## Converting from Salary to Actual Hourly Rate?

Different Methods for Converting from a Salary to an Hourly Rate:

- **Standard Hourly Rate:** To compute the standard hourly rate, divide the annual salary by the available work hours per year. The average, full-time, salaried employee works 40 hours a week or 2,080 (40 x 52) hours a year. The 2,080 hours includes compensated leave (i.e. holidays, vacation, sick leave, etc.).
- **Actual Hourly Rate:** Computed based on the actual hours excluding compensated leave and is used for cost reimbursement agreements such as the HUD housing counseling agreement.

The lower the actual total work hours, the higher the actual hourly rate. Accordingly, the exclusion of compensated leave and other leave will be reviewed for reasonableness.

# Applying The Methodology



## Converting from Salary to Actual Hourly Rate

### SCENARIO:

- Full-time employee with a salary of \$40,000 a year
- Organization operates 5 days per week for 8 hours per day for 52 weeks per year
- Each year the employee is entitled to 15 days of paid vacation, 8 paid holidays, and 5 paid sick days

# Applying The Methodology



## Converting from Salary to Actual Hourly Rate

### Step 1: Compute Actual Hourly Rate

Total Available Work Hours	2,080.00	
<b>Computation of Hourly Rate</b> <b>(\$40,000 salary/2,080 available hours)</b>	<b><u>\$19.23</u></b>	
Compensated Leave:	0.00	
# of Paid Holidays (Hours)	64.00	
# of Paid Time Off Days (Hours)	<u>160.00</u>	
	Total Paid Time Off	224.00

# Applying The Methodology



## What is a Fringe Benefits Rate?

A fringe benefit rate is the cost of an employee's benefits divided by the wages paid to an employee for the hours working on the job. Costs included as fringe benefits include:

- Compensated leave (vacation, holiday & sick leave)
- Employer's Share of Payroll Taxes
- Pension Plan
- Workmen's Compensation
- Group Insurance (health, life & disability)
- Tuition Reimbursement
- Training (non direct)
- Employee Health & Welfare Program

# Applying The Methodology



## SCENARIO – Including Uncompensated Leave

- Full-time employee with an annual salary of \$40,000.
- Organization operates 5 days per week for 8 hours per day for 52 weeks per year.
- Each year the employee is entitled to 15 days of paid vacation, 8 paid holidays, and 5 paid sick days.
- Organization pays:
  - \$7,200 of the employee's health, life and disability insurance
  - \$2,000 for the employee's retirement benefits
  - \$1,100 for worker compensation insurance
  - \$210 for unemployment insurance
  - 7.65% of the hourly rate for the employer's portion of the Social Security and Medicare taxes

# Applying The Methodology



## Direct Labor & Fringe Benefits

### Step 1: Compute Actual Hourly Rate

Computation of Actual Hourly Rate	
Item	Total
Total Available Work Hours	2,080.00
Computation of Hourly Rate (\$40,000 salary/2,080 available hours)	<u>\$19.23</u>
Compensated Leave for use in Step 2: Computing the Fringe Rate	
# of Paid Holidays (Hours)	64.00
# of Paid Time Off Days (Hours)	<u>160.00</u>
<b>Total Paid Time Off</b>	<b>224.00</b>

# Applying The Methodology



## Direct Labor & Fringe Benefits

### Step 2: Compute Fringe Benefit Rate

Fringe Benefit Costs		Total
Employer's share of taxes		3,059.88
Group Insurances		7,200.00
Compensated Leave		4,307.52
Retirement Benefits		2,000.00
Training		-
Tuition Reimbursement		-
Unemployment insurance		210.00
Workmen's Compensation		1,100.00
Other		-
	Total Fringe Benefits	17,877.40
	Total Labor	40,000.00
	<b>Fringe Benefit Rate</b>	<b><u>44.69%</u></b>



# Applying The Methodology



## Direct Labor & Fringe Benefits

Step 3: Apply Fringe Benefit Rate to Labor Costs to Determine Fully Loaded Hourly Rate

Cost Element	Fringe Rate	Total Costs
Direct Labor Costs		\$40,000
Fringe Benefits	44.69%	<u>\$17,877</u>
<b>Total Direct Labor and Fringe Benefits</b>		<b>\$57,877</b>

# Applying The Methodology



## Direct Labor & Fringe Benefits

### Step 4: Calculating the Fully Loaded Hourly Rate

Computation of Fully Loaded Hourly Rate	
Item	Total
A- Total Direct Labor and Fringe Benefits (from step 3)	\$57,877
B- Total Available Work Hours	2080
Fully Loaded Hourly Rate (A/B)	\$27.83

# Applying the Methodology



## Direct Labor & Fringe Benefits

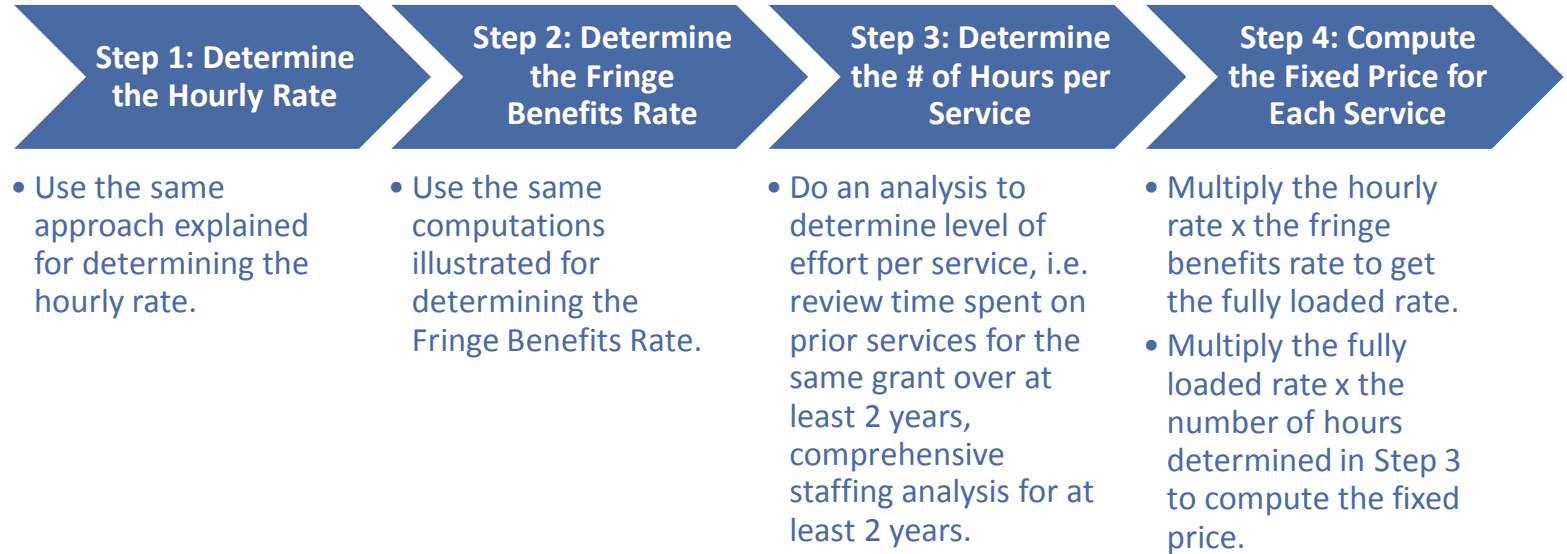
### Step 5: Applying the Fully Loaded Hourly Rate

Item	Total
A- Fully Loaded Hourly Rate (from step 4)	\$27.83
B- Total Work Hours (for a two week period)	80
40 Hours Paid Time Off	
20 Hours HUD Housing Counseling grant	
20 Hours ABC lender grant	
C - Total Billable to HUD Housing Counseling Hours	20
Billable to HUD Housing Counseling grant program	\$556.60

# Applying The Methodology



## Fixed Price Reimbursement



# Applying The Methodology



## Fixed Price Reimbursement

- Must be able to document the process for determining the level of effort
- Must be able to demonstrate, over multiple years, data to support the level of effort for each fixed price service
- Costs must be allowable, allocable, and reasonable
- HUD must approve the methodology during the grant approval process

# Applying The Methodology



## Fixed Price Reimbursement

### EXAMPLE:

- ABC Organization has been providing housing counseling services for over 5 years.
- They maintain an electronic timekeeping system and require each counselor to charge time by agency and by client.
- On an annual basis, the accounting/finance department does a staffing analysis of hours spent providing counseling to one client, reviewing data from the timekeeping system and comparing it to the CMS system for the five year period.
- Based on that analysis the accounting/finance department determined that each client receives 11.5 hours of counseling services.
- Accounting/Finance submit the detailed billing methodology including a write up of how they determined the fixed price for counseling services.
- All Counselors are paid the same hourly rate of \$25 per hour, including fringe benefits.

# Applying The Methodology



## Fixed Price Reimbursement

<b>Hourly Rate</b>	<b>\$25/hour</b>
# of hours per client	x 11
Fixed Price Per Client For Counseling	<u>\$275.00</u>

There can be different fixed prices for different services.

# Best Practices

For any type of billing methodology, time keeping and personnel activity reporting is required.

- Personnel Activity Report (PAR)
- Should clearly indicate the various tasks that the employee can charge time to
- Should be approved accordingly by responsible official (ie, electronic approval, etc.)

Timesheets

- Should be based on approved billing methodology
- Can be different for each person
- Should not include indirect costs

Billing Rate

- Should be calculated based on the HUD hours identified in the timesheet and multiplied by the Billing Rate
- If Indirect costs, should be computed based on the approved base

Invoice



# Best Practices



## Get Accounting/Finance Staff Involved!

- Meet with accounting/finance staff to compute the hourly rate, fringe benefit rate, and/or fixed price rate.
- Document the billing methodology for review by accounting/finance.
- Ensure accounting/finance has the final approved billing methodology.
- If there are changes, notify your HUD POC in writing of the changes and provide an updated billing methodology for review.

# Best Practices



## Time and Attendance

- Ensure time is tracked by task (i.e. HUD grant(s))
- Track actual hours worked
- Hourly rates should only include direct costs associated with the HUD grant(s)
- Ensure timesheets are complete and approved
- For personnel activity reporting, establish a charging/billing code by activity that can be included on the timesheet. For example by type of service:

<u>Code</u>	<u>Activity</u>
1001	Direct Counseling
1002	Marketing and Outreach
1003	Follow Up with Client
1004	File management and back office support

# Resources

- Housing Counseling Webinar: Understanding Billing Methodologies and Best Practices
  - <https://www.hudexchange.info/trainings/courses/understanding-billing-methodologies-and-best-practices/>
- 2017 Conference Materials:
  - <https://www.hudexchange.info/trainings/courses/2017-conference-for-hud-approved-intermediaries-state-housing-finance-agencies-and-msos/>



**Please forward any questions to:**

**[housing.counseling@hud.gov](mailto:housing.counseling@hud.gov)**

**with “Understanding Billing Methodologies  
and Best Practices” in the Subject line**



**Thank You!**