



Final Transcript

HUD: Fringe Benefit Costs (External)

February 15, 2022/12:00 p.m. CST

SPEAKERS

Virginia Holman

Blair Clark – Allmond & Company

Vanessa McCollum – Allmond & Company

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. And welcome to the Fringe Benefit Costs conference call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session; instructions will be given at that time. [Operator instructions]. As a reminder, today's conference is being recorded.

And I would now like to turn the conference over to our host, Ms. Virginia Holman. Please go ahead.

Virginia

Thank you very much. And welcome to today's webinar on fringe benefit costs. I think you'll learn a great deal about that topic. But before we get started, I want to go over some logistic slides.

As the operator said, the audio is being recorded. We will be providing a playback number along with a copy of the PowerPoint and a written transcript. And those will be available on HUD Exchange. That usually takes about a week. I did send out the PowerPoint this morning to everybody who had registered. They're also available in the control panel on the right-hand side of your screen under Handouts. So just click on the document name and you can start to download.

There will be a question and answer session at the end. There may be some discussion opportunities, and the operator will give you instructions on how to ask your questions at that point.

There are some other ways to ask questions, because your questions are really important to us. You can submit your text questions and comments in the question panel, again, on that panel on the right-hand side of your screen. We will answer some of them during the webinar. You can also

send questions and comments after the webinar to
housing.counseling@hud.gov, with the webinar topic in the subject line.

If you've logged into the webinar, you're going to receive a certificate of training from GoToWebinar within about 48 hours. You need to save it for your records.

And now let me turn it over to Blair Clark for the webinar. Blair.

Blair

Thank you, Ginger. Good afternoon, everyone. Again, my name is Blair Clark with Allmond and Company, representing the fringe benefit costs presentation you got today. Hopefully you learn a lot from this presentation.

We've gotten a lot of questions over the last few years about fringe benefits and what are the rules, and what is the calculation on how to how to calculate your fringe benefit costs for your grant activity reports. So we're going to talk a lot about fringe benefits today, and we're going to talk about the basic fundamental principles of reimbursement as well. We've talked about it in previous presentations before, but we want to reiterate what those fundamentals are so that everyone has a clear

understanding of determining what factors determine whether a cost is allowable and what it requires to be reimbursable.

And then we're going to drill down specifically into fringe benefit costs. We're going to look at what the Uniform Guidance has to say about fringe benefits. We're going to look at some examples of different types of fringe benefits, or the usual type of fringe benefits. We're also going to look at some examples on how to calculate fringe benefits, we're going to look at a couple.

I think it's important to note that there is not just one way to calculate your fringe benefit costs. There are multiple different ways. There is not just one standard, this is how it has to be done. Depending on the size of your entity, the complexity of your entity, there may be different factors that go into calculating your fringe benefit costs. So it's not just one way, we're going to look at a couple different ways today. But it's important to know that these ways just aren't the only way. There are a lot of different ways it can be done. But we're going to leave some examples on some of the more simple ways it can be done.

Let's take a look at our agenda. To start, we'll go through our introductions. We'll take a look at our course objectives and what you hopefully will learn from today's course. Again, we're going to talk about the cost principle fundamentals. So every time we talk about cost, we want to reiterate what those fundamentals are, how do you determine whether a cost is allowable, and what cost what is required in order for a cost to be reimbursable. So we're going to talk about what is allowable per the Uniform Guidance, what's allowable for the grant agreement, what determines the cost to be reasonable and also properly allocated? So we're going to go over those principles again today.

Then we're going to talk about specifically fringe benefit cost principles. So we're going to look and see what the Uniform Guidance has to say about fringe benefit costs, how it defines it and some examples that it provides of different types of fringe benefits.

We're also going to look at fringe benefit documentation, so how to properly support the fringe benefit expenses that you'll be charged into the award. What are some of that documents that you should have readily available to support your fringe benefit amount. And then again, we're going to go over an example of a fringe benefit cost calculation. And there

are multiple different ways that fringe benefit costs can be determined, but we're going to go over a couple of examples so hopefully everyone gets familiar with how to calculate your fringe benefit or get some idea how to calculate your fringe benefit costs.

So again, for introductions, my name is Blair Clark with Allmond and Company. Vanessa McCollum is here with me as well. She'll be answering you guys' questions. So if you have any questions throughout the presentation, feel free to add them to the text box on the control panel. She'll be happy to answer them for you on there.

Let's take a look at our course objectives. We want to understand the general cost principles established in the Uniform Guidance, also known as 2 CFR 200, as well as the housing counseling grant agreement. So again, we're going to talk about the basic fundamental cost principles so that everyone understands what those cost principles are and how to determine whether cost is allowable or unallowable. Then we're going to understand the cost principles specifically related to fringe benefits. So we'll look at what the Uniform Guidance has to say as far as fringe benefits and determine how it's defined, what are some examples of different types of fringe benefits, and then finally understand how to

document and calculate fringe benefit costs. So we're going to look at what documents are required to support your fringe benefits, as well as go through an example of how to calculate the fringe benefit costs.

Let's start with a little bit of background, OMB's uniform administrative requirements, cost principles and audit requirements for federal awards. This is commonly known as the Uniform Guidance. You're going to hear me refer to it a lot today as the Uniform Guidance. You'll also hear it referred to as the Super Circular. We've talked about it in previous presentations before, we're going to talk about it a lot again today.

It's very, very important that everyone familiarizes yourself with the Uniform Guidance. That's the authoritative guidance governing all federal awards. So for agencies receiving federal awards, for agencies administering federal awards, this guidance sets all the authoritative rules for all agencies. So it also includes standards for fringe benefit expenses, so we're going to look specifically at the Uniform Guidance as it relates to fringe benefits.

Let's start with the fundamental principle of reimbursement. In order for a cost to be reimbursed, all of the following conditions must be met. Costs

must be allowable per the grant agreement, and that means that all costs must meet the eligible activity test. We're going to talk about the eligible activities in a second, but in the grant agreement there are distinct eligible activities that are allowable for costs to be charged to the award. If a cost does not meet one of those activities, then it is not allowable per the grant agreement. So all costs must meet at least one of the eligible activities.

Costs must also be allowable per the Uniform Guidance. Section 2 CFR 200, Subpart E explains the cost principles. In order for a cost to be reimbursable, it must be allowable per the Uniform Guidance. So in the Uniform Guidance it states a bunch of different cost sections there, many different examples, and in each section it states whether a cost is allowable or unallowable. Today, we're going to look specifically at fringe benefits, but in the Uniform Guidance there's a bunch of different examples of costs and it determines whether costs are allowable or whether those costs are unallowable.

In order for costs to be reimbursed, it must be allowable per the grant agreement and allowable per the Uniform Guidance. Costs must also be reasonable. Would a knowledgeable, prudent person also incur this cost?

So it must be reasonable. Would a prudent person spend \$1,000 on something that costs \$100? That's not considered to be reasonable. So in order for a cost to be reimbursed, it must also be reasonable.

And then finally, costs must be properly allocated. All right, if a cost benefits multiple different programs and multiple different cost objectives, it must be properly allocated so it benefits housing counseling specifically. Alright, so if there's like grants or computers that the agency uses for multiple different things, how does that specifically benefit housing counseling? Only that allocation can be charged to the award.

We're going to look at each one of these in a little bit more detail. Let's start with allowable under the grant agreement. In HUD housing counseling program grant agreement it establishes the requirement that costs be incurred pursuant to an eligible activity. Alright, so let's take a look at what those are activities are.

As noted in the grant agreement that the eligible activities are: housing counseling and group education, oversight compliance and quality control, supervision of housing counseling staff, housing counselor training and certification, marketing and outreach of housing counseling programs to

potential clients. So any cost that is incurred must meet one of these eligible activities. In order for it to be allowable under the grant agreement, a cost must meet one of these eligible activities.

Costs must also be allowable per the Uniform Guidance. In the Uniform Guidance it states that costs must meet the following general criteria in order to be allowable: conform to any limitations or exclusions set forth in these principles. It also gives a reference here of general provisions for selected items of costs. Section 200.400 through Section 200.476 gives a bunch of different lists of different types of costs. In each section, it identifies whether that cost is allowable or whether that cost is unallowable. It states certain instances where these costs are allowable, maybe under a certain different type of condition, but it also will state that these costs are unallowable as well. So if you are not sure if a cost you are trying to charge to the award is allowable or is unallowable, the Uniform Guidance is a great place to start. You will see exactly what costs are allowable and what is unallowable.

Also, cost must be reasonable. Cost is reasonable if in its nature and amount it does not exceed that which will be incurred by a prudent person, under the circumstances prevailing at the time the decision was made to

incur that cost. So would a knowledgeable, prudent person incur this cost for this same amount? That's how we determine whether costs are reasonable.

There are a few other factors in determining terming reasonable cost. Was it incurred and ordinary and necessary for the operation of the housing counseling agency? Is it a part of your normal business practice? Is it necessary for the operation of the agency? That's how we determine cost. You cannot just buy things that are not necessary or not in the ordinary course of business, just to charge them to the award.

It also should be a sound business practice at arm's length bargaining. Both parties should be coming in at the same amount of leverage. So you should be practicing sound business practices.

Also, the market prices for comparable goods or services for that geographic area, that also determines whether cost is reasonable. The cost of something may be significantly lower in Georgia and may be significantly higher in New York City. That's just how the market works. So you have to determine what the market price is for that geographic area.

Also, act with prudence in the circumstance, knowledge, judgment, perform judgment in the circumstance. Would a knowledgeable, prudent person incur this cost at the same amount?

And then finally, no deviations from established practices and policies. So again, it should be a part of your normal, ordinary course of business, every cost that you incur in charge of the award.

And then the last one, is the cost properly allocated? A cost is applicable to a particular federal award, or other cost objective if the goods and services involved are chargeable or assignable to that federal award in accordance with the relative benefits received. So again, if a cost incurred benefits multiple different cost objectives and multiple different programs, then that cost needs to be allocated. How does this cost benefit housing counseling? So you have to make a determination on how this cost benefits housing counseling and properly allocate that cost.

So those are our general fundamental principles of reimbursement. Again, all four of those requirements must be met in order for a cost to be reimbursable. They must be allowable per the terms and conditions of the

grant agreement, must be allowable per the Uniform Guidance, must be reasonable and must be properly allocated.

Alright, now let's look specifically at the Uniform Guidance for fringe benefits. So you'll see here we have a box off in this section, Section 200.431 is Compensation and Fringe Benefits. Let's see what the Uniform Guidance has to say about fringe benefits. 2 CFR Subpart E cost principles states that: "Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages." Alright, so I gave a definition of what fringe benefits are, services provided by employers to employees in addition to their regular salaries.

It continues to state that: "The cost of fringe benefits are allowable, provided that the benefits are reasonable—there goes that word reasonable—and are required by law, non-federal entity, employee agreement, or an established policy of the non-federal entity." So cost for fringe benefits are allowable as long as they are required by some sort of written documentation. That could be law. That's FICA, in essence, right? FICA is required by law for employers to pay on behalf of employees. So those are required by law. It also has to be something that is in your

employee agreement, when you first get hired. If there's an additional fringe benefit in that agreement, that cost can also be used as a fringe benefit. Or if it's just in your established policies of the entity and your normal business in your employee handbook for all employees, get the option to receive health benefits, get the option to receive life benefits, if that's established in your employee handbook, that is allowable in the fringe benefit cost.

It continues to state that the cost of fringe benefits in the form of employer contributions or expenses, again, are allowable, provided such benefits are granted under established written policies. So again, it must be documented written policies and procedures in order for these fringe benefits to be chargeable. You cannot just charge fringe benefits to the award that are not in your normal written policies and procedures. You can't just charge them to the award just because. They must be in established written policies, whether that's law, whether that's in an employee agreement, or in the employee handbook, as a part of normal business practices.

The Uniform Guidance continues to state: "Such benefits must be allocated to federal awards, and all other activities, any manner consistent

with the pattern of benefits attributable to the individuals, or groups of employees whose salaries and wages are chargeable to such federal awards, or other activities.” Again, so the fringe benefit costs must be allocated. And again, you cannot just charge fringe benefits to the award, if an employee isn’t charging their salary or their wages to the award as well. Again, all costs must be incurred pursuant of an eligible activity. So if the employee isn't working eligible activities to charge their salaries and wages to the award, then you should not be charging their fringe benefit to the award too. It shouldn’t just be fringe benefits, this should be part of some type of employee activity that is being incurred on behalf of one of those eligible activities. That's an important thing to know. You cannot just charge fringe benefits without having any kind of salaries or wages charged to the award as well.

The Uniform Guidance also gives some examples of different types of fringe benefits, or some of the more traditional fringe benefits that you would typically see. This is not an all-inclusive list, but they are some of the things that they do list here. Again, FICA, so these are taxes incurred under the Federal Insurance Contributions Act, so that would be your Social Security and your Medicare. Leave can also be included as well. It includes vacations, family-related sick leave, military leave, any type of

leave that the agency provides to employees can be included as a fringe benefit.

Also, employee insurance, so life insurance, health insurance, any type of insurance that the agency provides on behalf of employees can be included as fringe benefit costs. Also, pensions, retirement, those costs can be included in fringe benefits as well. And then finally, unemployment benefit plans.

So these are just some examples of fringe benefits that are typically included in the fringe benefit cost. Just a note here that these costs should not be included on your grant activity reports or as expenses to the grant, just on a one for one line. These are the benefit costs that are included in your calculation. So when you are determining how much you can charge for your fringe benefits, you want to determine some kind of fringe benefit hourly rate or some fringe benefit percentage. These are the costs that will be incurred to determine how much the rate is going to be. You should not just be taking a one for one health insurance line in your fringe benefit. It should be allocable.

So it should be coming out with some kind of percentage, some kind of rate, some kind of hourly rate to determine how much of the fringe benefits can be charged for each period to the award. So we're going to look at some examples of that later on how to exactly calculate your fringe benefit cost, some different ways, including using some of these costs in determining that calculation.

Fringe benefit costs. An agency's management should determine the best fringe benefit calculation method for their agency based on entity size, information technology, and the judgment needed in responding to these differing factors. Again, everybody will not necessarily have the same fringe benefit calculation. There is not just one way to calculate your fringe benefit rates, multiple different ways. The ways we're going to talk about today is not the only way, it's not the only standard way. There are many different ways. It depends on the size of your entity, the technology that you have available, the reporting that you have available.

And it involves some judgment. Some methods may be easier. If you have a lot of employees, there's methods that you can use. If you have dozens and hundreds of employees that you're charging for the award, that gets more complex. So you may have to find different ways of charging fringe

benefits to the award. So a lot of different factors, a lot of judgment is involved in determining that calculation.

One thing that is important to note, agency management should be able to properly support with documentation, the method and inputs used to calculate its fringe hourly rates charged to the award. So no matter what type of fringe benefit rate you use, what type of calculation you use, you must be able to support that calculation. That goes for all agencies across the board, small agencies, large agencies, whether you're getting \$10,000 in grants, or millions of dollars in grants, you must be able to support your calculation.

That documentation should be readily available as well. It may not necessarily be required to submit with every drawdown request, with every grant activity report, but your HUD POC reserves the right to ask for it, to request it. They say hey, we need to see how you determine your fringe benefit rates. You must be able to provide that calculation. You cannot just take 30% and 30% come out of thin air. How did you get to 30%? Alright, what are those factors? What are those methods? What are the inputs you used to get to that 30%? So that's extremely important that everyone understands there's a million different ways to create a fringe

benefit calculation, but every single way must be properly supported with documentation.

Here are some examples of some documents to support fringe benefits. So first we have FICA, which is defined by employer paid taxes under the FICA Act, composed of Social Security and Medicare taxes. Some typical supporting documentation we'll see there is payroll records.

One thing that's important to note, you should not be charging the grant award fringe benefits that you are not actually paying to your employees. These employees should be actually receiving that payment or actually receiving that contribution. So payroll workers may support that. These employees are actually getting paid or actually being contributed on this amount on this behalf. Also, the current rates on the IRS website, to verify what the rates are on IRS website as well for FICA.

The next benefit, insurance. This is defined by employer paid costs for employee life insurance, health insurance, unemployment insurance and Workers' Compensation insurance. This is another fringe benefits that can be used. Supporting documentation for this usually includes written policies, usually documented in the employee handbook. Again, if you are

going to charge fringe benefits to the award, it must be a documented in some kind of written policy, whether it's under law, like FICA or whether it's insurance costs that you are documenting in the employee handbook. Also, copies of invoices and payments to vendors can also be supporting documentation and an employee enrollment form. So when employees sign up for health insurance or life insurance, it typically comes with enrollment forms. So have those enrollment forms available as well.

The next one is pension and retirement plans. These are employer paid costs for employee retirement plans. Again, same supporting documentation as before, written policies documented in your employee handbook. Again, this should be documented and written in order to be an allowable fringe benefit, copy of any invoices or payments to vendors, and again, employee enrollment forms that sign up whenever they are hired.

And then the next benefit is leave. This is defined as regular compensation paid to employees during a period of authorized absences from the job, such as annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, or any other type of similar benefits. So any type of leave that an employee is granted. And this is usually documented by, again, the employee handbook, some kind of

written leave policy that describes, you know, for every five years of service an employee gives 10 days or 20 days off. This should all be documented in the employee handbook.

Let's look at some examples on how to calculate fringe benefit cost. Again, there are many different ways that fringe benefit costs can be determined. We're going to look at a few of them here on how to actually calculate some of these fringe benefit costs. One way is determining a fringe hourly rate. In order to do that, the first step would be to calculate the total cost of fringe benefits provided to each employee on an annual basis. So you determine, you calculate, you could pull your payroll reports, you could pull reports from your financial system to determine how much fringe benefits are paid for this employee. So you calculate that FICA cost, the amount of leave the employee has available, you calculate the amount of health insurance that was paid, life insurance that was paid, you can see that from your payroll reports from your financial system, and calculate the total amount of cost for the year. That's your total benefit cost for the year.

Once you have that amount, you will determine the hourly rate by dividing that total cost benefit by 2080 hours. So that 2080 comes from 40 hours a

week across 52 weeks for the year. So you'll take your total amount of fringe benefits paid to that employee divided by 2080, and that will get you your total hourly fringe rate. So that's a pretty simple way of doing it. You can do that by employee. That's typically for agencies that have one or two, or three employees that they are charging for the grant agreement, or the grant award. So it's not a lot of big groups. You can do it by each employee. It shouldn't take too much time. It's a very, very simple calculation.

Just a note at the bottom, the hourly fringe rate is needed for your grant activity report. So when you submit your drawdown requests, when you submit your grant activity reports, it is required to have the employees' hourly rates, as well as their fringe rates as well. Whether they're using the hourly fringe rates, or a fringe rate percentage as well, that should be included in your grant activity reports.

And again, you may not have to submit the supporting documentation for how you calculated that report, or how you calculated that fringe rate every single drawdown request, but you should have it readily available. Your HUD POC reserves the right to request it, if they feel like they need

to see support for how you determine your fringe rate. And you should be able to provide that support as well.

So let's look at some examples on how to actually calculate the fringe benefit rate using some agency facts, we're going to use some employee facts, and then we're going to determine the hourly fringe rate for each one of our employees in our example. Let's look at the agency facts first.

So here we have the agency's benefits per their employee handbook, include FICA, so the agency pays 6.2% for Social Security, and 1.5% for Medicare taxes of the employee's salary to the IRS. They also are giving their employees paid time off, so PTO. The agency recognizes five paid holidays per year. Also, the employees with less than five years of service they earn 10 days of PCO. Employees with five years or more in service earn 15 days of PCO for the year.

The agency is also paying health insurance, so the agency pays \$100 per month for each employee's health insurance. And they also are contributing retirement as well. So the agency contributes 3% of the employee's salary to their retirement plan as well.

Those are the agency facts we're going to need to calculate our fringe benefit rate. Let's take a look at the employee facts. So we have three employees here for our example.

Employee 1 has a \$50,000 annual salary, they have three years of service, 10 days of PTO. They are not enrolled in the health benefit plan, but they are enrolled in the retirement benefit plan.

Employee 2 is receiving \$45,000 in annual salary, they have six years of service, so that means they're getting 15 days of PTO per year. They are enrolled in the health benefit plan and they are enrolled in the retirement plan as well.

And then our last example employee is Employee 3. They have an annual salary of \$40,000, 2 years of service, so they have 10 days of PTO for the year. And they are enrolled in the health benefit plan and the retirement plan as well. So those are the facts we're going to need to calculate our fringe rates.

The first step that we're going to do is we're going to calculate the PTO cost. Obviously, we can't just use the hours, we can't just use the number

of days in order to calculate that cost. We have to convert that into actual dollars. So in order to do that, we're going to go through these steps here. So for Employee 1, they had 10 days of PTO available for the year, the agency is giving five pay holidays per year. Alright, so we take the total amount from 10 and five is 15, let's convert that into hours, so it's eight hours per day. That equals to 120 total available hours. And then we're going to multiply that by their hourly rate. So their normal hourly rate is at the salary divided by 2080. That gives us 24.04. So we multiply 120 times 24.04 and we get our annual PTO cost of \$2,884.80 for Employee 1.

We did the same thing for Employee 2. So 15 PTO days, plus 5 paid holidays, that gives us 20 days of holiday, times eight hours a day is 160 hours. We multiply that times their hourly rate of 21.63, gives us an annual PTO cost of \$3,460.80.

And then finally for Employee 3, the same as Employee 1, so they had 10 days of PTO, five days of paid holiday, times eight hours a day is 120 hours, times their hourly rate you get an annual PTO cost of \$2,307.60.

Alright, so now that we determined our PTO costs, let's include that with our other fringe benefits for this agency. So you see for 1, 2 and 3 we

carried over the annual leave cost. Then we have our annual FICA expense. So that's how much the agency paid for each employee for FICA. So we see Employee 1, they didn't charge health benefits, they didn't elect to take health benefits. So that'd be zero. They did elect to have a retirement plan, so that would be 1,500 for the year. So their total benefit cost is \$8,209.80.

We do the same thing for Employees 2 and 3, carried over that annual leave cost to determine what their FICA expense was. These two employees did enroll in health benefits, so that was \$1,200 per year for each employee. And then they also elected retirement plan cost, so it was \$1,350 for Employee 2 and \$1,200 for Employee 3. So we just add those numbers all the way across and we get \$9,453.30 for Employee 2, and then \$7,767.50 for Employee 3.

So now that we've calculated our total benefit cost for the year, now we can calculate the hourly rate. Alright, so there's a couple ways again, there's multiple ways we could do it. We could use our first example that we just talked about before, where you just calculate the total benefit rate, total benefit costs for the year, and then divide that by 20.80. And that will get you an hourly rate that way. We also have this method here, where you

can determine a fringe percentage. So for Employee 1, take their annual salary of 50,000 divided by our total benefit cost that we calculated on the previous slide. So that \$8,209 divided by 50,000 gives us 16%. All right, we take that 16% and we multiply it by the employee's hourly rate, and that gives us a fringe benefit cost of \$3.85 hourly rate. Alright, so you can take that 3.85, multiply it by the amount of hours that are being charged for the period for that employee and that will get you the fringe benefit rate for that period.

Also, if they give you the hourly rate, so you'll do 24.04 times the hours worked for that employee that would be in charge of the grant award that for that period, that will give you your salary rate. Those will all be covered in your grant activity report. Same thing with Employees 2 and 3, we calculated the total benefit costs divided by the annual salaries. So for Employee 2, we got 21% fringe rate, and Employee 3 we got a 19% fringe rate, multiply that by their hourly rate, and that gives us our fringe hourly rate for that employee.

This is a good method to use for agencies that have one or three employees, don't have a lot of employees. Obviously this gets a little more particular when you have dozens and hundreds of employees. It may not

be that easy to calculate every single period, so there may be different rates you want to use. But for small agencies, this is a pretty simple, straightforward way that you can calculate your fringe benefit rate.

Also, the second method that we have here that you could use is by calculating the fringe rate for a group of employees. So for here, we calculated the total amounts for Employees 1, 2 and 3, we calculated the total annual salary for all three and their total benefit cost for all three employees. And for total benefit costs we got \$25,430.70, and then we would divide that by the total annual salary of \$135,000, that gives us a 19% fringe benefit rate. So that rate we can use for the entire agency.

Whenever we submit our grant activity reports for these group of employees, as opposed to doing it for each one, we can use that 19% or we can just calculate their hourly rate using that total 19%. Again, we would take 19% multiply it by their hourly rate. So for Employee 1 we get 4.57, Employee 2 we get 4.11, and Employee 3 we get 3.65. So that's just taking their hourly rate, multiply it by our total fringe benefit rate. You can also take that 19% and just determine how much salary cost is being charged to the award for that period, multiply it by 19% or whatever your fringe

benefit rate percentage is, and then that will give you your fringe cost for the period as well.

So again, multiple different ways you could do it, a lot of different ways. We talked about three or four in these slides, but there's a lot of different ways that that can be applied. I think the most important thing that we want to highlight is that however you calculate your fringe benefit rate, it must be properly supported, or it must be documented. You should show, just how we showed on the slides, how we calculated our rate. If we calculate it by total benefit cost divided by the salary, you show, this is how we get to 19%. That 19% didn't just come out of thin air. It should be a method and it should be documented how exactly you came up with your percentage. Whether using the hourly rate, whether you're using a fringe benefit percentage, it doesn't matter, all agencies should be able to properly support how they came up with their fringe benefit rate.

So, just some common errors that we have noticed throughout the last few years in terms of fringe benefits is related to employee paid time off. So employee paid time off, whether it's annual leave, sick leave, and holiday leave hours should not be included in the staff's direct hours on the grant activity report. So if an employee took eight hours of leave, you should

not be taking that eight hours times their hourly rate in order to arrive at their salaries Employee time off is a fringe benefit, so it should be captured in the fringe benefit rate. So whether using the percentage or an hourly rate, you are determining that percentage using employee's PTO. But it should not be directly charged as a salary expense on your grant activity reports.

Leave does not relate to an eligible activity. That goes back to the eligible activity test. That leave, the person's vacation is not an eligible activity under the grant agreement. It should be only hours they were pursuant of an eligible activity. So employee PTO cannot be captured under staff's direct salaries and wages. It should be included as a fringe benefit. So whenever you are determining your fringe benefit rate, employee's PTO should be included in that calculation. This is an important thing to note there.

So here are the references that we use today. Again, everyone should be familiar with OMB's Uniform Guidance. I access it daily whenever I have a question about anything. The Uniform Guidance is the first place I go every single time. So everyone should be familiar with it. Here's a link to it, if you're not already familiar with it, so that you can grab it. I'm not

going to lie, it's a pretty boring read. But it's an important read. So it's important that everyone at least be familiar with some of the things that are in there. We also use the Housing Counseling Program Handbook. So there's a link there as well if you don't already have it. And then we also use the grant agreement. Everyone should have that grant agreement available to them.

So I'm going to turn it over to Vanessa now to answer you guys' questions.

Vanessa

Good afternoon, everyone. There were a couple of questions that were submitted in the question box, and I'm going to take the time to go over them as best I can.

The first question asks about if the employee works on multiple projects, how would we, I guess, calculate the fringe? So when you calculate the fringe benefit hourly rate, you're basing it off the total hours that your employee works every week. So if an employee works a total of 40 hours a week on multiple projects, the multiple projects don't really matter at the initial calculation. Once you get that hourly rate and say that the employee works 30 hours one week for HUD Office of Housing Counseling, say for

the total quarter you're billing 120 hours, direct hours to the HUD grant.

So you would take their salary, hourly rate, and multiply that times the 120 to get their salary amount that you're charging to the grant. And then for the fringe rate, you would take that same 120 hours and multiply that times the fringe rate.

So that is how it's properly allocated between projects. You wouldn't charge the fringe to the grant for hours that they did not spend working on the grant.

The next question is kind of long, so I'm going to try to pull out some points on it. Okay. So once again it's asking about the PTO calculation. And I think my same answer applies, that the actual calculation for hourly rate or a percentage is based on what the employee is entitled to for the period, whether they use it or not. In our examples, we didn't really take that into consideration. We just took what is available to them and came up with an hourly rate based on either each employee or as a percentage of a group. And then once we calculate an hourly rate for each employee, you apply whatever hours that the employee worked on the HUD grant, and you multiply that, their salary rate times the number of hours you're billing, and then you take their fringe rate times the same amount of hours

that you're billing to the grant. And that is how your fringe costs will be properly allocated.

I hope that that's clear. If some agencies are working on a fringe rate calculation or you have further questions, I would suggest that you talk to your POC, and then they can determine if they want to refer you to us for technical assistance for some specific guidance for your agency. But at a high level, the method that Blair and I described would be what you use to allocate the fringe costs to the grant.

The next question that came up is, "Can you choose not to include fringe benefits?" And the answer is yes. If your agency elects not to use the grant funds for fringe benefits, that's fine, then you don't have to worry about the calculation or the documentation. If you're only charging straight salary, you would just need to be able to support that.

And if there are no more questions, I'll turn it over to Ginger to finish out the logistics slide.

Virginia

Okay. Operator, you may want to ask whether there's anybody that has called in with a question.

Moderator Thank you. [Operator instructions]. And we do have someone in queue. We're getting their name. One moment, please. Our first question will come from the line of Felice Harris. Please go ahead.

Felice [Speaker off-mic] that if they were working a certain number of hours in one particular grant and then in another grant, now that I understood that I'm only applying it towards the hours that they work during that pay period. But to come up with the initial fringe benefit, I don't know how many hours they plan on working during that entire timeframe to come up with the estimate of how many hours they're going to work that I can then multiply it and divide it by the numbers needed. So do I just take a best case estimate as to what they did in the previous year and know that it's going to be at least that and maybe a little more?

Vanessa I'm sorry, the very first beginning of your question was cut off. So I'm sorry, can you repeat the question again?

Felice Of course. So you touched upon it that if they work 40 hours in one week and they work 20 hours in another week, then the week of the 40 hours, I'm allocating at 40 hours and the week of the second week, the 20 hours, I'm allocating it only to 20 hours. But when you were advising us on how

to come up with the calculation for the fringe benefit, I needed to know at that point how many hours are they going to work during the timeframe of the grant. I know that their annual salary is say, \$10,000, but maybe only \$2,000 is going to go toward it. I don't know that until I get a timesheet from them.

Vanessa Okay, you're saying they earned \$10,000 and they work on multiple projects.

Felice Correct. And I don't know the hours on each project until the timesheet is handed in.

Vanessa Right. You don't need to know the number of hours until you're ready to bill the grant. So in your initial calculation, if they work a total of 40 hours on any activity per week, that would be the number you start with. And then once you see the actual numbers, say if it ends up being, say 120 or 100 for the quarter, then you would apply that at the hourly rate you calculated based on their total hours.

Felice Oh, okay. Perfect. Okay, so I'm just going to use, I think it was page 29 of the PDF you sent us, starting there to come up with what my annual fringe benefit percentage is. Thank you for your help.

Vanessa You're welcome.

Moderator Thank you. [Operator instructions]. No further questions from the phones at this time.

Virginia Okay, then I guess we will just thank everybody for attending. Remember, if you've got a question, to send it to housing.counseling@hud.gov with "Fringe Benefits" in the subject line, and we'll get it to the right person. And if you need more help, talk to your POC about getting some technical assistance. Again, thank you very much for attending. And we look forward to working with you in the future.

Moderator Thank you. And ladies and gentlemen, that does conclude our conference for today. Thank you for your participation and for using AT&T event conferencing. You may now disconnect.