



OFFICE OF
HOUSING COUNSELING

U.S. Department of Housing and Urban Development Office of Housing Counseling



Facilitated by
Booth Management Consulting
7230 Lee Deforest Drive, Suite 202
Columbia, MD 21046

Understanding Billing Methodologies & Best Practices

November 6, 2018 2 PM EST

Webinar Logistics



- Audio is being recorded. The playback number along with the PowerPoint and a transcript will be available on the HUD Exchange at www.hudexchange.info/programs/housing-counseling/webinars/
- The Training Digest on HUD Exchange will be updated when the webinar is posted.
- Handouts were sent out prior to webinar. They are also available in the Control Panel. Just click on document name to download.

Questions & Comments



- There may be Polling Questions. Please respond to them.
- There may be Q&A periods. If so, the operator will give you instructions on how to ask questions or make your comments.



Other Ways to Ask Questions

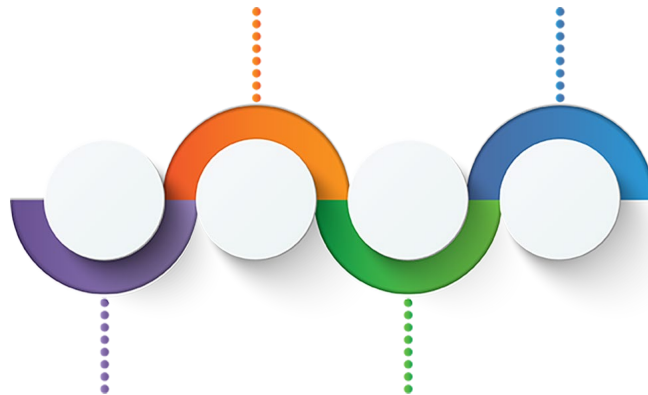


- Please submit your text questions and comments using the Questions Panel. We will answer some of them during the webinar.
- You can also send questions and comments to *housing.counseling@hud.gov* with the webinar topic in the subject line.

Please Mute Your Phones During Discussions



- There may be an open discussion period.
- All the phones may be unmuted by the operator. If so, mute your phone during these discussions until you want to make a comment.



Certificate of Training



- If you logged into the webinar, you will receive a “Thank You for Attending” email from GoToWebinar within 48 hours.
- The email will say “**This is your CERTIFICATE OF TRAINING.**” There is no attachment.
- Print out and save that email for your records.

Thank you for attending our XX hour Webinar on XX. We hope you enjoyed our event. This is your CERTIFICATE OF TRAINING. Please print out and save this email for your records. Please send your questions, comments, and feedback to: [housing.counseling @ hud.gov](mailto:housing.counseling@hud.gov)

Get Credit!



- Webinar materials will be posted on the HUD Exchange in the Webinar Archive
 - <https://www.hudexchange.info/programs/housing-counseling/webinars/>
 - Find by date or by topic
- To obtain credit:
 1. Select the webinar, and
 2. Click “Get Credit for this Training”

Get Credit for this Training

If you have attended or completed this training, select the button below in order to get credit and add the course to your transcript.

Get Credit

**Facilitated By
Petergay Bryan
Audit Manager
Booth Management Consulting**

Training Topics



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



What is a Billing Methodology?

What is a Billing Methodology?



LHCAs and 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

Grantees that provide Direct Services FY18 Grant Agreement



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.
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, marketing, outreach, 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.
7. Required Certification. In accordance with 2 C.F.R. § 200.415(a), include a certification, signed by an individual who is authorized to execute the certification on behalf of the Grantee, which reads as follows: "By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729 – 3730 and 3801 – 3812)."

Intermediaries, SHFAs, MSOs FY18 Grant Agreement



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.
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, marketing, outreach, 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.
7. Required Certification. In accordance with 2 C.F.R. § 200.415(a), include a certification, signed by an individual who is authorized to execute the certification on behalf of the Grantee, which reads as follows: "By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729 – 3730 and 3801 – 3812)."

Intermediaries, SHFAs, MSOs FY18 Grant Agreement



Intermediaries, SHFAs and MSOs must also submit the following HUD Housing Counseling Grant network-wide information, for each reporting period and the cumulative period:

10. Sub-allocations. A listing of: (a) the Sub-grantees and Branches and corresponding HUD housing counseling sub-grant amounts and allocations, for each quarter and cumulative period; and (b) a Dun and Bradstreet Universal (DUNS) Identifier number for each. This data is required by a Notice published by the Office of Management and Budget, Amending Federal Financial Assistance-Related Forms To Include Universal Identifier (73 Fed. Reg. 32415 (June 6, 2008)), to ensure compliance with the Federal Funding Accountability and Transparency Act of 2006 (Pub. L. No. 109-282). Should additional requirements become applicable, HUD reserves the right to amend this Grant Agreement;
11. Administrative Cost. A detailed accounting for how all administrative funds were spent for each quarter and cumulatively. Administrative funds are funds used to run the program and not passed through to Sub-grantees or allocated to Branches, but spent by the Intermediary, SHFA or MSO for activities including training and salaries.
12. Billing Methodology. Explain clearly the methodology employed to reimburse Sub-grantees or Branches. (For example, include the formula for calculating a counselor's hourly rate attributed to the Grant, or how each cost is calculated for fixed-cost counseling/education activity). Also, indicate the process used to ensure that the fixed cost reimbursement rate does not exceed the actual cost of providing the housing counseling services for which Sub-grantees and Branches request reimbursement;
13. Form HUD-9902. Intermediaries, SHFAs and MSOs must ensure that Sub-grantees and Branches update the Form HUD-9902 electronically through the Housing Counseling System (HCS) so that the appropriate *HUD Housing Counseling Grant Activity* column(s) reflects activity funded with HUD Housing Counseling Grant or sub-grant funds.
14. Federal Financial Report. Complete and submit the Form SF-425, summarizing financial data, including program income, for each quarter. The form can be accessed at <https://www.grants.gov/web/grants/forms/post-award-reporting-forms.html#sortby=1>

Determining Acceptable Methodologies

Determining Acceptable Methodologies



Type of Cost	ACCEPTABLE METHODOLOGIES	UNACCEPTABLE METHODOLOGIES
Direct Labor	<ol style="list-style-type: none"> Using actual hourly rates for hourly employees and computing the hourly rate for salaried employees based on annual hours worked 	<ol style="list-style-type: none"> Computing hourly rates as a percentage of the person's salary based on estimated level of effort Including non-salary related costs in the hourly rate such as office space and supplies to counselors
Fringe Benefits	<ol style="list-style-type: none"> 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 Determine the annual costs for all fringe benefits 	<ol style="list-style-type: none"> 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 Changing the fringe benefit rate each quarter due to changes in the actual fringe related costs; Costs should be annualized
Indirect Cost	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	<ol style="list-style-type: none"> Using a rate not approved by a Federal cognizant agency Using the parent rate (if a sub-grantee) Electing the 10% De Minimis rate although not eligible Applying a program charge (overhead rate)

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">1. Estimating the level of effort in hours2. Using percentages of salaries based on level of effort to compute hourly rates3. Failure to document the source of the data for determining hours per
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

Determining Acceptable Methodologies



Type of Cost	ACCEPTABLE METHODOLOGIES	UNACCEPTABLE METHODOLOGIES
Training	Reimbursement based on actual cost If fixed fee, based on pre-approved fixed fee rate	Using estimates for training without supporting documentation and requesting reimbursement based on budgeted not actual amounts
Supplies/Equipment	Reimbursement based on actual costs.	Reimbursement based on budget estimates
Other	Must be fully explained during grant application process	Using estimated, projected, and/or budgeted amounts as opposed to actual amounts

Applying the Methodology

Applying the Methodology



Converting from Salary to 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 worked if less than the standard hours.

***NOTE:** 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



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, and disability)
- Tuition Reimbursement
- Training (non-direct)
- Employee Health & Welfare Program

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 20 days of paid time off and 8 paid holidays



Applying the Methodology



Other Fringe Benefits

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



Converting from Salary to Standard Hourly Rate

Step 1: Compute Hourly Rate

Total Available Work Hours	2,080.00
Computation of Hourly Rate (\$40,000 salary/2,080 available hours) (40 hours x 52 weeks)	
	<u>\$19.23</u>



Applying the Methodology



Fringe Benefits

Step 2: Compute Compensated Leave in Hours

Computation of Actual Hourly Rate

Compensated Leave for use in Step 2: Computing the Fringe Rate

8 Paid Holidays (Hours)	64.00
20 days of Paid Time Off Days (Hours)	160.00
Total Paid Time Off	224.00



Applying the Methodology



Fringe Benefits

Step 3: Compute Fringe Benefit Rate

Fringe Benefit Costs		Total
Employer's share of taxes (\$40,000 x .0765)		3,060.00
Group Insurances		7,200.00
Compensated Leave (224 hours x 19.23 hourly/rate)		4,307.52
Retirement Benefits		2,000.00
Unemployment insurance		210.00
Workmen's Compensation		1,100.00
	Total Fringe Benefits	17,877.52
	Total Labor	40,000.00
	Fringe Benefit Rate	<u>44.69%</u>
	Fringe Benefit Amount (.4469 x \$19.23)	<u>\$8.60</u>



*NOTE: $\$40,000 / \$17,877.52 = 44.69\%$

Applying the Methodology



Direct Labor & Fringe Benefits

Step 4: Apply Fringe Benefit Rate to Labor Costs
to Determine Fully Loaded Hourly Rate

Cost Element	Fringe Rate	Total Costs	Total in Hourly Rate
Direct Labor Costs		\$40,000	\$19.23
Fringe Benefits	44.69%	<u>\$17,877</u>	<u>8.60</u>
Total Direct Labor and Fringe Benefits		\$57,877	\$27.83

Applying the Methodology



Direct Labor & Fringe Benefits

Step 5: Calculate 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	2,080
Fully Loaded Hourly Rate (A/B)	<u>\$27.83</u>
Hourly Rate	\$19.23
Fringe Benefit	\$8.60

Applying the Methodology



Fixed Price Reimbursement

Step 1: Determine the Hourly Rate

- a. Use the same approach explained for determining the hourly rate.

Step 2: Determine the Fringe Benefits Rate

- b. Use the same computations illustrated for determining the Fringe Benefits Rate.

Step 3: Determine the Number of Hours per Service

- c. Do an analysis to determine level of effort per service, i.e. review time spent on prior services for the same grant over at least 2 years, comprehensive staffing analysis for at least 2 years.

Step 4: Compute the Fixed Price for Each Service

- d. Multiply the hourly rate x the fringe benefits rate to get the fully loaded rate.
- e. Multiply the fully loaded rate x the number of hours determined in Step 3 to compute the fixed price.

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

Applying the Methodology



Fixed Price Reimbursement (cont.)

EXAMPLE:

- 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

Hourly Rate	\$25/hour
# 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

Best Practices



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

1. Timesheets:

- a. Personnel Activity Report or another acceptable reporting format
- b. Should clearly indicate the various tasks that the employee can charge time to
- c. Should be approved accordingly by responsible official (e.g., electronic approval, etc.)

2. Billing Rate:

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

3. Invoices:

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

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

1. Ensure time is tracked by task [i.e. HUD grant(s)]
2. Track actual hours worked
3. Hourly rates should only include direct costs associated with the HUD grant(s)
4. Ensure timesheets are complete and approved
5. 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

Available Assistance

Available Services — Training



Training

Onboarding Training: For New Agencies or Changes in Personnel

- Submitting a Budget
- Grant Financial Reporting
- Personal Activity Reporting and Timekeeping

Menu	Description	Onsite and/or Remote
Financial Management System Training	Training staff on maintaining a compliant financial management system; configuration of the accounting system; and development and training on relevant policies, procedures and internal controls	Optional

Available Services — Financial Analysis



Financial Analysis

Menu	Description	Onsite and/or Remote
Quarterly Financial Reporting Review	Review of quarterly financial reports for accuracy and completeness	Optional
Billing Methodology Assessment	Review billing methodology for compliance with Federal requirements	Optional
Accounting System Review	Review accounting system for compliance with Federal requirements (also for agencies who receive Financial Capability Assessments); Conduct accounting system review to determine ability to account for grant in accordance with Federal requirements)	Optional

Service Request Options



There are two ways to request services:

1. Direct Service Request

OR

2. Resulting from an Action Plan and/or FAR



Requesting Services



1. **REQUEST HUD POC emails a BMC GTM and requests the service:** States service required, grantee name, agency's contact information, and available information to complete the service
2. **APPROVAL:** GTM reviews the request, verifies it meets contractual requirements, and schedules with BMC
3. **COMPLETION:** BMC will complete the service and submit the final deliverable to the GTMs



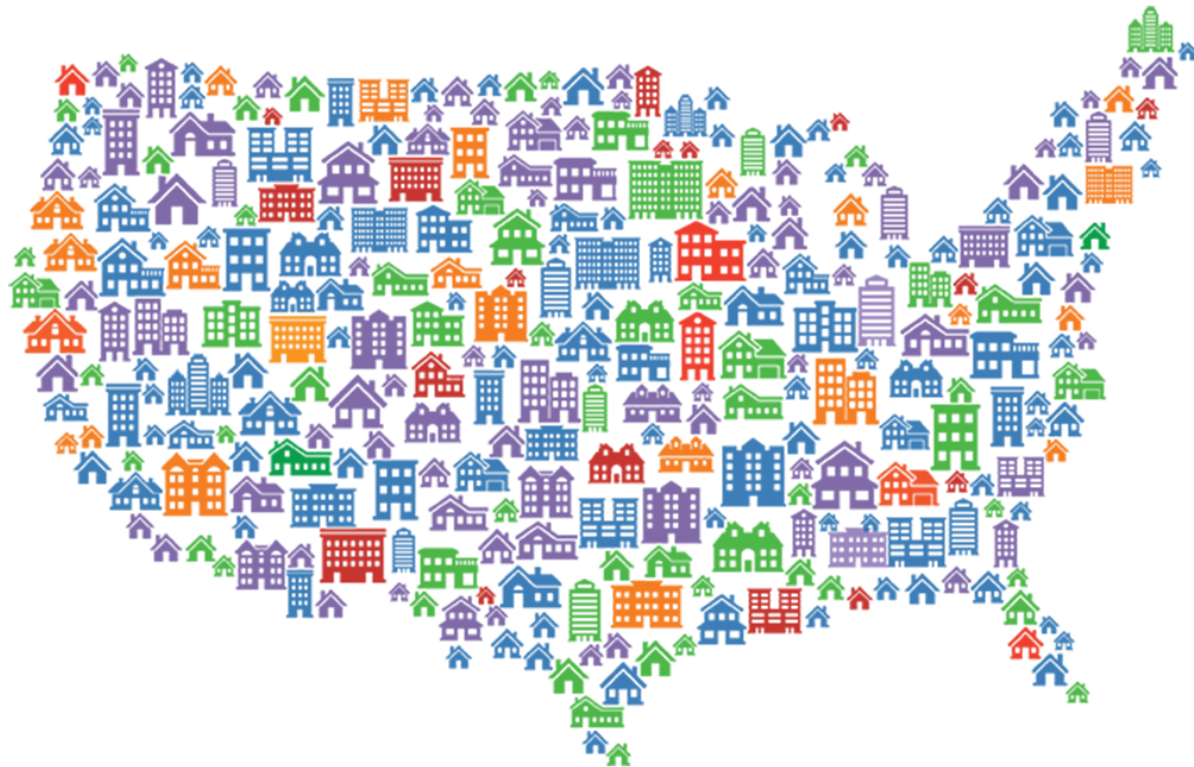
Action Plan and/or FAR Service Request



Step 1: Action Plan and/or FAR

Step 2: Technical Assistance

Step 3: Training



Benefits to Grantees



1. Comprehensive assistance to grantees to minimize the burdens of implementation of new regulations
2. Potentially reduce findings during performance and financial reviews
3. Provide financial and administrative technical assistance to grantees that can be transferred to other federal programs
4. Reduce administrative burden through training of sub-grantees



Please forward any questions to:
housing.counseling@hud.gov

with

**“Understanding Billing Methodologies and
Best Practices”**

in the Subject line

**Note: Only questions related to the HUD, Office of
Housing Counseling, Comprehensive Housing
Counseling grant will be accepted and responded to.**