



Final Transcript

HUD-US DEPT OF HOUSING & URBAN DEVELOPMENT:
Understanding Billing Methodologies and Best Practice
December 5, 2017/2:00 p.m. EST

SPEAKERS

Robin Booth

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. Welcome to the Understanding Billing Methodologies and Best Practices 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, this conference is being recorded.

I would now like to turn the conference over to Miss Robin Booth. Please go ahead.

Robin

Good afternoon, and thank you for participating in the Understanding Billing Methodologies and Best Practices webinar sponsored by the US Department of Housing & Urban Development Office of Housing Counseling.

Just to review some of the logistics, this audio is being recorded, and the number, the presentation, the handouts, and the transcript will be available on HUD Exchange, and that's usually within two to three business days. In addition, if you registered, you should have received a presentation in pdf format prior to the webinar. If you have access to the control panel when you signed in, the actual presentations are also available as a pdf file on the control panel.

Your lines have been muted during the presentation, and we will not due to the number of participants and the size of the group for this participation, we will not be taking live questions. I will go over how you can ask questions during the presentation.

Within 24 to 48 hours, you will receive a thank you email. That is in fact your training certificate. So, please make sure you download and maintain

that and you keep that in your files. There will not be an attachment to that email. The email itself is the training certificate.

As I stated, we will not be able to take live questions; however, you can ask questions during the webinar by using or accessing your control panel. We have multiple individuals available to respond to questions submitted through the control panel. If in fact at the end of presentation, if there's some time, I may be read some questions from the control panel and share the responses with the group. If subsequent to this webinar you have some questions or you would just prefer a more detailed response, you can send questions to housing.counseling@hud.gov. We ask that you please put Understanding Billing Methodologies in your subject line item so that they can be distributed to the appropriate individuals for response.

After this webinar, you will receive a brief survey. We respectfully ask that you please take a minute or two to complete the survey. We value your input, your feedback, your recommendations, and suggestions not only to improve the existing webinars but to also possibly identify further topics or areas that you would like discussed during the webinar. It will be extremely appreciated if you took the opportunity to complete that survey.

I am Robin Booth. I am the facilitator for this particular webinar. Our company, Booth Management Consulting, we are the contractor providing quality technical review, audit, and technical assistance services to the Office of Housing Counseling primarily for the comprehensive housing counseling grant. You all may have interacted with us through either technical assistance, preparation of action plans. We conduct the financial and administrative reviews, one-on-one training, and other financial analysis and technical assistance services that you may or may not have received from us.

Today's topic, I think, is very prevalent, which is supported by the level of attendance we have, because we want to go over billing methodologies. This becomes even more a factor because beginning in I think it was the FY '16 grant, you were given the option as a billing methodology to use the fixed reimbursement methodology. With that said, there's been some questions on how we incorporate that or how we can take advantage of that option that HUD made available beginning in the FY '16 grant.

What's a good billing methodology? How do we apply it? How do we make sure that under scrutiny or review that methodology withstands the test? Hopefully, we'll be able to focus in on a lot of the key areas.

Primarily, the methodologies we'll be dealing with are associated with direct labor, with fringe benefits and labor because that's the largest budgetary line items that are usually charged to the grants by all the agencies and subrecipients. We focus a lot on those methodologies associated with labor, fringe benefits, and then the types of documentation you need to maintain and best practices for utilizing those methodologies.

What is a methodology? For LHCA's and subgrantees, it's just your document method for how you're going to bill the grant. The grant is a cost reimbursement grant. Within that grant type, you do have options of how you can meet the requirements and comply with a billing methodology, but it is a cost reimbursement grant so to that extent it is always based on actual cost.

Your methodology just explains how you're applying those actual costs to determine your billing for the grant. For intermediaries, FSHAs, and potentially MSOs, you have a dual responsibility with the billing

methodology. Not only do you have to document how you're going to bill to HUD, but you also have to document how the various subgrantees or branches will be billing to HUD and approve and review those methodologies that are submitted to you by your subrecipients and branches to ensure that they also comply with this cost reimbursement type grant.

If your methodology as an intermediary, how you're billing, some intermediaries are 100% pass-through. So, other than potentially the administrative fees that you can charge, all the dollars are being passed through to your subrecipients. Well, in that scenario, you then become responsible for reviewing your subrecipients' billing methodologies to make sure that they complied with the requirements and are consistent with a cost reimbursement type grant.

The biggest thing, and as I said, we focus a lot on the labor and the fringe benefits because that is the largest budgetary line item for the agency, but computing and understanding hourly rates, computing and really understanding what's included in fringe benefits, and then, for this fixed price reimbursement, what does that mean? How do we determine what's a fixed price and how do we ensure that it's still consistent with a cost

reimbursement type grant where even under fixed price reimbursement, that amount you determine fixed price must be based on actual historical kinds of information.

Then, some of the other budgetary line items, what are accepted billing methodologies? For instance, rent, rent is one area where if an organization isn't charging indirect costs, or they have a billing methodology for how they allocate rent to the various funding sources including the federal award, that becomes an acceptable methodology. Usually with rent we're looking for square footage. We're looking for total square footage for whatever the space they rented is.

Then we're looking for you to be able to clearly identify what square footage is associated with HUD housing counseling grant. Is it an office that your HUD housing counselors use? If so, how often do they use it? That helps determine the utilization and then that percentage becomes what you multiply times the total rent amount to say this is the portion that's the direct cost associated with operating the HUD comprehensive housing grant. That's the other most common methodology that we've seen from the agencies relative to the billing.

What is a methodology? Any employee funded by federal grants must document their time spent. That's a part of their whole labor methodology. It's a documentation that must be based on actual hours and rates and time spent by employees.

In that scenario, even under the fixed reimbursement, one of the key facets for your organization is if you have sufficient historical data, historical information, whether it's staffing analysis or you maintain good timekeeping so you can go back and look at the number of hours that it's taken to perform certain types of counseling within the last two years under the HUD housing counseling and based on those hours, say, and the rates that we pay for our counselors to provide those services, generally for a pre-purchase type counseling, it's going to equal this amount per counseling session. That is the documentation that you must have available to support if questioned or if requested to support how you came up with that fixed reimbursement.

If in fact it's just you bill an hourly rate, well, your payroll records and your payroll data should support the actual hourly rate that you're paying to the individuals. Sometimes, when you're doing the budget, or when you've submitted, you know that there's a lag a lot of time and when

you're providing services, and when you've been advised of what your award amount is from HUD, or actually received a grant. So, when you're submitting those budgets, you have to be careful that you're submitting the actual hours that you're going to pay, these actual rates that you're going to pay these individuals because if your documentation is requested and you're required to support what you've charged, you have to be able to show that's how much we actually paid them.

Same thing with fringe benefits, when you're looking at your fringe benefits, a lot of times the methodology may be based on the entire organization. Well, we say your billing methodology for fringe benefits should be based on those labor categories which in this instance is usually a housing counselor and as you know, there are some admin labor categories and sometimes you'll see executive directors, but you should determine the fringe benefits for that labor category because if questioned, if requested, you have to be able to show that you're actually paying these benefits on behalf of this particular person and this particular labor category and they come up to that percentage that you've included or that dollar amount that you've included as your fringe benefits and your billing to the federal government.

And as I said this is focused heavily on the salaries, and on the hourly rates, and on the fixed rates of cost reimbursement because to be quite frank, a billing methodology is based on any type of budgetary line item that you're proposing, so your responsibility is to be able to provide sufficient information during the budget approval process to say this is how we came up with this dollar amount and what we're going to bill to the federal government. This is during the actual budget approval process.

On the back end, once you're submitting reimbursements, and that information is being reviewed, your supporting documentation should back into what you originally put in that budget or approval. So, you have to be careful when you're doing your budgeting that you are basing it on reasonable estimates, reliable information, preferably historical information if you have it and then looking at what you actually anticipate being able to request the government to reimburse you.

What you cannot do is, just because in your budget, for instance, you said that you were going to bill an hourly rate for a housing counselor of \$25 and hour. Well, you actually hire a counselor and gave the housing counselor, and you're paying them \$20 an hour. Well, just because your

budget was approved at a rate of \$25 an hour, under a cost reimbursement, you have to bill what the actual cost is for what you're paying them.

So, even though you were approved for \$25 an hour, you can only bill that person for \$20 an hour because that's what you paid them. That's what cost reimbursement means. It's for the actual cost you paid, unlike if you were in a fixed reimbursement, not a fixed cost reimbursement, like with a fixed cost reimbursement, like under this contract, but under just a pure fixed reimbursement where they basically said whatever you tell us, we're going to rely on that and that'll be how much you can bill. You have to be careful that just because it was approved in the budget, you still have the adequate support on the cost side.

Now, that kind of gets tricky if you're using a fixed cost reimbursement because under that scenario, you're really using historical data to come up with the number of hours it generally takes to perform certain housing counseling services and then multiplying that times the actual rate that you're proposing to pay housing counselors. Even though you're in a fixed cost reimbursement, when you submit that as a part of your billing methodology, you could be requested to prove or verify that you're going to pay that rate to that housing counselor. So, you don't take advantage of

a situation where you have a fixed cost reimbursement, it's based on your historical hours for performing certain counseling, so you got that part right.

Then, you make a decision, I'm going to pay the counselor less than what I originally put as a part of my fixed cost reimbursement as the rate that I'm going to pay. Well, you can find yourself in a situation that even though it's fixed cost reimbursement, if in fact it's reviewed, or it's subject to audit, that your fixed cost reimbursement could be reduced to the actual amount that you paid that individual. So, fixed cost reimbursement doesn't mean that you get around the requirement that it's based on actual. It just means that once that methodology is approved, you just, as opposed to submitting hourly rates times the number of hours, you're submitting the fixed cost by a counseling session or whatever the methodology was to come up with your fixed cost reimbursement.

In the next couple of slides, we pulled this information directly from your '16 and '17 grant. What we're emphasizing here is the whole concept of the hourly rate where you have to identify each counselor employed or those time activities being billed. Fixed price reimbursement, you have to

document actual expenses must be reasonable and cannot exceed the actual cost.

What HUD has done, at least through this grant execution package, and depending on the level of review of your budget, is try to make sure that in the budget approval process, that there's a real close look at your hourly rate and your fixed price reimbursement so this determination that's required in your grant can be made on the front end and to the extent that you comply with your budget, meaning that if it's hourly rate, you're using those rates. We've already done the due diligence to make sure those rates are reasonable for the labor categories that are being proposed, that the hourly rate is consistent with what we see across the board for certain labor categories, and if it's not reasonable, we're trying to raise that issue on the front end, on the budgetary approval process so that on the back end, when you're submitting your reimbursements and your quarterly reports, your reimbursements aren't being impeded or slowed down because there's now a question about this rate appears excessive or this labor category doesn't appear to be appropriate and things of that nature.

Same thing for the fixed price reimbursement, on the budgetary side in the grant execution, there was more emphasis placed on reviewing the methodologies so that once your POC approved the methodology, as long as you continued and use whatever that fixed price reimbursement was that was approved during the grant execution process, as long as you use that dollar amount and that was used, then on the back end when you're submitting your request for reimbursement, there's not a delay or any kind of delay in payment.

Now, to intermediaries, and this is based on our—this round of grant execution, our being Booth Management Consulting, we actually work with some intermediaries and assisted with the grant execution process. We noted that for some of you, because of how the grant is awarded, some of your agencies we didn't get an opportunity to review their budget. We didn't get an opportunity to review their billing methodology. That will be some of the things that you all would have to do. It's basically because how you structured your grant execution process and how you structured their billing methodology.

The cautionary tale to you all, intermediaries or others that are reviewing billing methodologies, is that you should really make sure that you review

and agree to the methodology on the front end so that you do not delay or impede payment or reimbursements on the back end because now you're questioning. Once you all agree on the methodology, really enforce that this methodology should be used consistently throughout that particular grant agreement for reimbursement. What should not be happening, and this is what happens a lot, especially with fringe benefits, is that your fringe benefit rate shouldn't be changing every quarter. What should have happened is you should have determined your fringe benefit rate for the period of performance of the grant so you can consistently use that rate throughout the period of performance.

It is very difficult if each quarter you're presenting the hourly rate and a different fringe rate because then at that point the question becomes why are these rates different? What information do you have to support it? The rates are going up and down.

That's why if you do it during the grant execution and as a part of up front, and you agree because when you do a rate, a rate should be over a period of time. Your fringe benefit rate should be over the period of performance of this contract. So, you need to take into account when certain expenses increase, or I know unemployment, for instance, you're

only paid up to a certain amount, and then it goes. All of those things should be a part of when you're compiling or computing your rate that you're going to potentially charge throughout the grant period of performance. That's something that you should do as a part of your budgetary analysis and preparation process.

For the intermediaries, pretty much the same information. Some agencies weren't aware of this whole fixed price reimbursement, so we just wanted to make sure we emphasized this is in both the LHCA's and as well as the intermediaries and parent grant agreement associated with the hourly rate and the fixed price reimbursement.

What are acceptable methodologies? Like I said, we go over the biggest ones, the key ones because think about it, anything you propose as a budgetary line item you should have a corresponding methodology which is just the justification or explanation of what you're billing and why.

There could be hundreds of budgetary line items, so we try to focus on the ones that we've identified as being most applicable to the line items proposed for the comprehensive housing counseling grant, labor being the number one, and that's across the board both with grants and contracts.

Because this is a cost reimbursement, you have to use actual hourly rates for hourly employees and computing the hourly rates for salary employees. One of the things we'll go over later in the presentation is converting from salary to hourly, so where you're taking an individual's salary and you're converting it to an hourly basis for purposes of one, billing the direct hourly rate; and then two, understanding what the hourly rate is so you can determine what is included in fringe benefits as compensated leave for paid time off because that has to be put into your fringe benefit pool.

One of the common questions we get on this grant because of the cost reimbursement, what about holidays, or what if an employee has to take off because they're sick? I can't bill the government. I can't bill HUD for that, but there's a counselor performing the work. Well, yes you should have because those dollars for paid time off and things like that, that should have been a part of the fringe benefits pool.

So, when you came up with the rate for the fringe benefits pool, you should have determined the paid time off or at least the best estimate for individuals throughout the period of performance of the grant and included those dollars in determining what's your fringe benefit rate, because no,

you can't bill hours for vacation on a cost reimbursement grant. You can't bill hours for sick leave. You can't include that and ask HUD to reimburse you for hours for sick leave. They're not actual hours for actual work performed, which is a requirement under cost reimbursement. What you should have done was included those costs in your fringe benefits pool.

Some unacceptable methodologies for labor, using percentages of the person's salary based on estimated level of effort. Remember, cost reimbursement is the government is reimbursing you the actual cost. Your cost has to be based on actual data, so estimates, percentages that's an unacceptable methodology.

Including non-salary related costs in the hourly rate such as office space and supplies to counselors, we've seen that where I guess some have tried to be creative and figure out, well how do we get reimbursed for office space and supplies and they've somehow done a conversion of those total costs based on the hours that the individual is providing housing counseling and then included those costs in the hourly rate. Well, that's not hourly rate. Remember, your hourly rate is what you're paying that person. That's the easiest way to remember. Whatever I'm paying them,

that should be my hourly rate. The fringe benefits are additional benefits I pay on behalf of or directly to that individual.

As far as fringe benefits, what you can do acceptable methodologies based on actual fringe benefits paid on the behalf of the employee, that's looking at your insurances, employer share of FICA Medicare, compensated leave. When I say compensated leave, that's leave that you pay an employee when they do not have to work. That's holiday, that's vacation, whatever's included.

A lot of us have converted to PTO days or paid time off days, so whatever that group of days are, that's what we mean. Then, the annual cost for all fringe benefits, so you can either look at it as that particular employee and say what their fringe benefit package is and give us that rate, or especially depending on the size of your organization, you may have to look at it comprehensively to say what is our corporate or agency-wide fringe benefit rate, but a lot of the NSOs and SHFAs provide because that information often times could be included in your negotiated indirect cost rate agreement or your cost allocation plan depending on what type of agency you are.

What you cannot do, unacceptable, you can't base it on estimates, once again, not supported by actual costs. So, sometimes people say, well, I think I'm going to ultimately get health insurance for the employee, or this person. Well, one, if in fact that's the case, you need to get actual quotes for what that health insurance is going to be and then you have to get it. If you don't get it, then you should not be billing those fringe benefit amounts on your actual reimbursement.

That's not that uncommon especially if let's say the agency is getting additional counseling or they may be a one-time, a new agency and you didn't have a housing counselor. Now you've brought on a housing counselor and you're figuring out their fringe benefit. Well, that's okay during the budgetary process, but when you submit your actual cost reimbursement, you have to make sure that it's based on actual costs.

The other thing that is unacceptable is changing the fringe benefit rate each quarter due to changes in the actual related costs. You should have annualized the cost or the cost should be spread throughout the period of performance of the grant. I want to stay away from saying annualize because the grant a lot of times is 18 months. You should spread those costs through evenly out and incorporated those costs and then based on

the estimated hours come up with that fringe benefit pool. Every quarter your HUD POC or your intermediary shouldn't be looking at different fringe benefit rates trying to figure out why they fluctuated.

As far as indirect costs, if you have a NICRA, you're using the approved or lower rate. If no NICRA, and you've never had one and you meet the eligibility criteria, you're using the 10% de minimis rate. Unacceptable, using a rate not approved by a federal cognizant agency.

We've gotten a question, can I use the state approved rate? Nope, that's not a federal cognizant agency rate, so either, if you don't have a NICRA, then you're going to use the 10% de minimis because 10% de minimis also says that you should never have a rate negotiated with a federal cognizant agency. If you have a state agency rate, that doesn't preclude you from using the 10% de minimis rate as long as it's state or local and not by a federal cognizant agency.

Either a parent or a sub can't use their reciprocal rate. The subs can't use a parent's rate and the parent can't use the sub's rate. It's usually the parent forcing or advising the subgrantee that they have to use the parent's actual NICRA rate and that's ultimately unacceptable. That NICRA is just

for the parent. If the subrecipient doesn't have a NICRA, and they meet the criteria for the 10% de minimis, then they will elect the 10% de minimis, but they do not by virtue of being your subgrantee or your subrecipient use your NICRA for billing indirect costs.

Unacceptable, electing a 10 % de minimis rate although you know you're not eligible. You know you've had a NICRA before. That's one of the biggest criteria, and you're electing that anyway. Now, of course, because this is a self-certification as it goes to the 10% de minimis rate, you're self-certifying that you meet the eligibility requirements. If upon review or further inquiry it's found out that you didn't, then whatever costs you charged for indirect using that 10% could be subject to recapture. So, just be clear that when you're self-certifying you've done your due diligence to make sure the agency, the organization, meets all of the criteria for the 10% de minimis rate.

You also can't apply a program charge. Certain grants and certain other areas they have these program charges or overhead rates. If it's not a NICRA, if you're not electing a 10%, then you can't charge those rates.

Fixed price reimbursement, this is the most acceptable methodology.

You're looking at actual hourly rates times actual hours based on available data. If you've been doing housing counseling since 2012 under this particular grant when it first came out, then you probably have a strong historical data on how many hours it takes you to do certain types of counseling. That is the data that you want to use to determine what the hours per counseling session. You're then taking those actual hours per counseling session and multiplying those times the actual hourly rate that you're paying the various individuals that are performing that work.

Even then you're not using estimates. You're using actuals. As I said, when you submit your reimbursement request, your request won't be based on labor hours, it'll be based on whatever the fixed reimbursement amount is by a housing counseling session or whatever widget you use to determine what that method was. It still has to be based on actual available data, and all of that data is supporting documentation that could be subject to review.

What you cannot do, estimate the level of effort in hours. It would be very difficult for a new grantee to be able to provide adequate documentation to support a fixed reimbursement amount for comprehensive housing

counseling services unless they've demonstrated that we've done the exact or very similar work under another agency and even in that scenario your time tracking, your utilization, all of those things will be subject to review. As I said, if you've been doing this for a while, you can provide actual information associated with the hours and level of effort it takes to perform the services.

Using percentages, once again, of salaries based on levels of effort, percentages are not acceptable. You have to look at the actuals. You would have to go still use that person's actual hourly rate. The thing about the fixed reimbursement is, and that's why you have to have a good history, because you have to know up front, one, how many hours does it take to do that service; and two, what rates am I paying people to do that service? You have to know that so that so that fixed price reimbursement amount is staying strong. If you don't have that, then you're better off just using the actual hourly rate than the other acceptable methodologies and steering clear of that fixed price reimbursement until you get the type of historical information that would help you to have an acceptable methodology.

Your inability or failure to document the source of the data: If questioned, it's inquired of or requested, you have to be able to give the source of that data. I know that when we were reviewing billing methodologies, that's the kinds of questions we asked. Where did this come from, our timekeeping system? Well, what kind of timekeeping system do you have? We use X, Y, and Z. Okay.

We did a staffing utilization report. Okay, can we see a sample of that report? Here you go. We may request to see how you came up with the actual hours, and the basis, and the sources for those hours to support that fixed reimbursement amount.

So, if you've been doing this a while, it's a great thing because once it's approved, then your billing as far as requesting reimbursement becomes a lot easier. If you're new or you don't have that kind of history, it's more risky for you until you get that kind of historical data that if questioned or if it's reviewed or requested, you would be able to provide the type of acceptable supporting documentation.

As it relates to travel, this is reimbursement based on actual cost and/or per diem. The cautionary tale here is if you have travel policies and

procedures and they say that your travel is to be accounted for as X, to the extent that those policies and procedures are reasonable and they're pretty consistent with things like federal travel regulations, you have to use those policies and procedures. We've noted that a lot of agencies still require receipts for per diem type items as opposed to allowing employees to use just the GSA federal per diem.

Well, if that's what your policy says, then upon review, your employees have to have those actual receipts, and to the extent those receipts are reasonable and don't appear to be in any way unreasonable as to other cost principles associated with just the uniform guidance, then that'll be acceptable. Just make sure that you're also adhering to what your travel policy procedure is.

What is not acceptable, using per diem for federal awards only and the lower per diem or actual, for non-federal. That goes back to my point before. We see that a lot for federal per diem. You say, for federal award, your employees can just say, we're going to use the per diem, but on non-federal in your policies and procedures you say that you're supposed to be using per diem or actual, whichever is lower. Well, you have to consistently use that methodology.

Applying the methodology, converting from salary to actual hours is probably one of the areas we get a lot of questions about as far as how do we come up with this hourly rate. Generally we use the available work hours of 2,080 work hours. That's a universal. That's 40 hours a week times 52 hours, and that's a lot of times what we use. However, if your employees only work 35 hours a week, then your computation of the total available hours for a year would be based on 35 hours a week times 52.

Maybe they only work seven and a half hours a day or they only work seven hours a day and they get an hour lunch and those kinds of things. Even though the standard is 40 hours a week, you need to base it on what your available work hours are a year to determine. That becomes your basis. That's why it changes.

Like I said, if you're 8:00 to 4:00 and they get a half an hour lunch, they didn't work 8 hours a day, they worked 7.5 hours a day. Then, you would do your 7.5 times 5, which is I think it's 37.5, times 52 hours a year. Your total available hours would be based on that, not on 2,080 hours. That's when we get to the actual hourly rate versus the standard hourly rate.

The standard hourly, you're just using that 2,080, but your actual is based on the actual hours excluding compensated leave then is used for cost reimbursement such as HUD. Just as a tidbit, the lower the actual total work hours, the higher the actual hourly rate. What happens is, and it's reasonable, if an employee actually works seven and a half hours a day because they work 8:00 to 4:00, but they get a half an hour lunch, well of course they're not working if they get a half an hour lunch.

Well, that's really an added benefit because they're not working for a full eight-hour day, so then you would be looking at those total hours divided into their salary, and it actually would be a little bit higher rate. How you determine that will be based on your organization's actual work schedule. So, no, there's not always one way to do it. As I said, you have to look at your organization, your work schedule and specifically for the labor categories proposed for this grant.

For most of you, the dollar amount is so small that it makes more sense to look at the actual labor categories and determine your fringe and your hourly rates as opposed to try to look at the overall agency's fringe rate because it's for that particular individual, so it's very focused and very targeted, and we're not talking about a lot of individuals. You need to

look at that person's work schedule. If they're not fulltime, even though salary suggest fulltime at 38 hours a week, but if they are working an hourly rate, you're using that hourly rate, then you are using that hourly rate. You're not backing into an hourly rate. This is only when they're salaried, but you do need to determine the actual hours they work, available work hours during the year.

Let's say a scenario you had a fulltime employee with salary of \$40,000 a year, organization operates 5 day per week, for 8 hours per day, for 52 weeks per year. Each employee gets 15 days of paid vacation, 8 holidays, 5 paid sick days, so they have 15 days of compensated leave which is included in your fringe benefit pool. First, we're going to compute their actual hourly rate, and based on that scenario, it was based on 2,080 hours. That was that scenario, so the actual hourly rate came up to \$19.23.

Then, we have to determine how many days or hours, convert the days to hours for their compensated leave. They had 8 holidays for 8 days, so that's 64 hours. Then they also had 15 paid time off plus 5 sick days, so that's another 150 hours. This is under this scenario. They had a total of paid time off hours of 224 hours. Those hours are part of your fringe benefits. We're about to get to that, but you have to take those hours

times the hourly rate and include those costs as your fringe benefits and divide it by their total hours.

Then, to determine their fringe benefit, one of the things we're going to do is first thing on here is we've got to get that compensated leave. Well, in this scenario, we know we're going to take the 224 hours times their hourly rate and that's the compensated leave. You have to take in account your share of payroll taxes which is 7.65%, the Social Security and Medicare, not the part that's withheld but the part that the agency pays on behalf of the employee.

If you have a pension plan, whatever you're paying into the pension plan for that employee, that goes into this fringe rate. If you have workman's comp, if you're paying group insurance, not what's being deducted from their check but what you're actually paying on behalf of that employee.

Let me say that because you're not paying 100% of various insurances and there's a certain portion that they're paying into it, you can't include that. You can only include benefits you're paying on the employee's behalf.

Tuition reimbursement, training if it's non-direct, employee health and welfare program, you can have a health and welfare program that's

available to all employees. Sometimes it's a gym membership, or nutrition plans, or whatever it is, but if you're paying it on behalf of the employee, you can pull together all of those dollars and say okay, this is my lump sum of fringe benefits, and I'm going to divide it by the total amount of available work hours so I can say in addition to the hourly rate, this is how much that we're paying in fringe benefits.

Now, if you're doing it by a person, then it gets real easy because you should know how many days they're getting for compensated leave, how much their payroll is, how much you're taking out for pension, so you're getting that actual total dollar amount and then you're dividing that by their total available work hours to say for every hour they work, in addition to what we're paying them, their direct rate, this is what we're paying the fringe benefits on their behalf.

Including uncompensated leave, fulltime employee with an annual salary, we're in the same scenario, we're just bringing it down and giving you some more expenses, 5 days per week, 8 hours a day, so we're still at the 2,080 hours, 15 days of paid vacation, 8 paid holidays, and 5 paid sick days. That's going back to that 224 days that we talked about in the prior slide, but in addition, here we're telling you we paid \$7,200 of their

employee health, life and disability, \$2,000 for their retirement benefits, \$1,100 for their workers' comp, \$210 for employment, and then their employer's share.

Note that we're looking at this from an annual or over the period of performance from their grant. We're not looking at paycheck by paycheck. We're looking at their total cost for the period of performance of their grant. In this instance, we're using a year as the basis, but we're looking at the total cost for that period. Once we determine this rate, it stays the same for the total year because we've captured the total cost.

Then, you already saw this slide. You already saw that we got to the \$19.23. You already saw what we came up with the number of days with hours we're paying them for their compensated leave. Now, we brought in the employer's share of the payroll taxes, and that was 7.65% of their salary of \$40,000. Group insurances, 2,080 hours, that's their rate, and then that was the group insurances. Compensated leave, we took 224 hours times their hourly rate. Their retirement benefits, we told you there were \$2,000. We didn't give them training. We didn't give them tuition reimbursement. We did give them unemployment insurance of \$210, and then workman's comp of \$1100.

So, we took their total fringe benefits package of \$17,000. In addition to the \$40,000, we're paying an additional \$17,000. We took that and divided it by their total labor to get a 44.69% fringe benefit rate which we have seen. This agency has a very aggressive and a very strong fringe benefit package.

You would then just multiply that times, well, you now know what your rate is so, you would multiply the 44.69% times each hour, and that would be the additional amount you're getting for your fringe benefit. So, you would add the \$19.23 plus that 44.69% which is what we show here. Then the total package, labor and fringe benefits, is \$57,877 for this. That's effectively what you're paying for that person to perform that work.

Then, we're going to take the total available hours, and we're going to tell you that the fully-loaded rate was \$27.83. You could have shown it on your HUD budget by either showing your direct rate and then taking the 44.69% and multiplying that and showing your fringe and your direct as two rates, or you could show the fully-loaded hourly rate which included your fringe. You just combine the two to give you your total fully-loaded

hourly rate. That would have been the options that you had, and that's all that is.

As I said, this is a very good compensation package, and we've seen some higher. We've had fringe benefit packages in our grant executions that were 60% and 70%, which really isn't that uncommon for non-profits because a lot of times the actual hourly rates are so low, the salaries are, that a lot of times, it's the fringe benefit rates that help to really make it competitive to get the types of employees to work for you. That in fact is how you come up with your rates, your fully-loaded rate, or you could have just shown it as two separate rates, your direct rate, and your labor rate, but you know HUD allows you to show your fully-loaded rate. You just have to indicate that it includes fringe benefits and how much is fringe benefits.

This is for the fixed price reimbursement. The first thing under that, you still have to know what your hourly rate is. That doesn't change. Your hourly rate is what you're actually paying them. You still have to determine your fringe benefit rate because whatever the total number of hours per counseling session that you're going to charge, you're going to charge that against your hourly and your fringe. You still need to know

the rate, whether you're going to use one fully-loaded rate, or you're going to separately show your hourly rate and your fringe benefits rate.

Then, the next step here is you have to determine the number of hours per service. So, how many hours does it take to do pre-purchasing counseling? How many hours does it take to do the various types of counseling? For each counselor, you may have different fixed price reimbursement amounts based on the types of counseling sessions performed depending on what your historical data supports.

If it seems like it takes you the same amount of time no matter what type of counseling you're doing and your historical data suggests that, then you may have one rate you use for all counseling. If your historical data and you can support that there's different level of efforts and different hours for different counseling sessions, then that's how you should be showing your fixed price reimbursements, by a counseling session.

That would be the last step where you take your hourly and your fringe rates to get the fully-loaded rate, and then you're multiplying that times the number of hours that you've determined to be the fixed price. You could realistically have five or six fixed price reimbursements depending

on the counseling session, or if your supporting data suggests it, you might just have the hours are the same no matter what you do, then that would be what you propose as the number of service hours.

The biggest thing with fixed price, you have to be able to document. You should have historical data over more than one year, multiple years, three or four years better, two years we'll take, but you have to have that information. You still have to meet the cost principles that they're allowable, allocable, and reasonable.

Even in, for instance, your time tracking, you have to be able to show that these were the hours for HUD housing counseling tracking so that they were allocable to HUD and that the work that they performed was allowable. Whatever your staffing utilization, your time tracking data supports, that should still be able to meet these cost principles of being allowable, allocable, and reasonable. Most importantly, it must be approved, and it should be approved—I strongly encourage you to make sure it's approved during the grant execution process so you don't find yourself in a situation where your request for reimbursement is being delayed or held up because there is some question to your billing methodology.

Here's an example. ABC organization has been providing services for over five years. They keep a strong electronic timekeeping system. It has their personal activity reporting. They require each counselor to charge time by agency and client. On an annual basis, the accounting finance department does a staffing analysis of hours spent providing counseling for one client. They review the data, and they compare it to the CMS system. Here, they have in place how they're using their historical data, and they're explaining that methodology. They're explaining it as part of their methodology.

Based on that analysis, the accounting finance department determined that each client receives 11.5 hours of housing counseling services. So, in this analysis, they didn't look at it by types of counseling. It came out that pretty much this is what they receive, 11.5 for housing. They submit the detailed billing methodology including a write-up of how they determine the fixed price for housing counseling to the various program areas. All counselors are paid the same hourly rate of \$25 per hour including fringe benefits.

We've actually shown you the kinds of documentation. This is telling you the kind of detail that you should be able to provide. Under this scenario, we're taking the \$25 times 11 hours per client, and we're saying that the fixed price per client counseling is \$275. So, when I submit my reimbursement request, it won't be actual hours versus hourly rate, it's going to be number of counseling sessions times the fixed fee.

Now, that doesn't negate your requirement as a part of your quarterly reporting to still show the kinds of data that they requested. You still have to show your year-to-date in hours. You still have to show your cumulative because you're still keeping that information. It's just on the billing side, that's when you're using your fixed price reimbursement, but you still have to maintain your quarterly reporting.

Some best practices: For any type of methodology, timekeeping, and personal activity, for all this labor, the stronger your timekeeping and your personal activity reporting, it gives you all the flexibility to use whatever option works best for you. It may be just easier to keep doing actual hours because you have a great system, so it's easy to get the information, throw it in your quarterly report, put it on your request for reimbursement, and get paid. Or, it's just more efficient for you to go through the firm fixed

price analysis, but you have all the supporting documentation or supporting detail because you have a strong timekeeping and personal activity reporting system.

On timekeeping, one of the recommendations we've had is that you add an activity code which becomes your personal activity code and give it a legend to say this code represents X, Y, and Z. Then, it becomes less subjective, so employees are not just entering their hours, they're entering their activity performed, and they're charging it to the appropriate HUD grant.

As far as rate, should be approved based on approved billing methodology. It can be different for each person. One of the things we recognize is you don't pay everybody the same rate, but you have to make sure whatever rate you pay them it's supported by actual payroll records and other documentation that you're actually paying them the amount that you're billing the government.

Indirect costs should be computed based on the approved base. One of the things you have to know, and if you're using the indirect cost, whether it's based on your NICRA or based on the 10% de minimis rate, what the

approved base is that you'll use to multiply that rate times. So, you have to make sure you've done that the right way. If you've done those things the right way, your request for reimbursement to HUD should be relatively simple, not just for your submission, but then for the review and approval by the HUD POC or, if you're a subrecipient, by your parent.

Get accounting finance staff involved. I strongly suggest it on the front end, especially if your hourly rates, your fringe rates and/or your fixed price rate so that if you get them involved on the front end during the grant execution process, you can get through any questions and get through that process. Then each quarter when you're making your submissions, then everyone can refer back to the same document so you all have already approved what the rates are going to be, how you're going to bill, and what the methodology will be used. Make sure whatever methodology you propose, you use that methodology. You can't change it because if you change it, you know that's something you have to request in writing prior to changing your billing methodology.

Make sure your accounting finance has final approval of it. Talk to them about it. Make sure you know what the real costs are. You may be forgetting some fringe benefits. You may not have realized that employee

also received retirement or whatever those fringe benefits. So, you do need to make sure you're communicating with your accounting and finance areas.

Most importantly, communication with your HUD POC or communication with your parent so if there are any changes or those that are required to be made in writing, make them timely. You might want to discuss something before you actually submit it in writing to make sure you're all on the same page, but ongoing communications between either your HUD POC, or if you're a subrecipient, with your parent becomes critical.

For time and attendance, you want it to be tracked by task. You want it actual hours. Here's where, once again, we're proposing activity codes to make it very easy, and then it also is consistency for employees. It's clarity. It's transparency on what activities and how they bill. These are just some of the recommendations we have for time and attendance.

I know that this content is probably a little bit more complicated than we usually go over in a webinar, so at this point, I'm going to see if there's any questions online that haven't been responded to. It looks like we responded to all of them. There wasn't a lot of questions.

If you have any questions subsequent to the webinar, please send them to housing.counseling@hud.gov. In the subject line item, to make it easy for everyone, Understanding Billing Methodologies and Best Practices. Those questions will be distributed to the appropriate individuals for response.

I think you for your time this afternoon and hope you enjoy the rest of your day. Thank you.

Moderator

That does conclude your conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.