Final Transcript

HUD – US DEPT OF HOUSING & URBAN DEVELOPMENT:
Understanding Billing Methodologies & Best Practice

June 20, 2017/2:00 p.m. EDT

SPEAKERS

Wilfredo Corps

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. Welcome to the Understanding Billing Methodologies and Best Practices call. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session. [Operator instructions]. As a reminder, the conference is being recorded.

I'd now like to turn the conference over to Wilfredo Corps.

Wilfredo Thank you very much. Good afternoon, everyone, I guess, or good morning to the ones joining us from the west coast. Today we are going to talk about billing methodologies and best practices. We have put together the following slides, trying to simplify and explain in as much detail as we can what is the billing methodology and to hopefully explain how to apply it, how to develop it.

At the end we are going to take on your questions and hopefully have answers for you. So, as I go through the slides, knowing that you won't be able to ask questions verbally I'll go as slow and try to be as clear as possible. But you have the option to write your questions into the GoToWebinar system, and then we will be going through those and at the end give you the answers. If I cannot do it as I'm going through the slides, we'll take care of those at the end.

My name is Wilfredo Corps. I'm with Booz Management Consulting. I have been part of the HUD contract now for, I will say, seven, eight years, and I was with the previous firm as well. So, I have done a lot of the reviews, I have done a lot of technical assistance, I have done all kinds of work with a variety of agencies throughout the entire nation, so perhaps some of you on the line, we met, or I have worked with you over the phone, so some of you know who I am. But the ones that don't know me personally, I’ve been doing this for a while and hopefully we’ll provide you with enough good information that you can apply going forward.

There are some of the training topics that we will be covering today. Specifically, we’ll talk about what is a billing methodology, the acceptable billing methodologies out there and the most common ones that we’ve seen, how to apply those billing methodologies. And then also as I go through the different methodologies and go through the different slides I will share with you what I would determine to be the best practice.

You can imagine I have seen many different applications of different billing methodologies, and as we do that as auditors we always have in the back of our head we saw this other approach, this other organization and perhaps it’s better than what this other entity’s doing, and we tried to share that information as we are in the field working with agencies like you, and the intention behind it is really to make things easier. Sometimes agencies, organizations, as we’ve worked with them we’ve realized that they are making things too complicated, and sometimes it is because they perhaps haven’t been told or haven’t been given the proper advice or assistance as to what is really required and perhaps some advice as to how to simplify what has been done so that it’s just easier for the agencies to implement, easier for the agencies to work with those billing methodologies.

As you will see, and as I will explain, some of these billing methodologies are what I will call a "live" document. The information going into these calculations could be changing on a monthly basis, so it's better when you have an easier and more simplistic approach to how to determine these billing methodologies. At the end we're going to have, like I said, time for questions. We will be gathering those questions as we go along, and then hopefully we'll have time at the end to go through each one of those questions.

What is a billing methodology? Well, for LHCS' and sub-grantees that will be the documented method for how the organization will bill the grant. As auditors when we go out to the field to do, in this case the financial and administrative reviews, we want to understand how is the agency billing the award, or how the sub-grantees are billing their parent organizations for their time. Then we have for intermediaries and SHFAs and MSOs, it's pretty singular, but in this case it will be the documented method for how the organization will bill HUD and also reimburse their sub-grantees for branches.

In that method there should be detail regarding how the hourly rates are determined, what are the fringe benefits, and how are those calculated. There is an option to use a fixed price reimbursement, so if applicable there has to be an explanation as to how that was determined, and any other budgetary line item that could be used towards the development of that amount in the billing methodology, and I will talk in more detail about those different things in the next slides.

Talking about billing methodology, we have here some bullets, as we're touching upon the things that we consider the most important in the process of developing that billing methodology. So, any employee funded by federal grants must document the time they spend working on the grant's objectives. And that documentation will be the base to develop and to know how much of that time was actually charged to the award, and at the end of the day we want to use that time to know the rate that will be determined in this billing methodology.

In a couple slides we're going to have an example on how to actually determine the hourly rate. It's pretty straightforward, but, like I said, we want to make this very basic, so we have developed some pretty good examples as to how that is developed. That methodology and documentation must be based on actual hourly rates and time spent by employees on awards being charged. We cannot emphasize enough, and we always tell grantees, I guess every chance we have, that you should always keep in mind and only charge actual costs to be awarded, in this case, the cost coming from the hours worked. Estimates are not allowed. Budgets are not allowed. I think organizations are getting better as they understand this better and better, but there are still some organizations out there that are not using actual costs, are not using actual rates. So, the bottom line is actual rates have to always be used when charging an award. There's an exception with the fixed cost reimbursement, and we will talk about that in detail as well.

In terms of the hourly rates, when I explain that fixed cost reimbursement approach some of you might wonder, well, they're saying that we don't have to use actual costs here to determine that rate, but in order to get to a fixed cost reimbursement some historic data based on actual has to be used. So, in that case that's why we have here for the fixed cost reimbursement, we detail the process used to ensure that the fixed cost reimbursement rate does not exceed the actual cost of providing the housing counseling services.

So, that is an option for organizations. If they choose to charge or use a fixed cost reimbursement now with the new uniform grant items that is allowed, but it also has to be approved prior to any agency charging a fixed amount, or a fixed hourly rate, or a fixed amount per session, or whichever way they wanted to bill the fixed amount. There has to be some historic data used to determine that fixed amount on that historic data has to be compiled through at least three to five years so that a rate can be determined and approved by the cognizant agency, in this case by HUD, so that the agencies can use that approach.

For the ones of you that have an indirect cost rate, I would say a pretty close, similar approach but in this case the intention is to determine a rate to use on certain specific tasks, or certain specific functions that the agency will be doing. And again, we'll get into more details about that in a few slides.

We included here, on this page and the next two slides, we wanted for agencies to be reminded that as part of their grant agreements there's a requirement for the agencies to submit this type of information in their quarterly reports. And so, as you see here, that hourly rate of ours, an itemized accounting of actual costs, and this is where you will indicate the approach that you are taking in terms of your billing. Obviously, the topic today is about billing methodologies, but there's also the possibility that perhaps you already are using actual costs directly to charge HUD without a very detailed or confusing billing methodology. What I mean with that is that you're using straight hours, let's say, from your CMS system, so in those cases where you have a link in between your CMS system and your accounting system perhaps the billing methodology that I will be discussing today will not be needed in your case, you will still need to know the hourly rate, and we'll talk about how to determine that.

But again going back to one of my previous comments that we don't have to make things that complicated, sometimes we do, thinking that the more complicated, the better it looks, but it might not be necessary. But here I wanted to make sure that organizations understand that it is expected for you to explain how you are determining the rates that you're using to charge your HUD awards.

Now, here what we did is that we broke out a different type of cost and then we briefly talked about what is acceptable and what is unacceptable in order to charge that type of cost to the HUD award. So, for direct labor, it's pretty straightforward, as what I've been saying for the last few minutes, using actual hourly rates for hourly employees and computing the hourly rate for salaried employees based on annual hours worked. So, again, pretty straightforward. The goal here is for people to understand that it has to be based on actual. So, the trickiest one obviously would be the one for the salaried because that calculation has to be done in order to arrive at that hourly rate. If you have counselors that are being paid by the hour, so the hourly rate has already been determined when you hired them.

In terms of unacceptable methodologies regarding direct labor, so computing the hourly rates as a percentage of the person's salary based on an estimated level of effort. Again, like I said, estimates are not allowed. You have to ensure, you have to prove, if you will, to your auditors or to your funder that the rate used is actually either at cost or less. So, when you use an estimate perhaps you're running the risk that if you were to go through an audit you might be over billing them, you might be asked to pay money back. So, that is the risk that you run. And then including non-salaried related costs in the hourly rate such as office space or supplies to the counselors and so on, that's also unacceptable to be included as part of the direct labor. So, the bottom line, direct labor has to be actual costs based on that hourly rate.

The hourly rate also could include fringe benefits. Some organizations decide not to charge fringe benefits, but if you do decide to include fringe benefits as part of your rates those have to be computed based on actual fringe benefits paid on behalf of the employee. And those could include health insurance, life, dental, the employer's share of the FICA, Medicare, any compensated leave, unemployment, Workmen's Comp. The rule of thumb here is that if you are going to charge fringe benefits to any federal award, that has to be a policy for everybody within the entity. In other words, if part of your staff doesn't work on any federal-related project, so they're paid by other funding, regardless of where it's coming from, those same benefits have to be also given to them.

So, everybody has to be pretty much being paid the same benefits across the board and then it is okay to calculate the actual amount and then charge it to a federal award. So, another way is to determine the annual cost for all fringe benefits and then do the calculation as well using the amount of hours worked for the whole year by that employee. So, those are the ways to charge for fringe benefits, the acceptable methodologies.

Unacceptable. Again, we go back to the same, the estimate, so if it is computed based on an estimate that is not supported by actual costs, then that is unacceptable. I think you will see that theme about estimated amounts, or budgets, in the Unacceptable column throughout. Now, changing the fringe benefit rate each quarter due to changes in the actual fringe rate of costs, so in this case the cost should be analyzed so that there's no discrepancy or, I will say, non-uniform billing to the award.

Indirect cost. Some of you have a NICRA in place and some of you have elected now with the uniform grant items to charge the 10% de minimis rate, so acceptable methodologies for indirect cost, if a negotiated rate is used, so the agency should use that rate or a lower rate. It is allowed to use a rate less than what you have approved even though obviously not many organizations choose that method, but it is okay. Now, if no NICRA has been approved, so either you don't charge any indirect cost or if you elect to do the 10% de minimis rate then you could do that as well. So, that will be the acceptable methodologies for indirect cost.

Now, unacceptable methodologies for indirect costs will be clearly using a rate that is not approved by a federal cognizant agency, or using the indirect cost rate that was approved for the parent organization if you are a sovereignty, if your organization needs to have their own indirect cost rate, electing the 10% de minimis rate although you are not eligible, and there are some parameters as to why some agencies may or may not be eligible to elect the 10% de minimis rate, and then also applying a program charge, like an overhead rate and so on, those cannot be either used when you are, well, we're talking about indirect cost, there's a difference between indirect cost and overhead expenses or an overhead rate.

Now, we'll talk in a little bit more detail about the fixed price reimbursement as well, but in this case an acceptable methodology for the fixed price reimbursement, we will be multiplying the actual hourly rates by the actual hours worked and that will be based on available data, such as any time tracking, staff and utilization reports, or any other report available that could be used to compute that fixed price amount. So, mostly that will be any historic data available to calculate as close as possible the rate that could be used and that the agency will be charging for those staff.

Now, unacceptable, again as I mentioned, estimating the level of effort, so at this point hopefully you'll get that, that estimating is a big no-no. Using percentages of salaries based on level of effort to compute hourly rates, that is also unacceptable. And then a failure to document the source of the data used to determine those hours. So, if we are going to take that approach of applying or trying to use a fixed price reimbursement, you have to keep in mind that there has to be some historic data to support your determination of the rate.

So, maybe when you are doing your quarterly billing or your quarterly reports, if you already went through the process of being approved at that time you will see that obviously it will be easier, it will be faster for you to prepare those reports, however, you need to have that approach approved by HUD in order for you to use that fixed price reimbursement approach. So, perhaps you will have to go through some effort prior to using it, but once you get it approved then it will make it easier for you to use going forward. So, some agencies might elect to do that, some agencies might elect to do their own calculations using the actual data for the quarter they're billing or the period that they're billing every time that they prepare an invoice or a quarterly report to be submitted to HUD. It's up to the agency to determine which way they think is a better fit for them.

In terms of travel, so this one is pretty straightforward. Reimbursement for travel has to be based on actual costs and if it is a per diem based on the per diem determined by the federal government, the federal travel regulations. And then unacceptable methodologies will be using the per diem for federal awards only and then a lower per diem or actual for non-federal awards. So, there has to be consistency throughout the agency overall.

The federal government, and to me it makes a lot of sense, they want to be treated the same as everybody else in terms of funding sources within the agency. They don't want to be paying more or less than any other of your funders, or they don't want their grant to be charged more than any other of your other grants for a similar cost. That's pretty much why we're trying to get to there.

Now, applying this methodology that we've been talking about and converting from salaried to actual hourly rate, we're going to show you here a pretty straightforward way of doing that, and there are two different approaches that could be taken. There's no specific requirement for either one to be used, so the agency can determine which approach they want to take, so we either have the standard to how to determine the standard hourly rate or the actual hourly rate. So, for the standard hourly rate, that one pretty much you will divide the annual salary by the available hours for the whole year, so most organizations work 40 hours a week and 52 weeks of the year, so that means that the agency obviously, the employees will be working 2,080 hours. That's a pretty common number that we see out there that entities use to determine the annual hours to use in their calculation.

Now, also they could also be using just the actual to determine an actual hourly rate. That will be computed based on the actual hours, excluding any compensated leave and then it's used for the cost reimbursement agreement, so just the HUD counseling agreement. So, in this case the grantees have a choice as to how to calculate that hourly rate, it's pretty much we're trying to get to here, and that the lower the actual total work hours obviously the higher the actual hourly rate. There's going to be math done to determine that hourly rate, so if your total actual hours is lower, then that rate will be higher.

So, when we go out and look at the approach taken to determine how was this rate calculated we always look as to the reasonableness of the approach taken and the math done behind the final number, how did the agency arrive at that number, at that amount. We always look at the reasonableness just to make sure that the numbers are not inflated, the amounts are reasonable, and that is the same approach that the agency is using to charge non-federal awards as well.

So, in this scenario, to convert these hours to an hourly rate we're going to use as an example a salary of $40,000 a year. Like I said, the agency works, in this example, 40 hours a week, so 5 days, 8 hours, so 52 weeks per year, and then also we are making an assumption here that each employee is entitled to 15 days of paid vacation, 8 paid holidays and 5 paid sick days per year. So, our calculation, as you can see, pretty straightforward, so we have the 2,080 hours that we calculated by taking the 52 weeks at 40 hours a week and then when we do the division, the $40,000 annual salary divided by the hours, we have a rate of $19.23. So, it's pretty straightforward.

I will say that that is the most common way that I've seen organizations out there compute the hourly rate. This rate right here obviously does not include any fringe benefits either. This is just the salary. It is very important that whichever approach you decide to take to charge your HUD award that you explain it during the grant application process, that this is the approach that the agency follows to determine hourly rates so that HUD is aware of it. Also, in your quarterly reports, as I showed you, there's a requirement to explain how the rates were determined, so you don't have to reinvent the wheel, you can keep it pretty basic and explain in layman's terms how is it that you are arriving at your hourly rate, and if it is as simple as I have it in this example then that's what you explain. It's pretty straightforward.

As I mentioned, fringe benefits could also, and most agencies do include that as part of their hourly rate, so a fringe benefit rate is the cost of an employee's benefits divided by the way it's paid, one employee for the hours working on the job. And this cost would include compensated leave, the employer's share of payroll taxes, pension plan, Workmen's Comp and all of that.

The bottom line here is that all of the benefits that are used to calculate the fringe benefit rate that we charge to the federal award needs to be used across the agency. I did say that already, but I wanted to re-emphasize that all of your funding sources have to be treated the same way. So, just because you have a much bigger federal award, let's say, than you have other private funding doesn't mean that it is okay to charge more to your federal award than to your other funding sources. So, just keep that in mind. And pretty much any benefits that the employers have in the employee’s benefit package, most of the times pretty much all of those benefits could be used in the fringe benefit calculation when you decide to use your fringe benefit also as part of the rate to be charged to the federal government.

Now, here we are adding some fringe benefits to this scenario. Again, we have a full-time employee working the same deal, 5 days a week, 8 hours a day, with the same annual salary. In this case we have also the same days off, 15 vacation days, 8 holidays and then 5 sick days. And also now here we have that the organization is paying those expenses as fringe benefits to this employee on an annual basis. So, if we take those numbers, in this case the first step will be compute the hourly rate, which will be similar to the previous example.

Now, here we’re going to add this fringe benefit. So, we need to calculate a fringe benefit rate so that then we can go back and add that fringe benefit amount to the hourly rate that we have of $19.23. So, here, as you can see, we have total fringe benefits of $17,877.40. Each one of the lines, we tried to put there the formula that we used to come up with the fringe benefit cost for each one of those line items. So, when you do all the math you come up to the $17,877.40.

I think up to now I will say it's pretty straightforward of how to calculate that. Now, you take the total labor dollars into the equation here and when you divide the amount of the fringe benefits times that salary amount, you will determine the fringe benefit rate. So, in this case the total fringe benefits are 44.69% of the salary amount, so we need to come up with that rate so that we can then determine how much will be added to the hourly amount that we already determined. So, I will consider this step two.

Now, step three, pretty much we will come up with the total amount of dollars for the direct cost, which will be the salary and the fringe benefits. When we have both combined, I call the hourly rate that will come out of this calculation the "fully loaded hourly rate." That fully loaded hourly rate in this case is the $57,877 divided by the same hours, 2,080 hours, so that will give us a rate of $27.83.

Now, that should be the rate that the agency would use if they want to also charge for fringe benefits. Like I said, they don't have to, there's no requirement for grantees to charge fringe benefits if they don't want to. I have seen organizations where because of the grant amount that they are receiving they decide to keep it as simple as possible, and all they do is only charge the salary, they don't charge any fringe benefits. And I will say that it's not as common as when you see agencies using the fully loaded rate, but there are some agencies out there that decide to only charge hours. So, we're showing you how to get to this fully loaded rate in case you decide to take this approach. Both approaches are accepted, there's no language on the circular disallowing either one of the two approaches. So, it's up to the agency to determine how they're going to calculate that hourly rate that is going to be used. That's why it's so important to include that explanation in your quarterly reports and in your grant applications so that your HUD point of contact or management at HUD, they can understand how you are making that determination and how you're calculating that hourly rate.

Now, I did mention a couple of times already this fixed price reimbursement approach, so I'm going to talk a little bit about it, and then as I go through it you will see the difference in between this approach and then the previous hourly actual hours approach. And then perhaps you might be thinking about switching to this method, or maybe not, or maybe this is something that you perhaps will consider going forward, but again, the same bill and it's up to the organizations and to the grantees to determine which approach they want to take.

So, in terms of the fixed price reimbursement, the first step, similar to what we talked about already, is to determine the hourly rate. Then after that we will then determine the fringe benefit rate that will be, again, similar to what we already did. And then in step three, here this fixed price reimbursement approach is based on the different services or the different tasks that the agency could be performing. So, perhaps there could be a fixed priced that the agency determines for that first interview, or maybe for the follow up, or for the different types of counseling, so in step three an analysis needs to be done to determine that level of effort per service. So, for example, review time spent on prior services for the same grant over the last two years. For example, if you're doing an analysis using the time charged by your counselors, or if we're talking about an administrator type staff you want to use similar labor categories for the similar services to do your analysis.

Keep in mind that this analysis that I'm referring to will be what you have to show your point of contact at HUD if you decide to take this approach to, I guess, "convince" them that the hourly rate that you are coming up with is actually pretty close to actual and that you use actual data from the last two, three, four, five years to determine that hourly rate. There is no specific amount of time required for the calculation, but I will say that the longer the analysis is done, the better support for the rate that you are going to be coming up with. And I will say that your HUD point of contact should feel more comfortable when they're looking at the hourly rate for our organization that uses a five year analysis of the different data available to come up with that rate.

So, in step four, this is how you should be calculating or computing that fixed rate for each one of the services. Then you will take the hourly rate times the fringe benefits to come up with the fully loaded rate, so we did that calculation already. Then, you will take that fully loaded rate and multiply it by the hours in step three so that you can come up with an idea for that period that you're using, for the two year period, three year period, five year period, it's up to you on how long of a time frame you want to use to show your history as to how you came up with that hourly rate.

Now, the idea behind it is that once you determine that rate and then you get approved, then going forward you don't have to be doing monthly calculations or quarterly calculations, you can use this fixed price reimbursement approach if approved by your point of contact. As I mentioned, for this fixed price reimbursement and to apply this methodology you must be able to document the process that you used to determine that level of effort, and some organizations probably don't have enough information to do that. But if you do and you want to follow this approach, that's one of the things that you have to do.

You must be able to demonstrate over multiple years data to support the level of effort of each fixed price service. As I mentioned, the longer the experience or the history that you use, the more support, the closer to the actual rate that you will be coming up with. This goes back to the cost principles, but obviously needless to say all the costs must be allowable, allocable, and reasonable, so you should only be using costs that fit those three common cost requirements.

Then the bottom line is that HUD must approve the methodology during the grant approval process in order for you to be able to then charge the award following that methodology. So, you cannot just decide to do it and start charging the award if you haven't received an approval prior to submitting your invoice to HUD or your quarterly reports to HUD.

As a way of an example, so in this case we have an ABC organization and they have been providing housing counseling services for over five years. They have an electronic timekeeping system and they require each counselor to charge time by the agency and by the client, so they have very detailed information about what type of service and who is being charged for each one of the counseling sessions or pretty much for all the hours that these counselors are working. On an annual basis, in this case the accounting and finance department, they do a staffing analysis of the hours spent providing counseling to one client. So, this will be reviewing the data from the timekeeping system and comparing it to the CMS, and in this case we're using in this example a five year period.

Based on that analysis, the accounting department determined that each client received 11.5 hours of counseling services. Then, accounting, they submit the detail billing methodology, including a write-up of how they determine this fixed price and this amount of hours for each one of the counseling services. So, this will be part of the whole methodology explanation that you will provide. And in this example, I guess to keep it as simple as possible, we're saying that all counselors are paid the same rate of $25 per hour, and that includes all fringe benefits.

So, we will say that for that service this is what I mean, that once you go through all the process and all that approval at the beginning, once you get the approval then your invoicing pretty much will look like this, a $25 hourly rate times the 11 hours that you showed that it took to provide that specific service, so the fixed price for that service will be $275. So, as you can see, at this point in time when the billing is done it becomes much easier. But obviously this is because you already "paid the price," you already spent some time and put together this explanation to do your analysis and all of that at the beginning. And then you finally got it approved by HUD, so now when you get to the actual invoicing, you can use a much easier, faster approach. But again this all has to be approved in order for you to be able to use it.

Now, in terms of best practices in general, you have to keep in mind that for any type of billing methodology the timekeeping and some sort of personal activity report is required. So, there has to be some proof of after the fact verification of the employee's time to support that hourly rate, or your determination as to how you came up with that hourly rate.

The uniform grant guidance specifically doesn't require personal activity reports anymore. What it does require is a system that includes an after the fact way of confirming or verifying the time for the staff to charge to the award. So, I included here the personal activity report, and we wanted to make that clarification. If your agency has been doing, we call them

PARs now, these personal activity reports, for a long time under the old circular obviously continue doing that if you are determined that your PARs were in compliance, continue to do that because that means that you will continue to be in compliance.

These timesheets, or I don't want to call them PARs, but this document, or documents, it could be a combination of documents, that you will use to support that time should clearly indicate the different tasks that the employee can charge the time through, and that should also include any time off possibilities, it should include sick leave, annual leave or any kind of military leave, or whatever options the organization has for the employees. And then those documents should be approved accordingly by the responsible official, if it is electronic or whichever way make sure that it is clearly explained within the timekeeping policies and procedures as to how those documents are approved. And then who is obviously in charge of approving them, if it is a supervisor, if it is the department manager, or whichever approach is taken as to approving that time.

The billing rate, that should be based on an approved billing methodology, as I've been saying all along. It can be different for each person, different individuals have different salaries, it should be different for everybody.

But also talking about the fixed price approach, in that scenario it should be similar for everybody because you already took your time to approve and to show and to come up with that hourly amount using the historic data. So, if you're using that fixed price approach it will be the same for each person. If you're not then it could be the same, but it also could be different depending on the annual salary of the staff being charged with the award. Then, as I mentioned as well, it should not include any indirect costs. Those should be charged separately according to whatever type of agreement the agency has in place.

Then finally the invoice should be calculated based on the HUD hours, obviously identified in the timesheet, and then multiplied by the billing rate depending on whether we're talking about the fixed rate or an hourly rate or whichever rate is being used.

Then the indirect cost should be computed based on the approved base that is granted in the indirect cost rate agreement. Most of the time, if not all of the time, there's an explanation as to what is considered, they call it the total modified base, which is nothing other than what costs or which dollars can be used, or should be used to calculate their indirect cost. And sometimes it could be only labor charges, or sometimes it could be labor and fringe benefits, it depends, but normally it is explained within that agreement as to what can the grantee apply the rate to.

These are some tips, I will say, based on things that we've noticed or seen throughout the years of us doing these reviews and working with a lot of different agencies. A lot of times we feel that there's a disconnect in between the grant management people and the finance or accounting staff, and this is more the bigger organizations most of the time. We feel that when you are going through this effort and to determine this hourly rate, or fringe benefit rate, or whatever it is that you're trying to calculate, we suggest that for the grant or the program people to meet with the accounting or finance staff so that you can see what each other's doing when working on calculating or computing this hourly rate.

The same with, we're documenting the methodology, let the finance staff take a look at it, let them review it. I think it could only benefit the organization based on the fact that they should have an accounting or finance background we feel that they should also have some sort of a say in terms of approving that billing methodology so that anything that perhaps they know that you don't know can complement what the final billing rate is and make sure that it is calculated appropriately and taking into account all the different regulations that could be surrounding those calculations.

And then if there are changes we suggest for you to notify your HUD point of contact in writing of any changes and to provide an updated billing methodology for their review. I know that a lot of the communications between you and the HUD point of contact and the grantees happen over the phone, or sometimes perhaps when the HUD point of contact is visiting your office. But we suggest or feel that putting it in writing is very important so that you can keep a record of any communication between you and your HUD point of contact.

In terms of time and attendance, it is extremely important that all the time is tracked by task, that is what we as auditors use when we go and do our audits. At the end of the day if you are a recipient of a federal award you are required to have a cost accounting system in place, so one of the basic concepts in a cost accounting system will be to be able to track hours or time by task. And track those actual hours worked, don't rely on estimates or on the budgets, make sure that you're tracking the actual hours worked.

Those hourly rates should only include the direct cost associated with the HUD grant, that's what we're looking for when we go out there, and make sure those timesheets are complete and approved. As basic as it sounds, sometimes that could be a challenge, depending on the size of the organization, and sometimes we have seen that not been done. So, that is something that perhaps is pretty easy but it could also be an easy way to get in trouble if you don't have a good system in place to complete those timesheets. And then the time goes by and next thing you know is that a few months later you're having to go back and try to remember what happened, so try to have a daily or weekly timesheet system in place so that that time is tracked properly.

Then for personal activity reporting it is recommended if you can establish a charge code or a billing code by activity, so that way when you are determining how much was direct counseling as opposed to marketing or follow up it's easier for you to track that time. And that type of detail is what you will need when an auditor or somebody from HUD perhaps question the charges or the labor hours charged to the award, you can go back if you have that type of detail and show this is how much was face-to-face counseling as opposed to the initial contact or any follow up. And that doesn't mean that neither one of those or all of them could be charged to the award, it's more to be able to show that you have a good handle on the time and the different services that are charged to the award.

We wanted to give you also the option here, if we're going to get to the questions, I don't know, I see some questions there but I'm not sure, I cannot see them all, but if we don't get to the questions now entirely you can always send them to this email, and put today's presentation name in the subject line. Those questions will go to the HUD staff and they will forward them to us so that we can help you with those answers.
Thank you very much for your time. I hope that you all learned something new. At this time I think we can go ahead and take care of the questions.

Moderator	Are you ready for me to give them the Q&A—

Wilfredo	Yes.

Moderator	Alright. [Operator instructions]. And we'll wait and see if anyone queues up.

Wilfredo There were some questions here as I was going through the slides, but I can barely see them. I don't know how to make this window bigger so that I can.

Moderator There are no questions on the phone lines.

Wilfredo Alright.

W Wilfredo, I think if you click the little box to the right and you expand it out, because I couldn't really see it either. Do you see where that box is next to the "X," that expands it out and it puts it in the middle of the screen and then you can see the questions.

Wilfredo Well, I see the "X" but—

W There's a box with an arrow.

Wilfredo Oh, now I see it.

W Okay. I had to figure that out too.

Wilfredo

Good. Well, it looks like, now that I made this box bigger some of them were answerable. Alright, so I have one question here. "With respect to the fringe benefit rate, is it allowable to change it based on the hours worked?" And then it says, "For example, if an employee works 173 hours one month and 150 hours the next can the fringe benefit rate be changed based on those different hours?"

I guess the short answer is yes. If you're not following, as I mentioned, the fixed reimbursement approach, then that will be what I will expect to see from a grantee so that that allows for the actual cost to be the one used during the calculation for that month, a specific month. Obviously, the more hours the lower the rate will be and so on. Then that approach will be what should be used in order to be able to make sure that you are not overcharging or having an hourly rate that is higher than what it should be.

Somebody's talking about, I think that there are some comments here or questions regarding making the PowerPoint available. They're saying that the handout that was given is difficult to read. I guess it's perhaps maybe too small or something, I'm not sure. But we'll follow up with Virginia and make sure that perhaps we make it bigger or something so that we give you a presentation that you can actually read.

A question here regarding: "What is training for non-direct under fringe benefits rate, Slide 13?"

Let me go to that slide. So, that training that we referred to there is general training. Some organizations perhaps have an annual conference or something that is not directly related to the HUD award that is used as a fringe benefit for good performance or something similar, and it's part of the policy of the organization and it is available for everybody within the organization. But whoever is determined to be awarded additional training or anything that is not related to the award, non-counseling training, non-HUD related training, again it's a benefit that is available to everybody, that is what we refer to, non-direct is something that cannot be associated directly to the federal award.

Another question. "Some of our counselors are employees and they have fringe benefits; others are contractors, and they do not. Did I understand you to say that this is not acceptable, or are you just saying that we can't bill for fringe benefits for some employees and not for others?"

Well, I think that the question itself provided that difference in between the employee, the counselors that are actually employees and the ones that are contractors. The ones that are contractors, obviously they will bill you. You negotiated with them, you agreed to a rate with them, so the expectation is that that will be the rate that you will use to compensate or to pay for the counseling services that those contractors are providing. My explanation was more towards regular employees of the agency, so those employees are the ones that have to be treated all the same in order for you to be able to charge that fringe benefit to the grant award.

Some other questions about the handout. Some people were asking about the audio, why weren't they given the phone number. I guess somebody asked a question and then realized that they got the answer before the end of the presentation.

S. Tool, she asks about: "Just to clarify," she said, "on Slide 12, is the $19.23 the standard rate? Then to do the actual hourly rate would you take the actual hours, or the annual hours minus the 124 hours' worth of leave?" And that is correct, you will then divide it by only the actual work hours.

So, people asking for the slides. Somebody was asking here if there is a sample of a billing methodology for agencies to use as a guide, and that was Victoria. Unfortunately, no. There are requirements as to how the billing methodologies should be developed, but there is no—well, there will not be a sample methodology in any federal regulation. If you go to OMB or to the White House website and search under the OMB office, you will not find any billing methodology samples there. However, if you go to Google and you perhaps type “Billing methodologies for federal awards,” or something similar, I’m pretty sure that with the Internet nowadays you can find a lot of different examples out there. You just want to make sure that whatever you find and decide to use, that it is appropriate that the approach that you do was actually approved by somebody or perhaps you run it through your HUD point of contact or somebody before you decide to use it.

“In figuring reasonableness for an hourly rate, can you speak about the cap on hourly rate for a federal grant?” Okay, the answer was provided on that one, it looks like.

“If an agency has an approved fixed price methodology in place and experiences a cost savings that lowers the actual cost, perhaps staff change, can they continue to use fixed cost until renewal or must it be re-done and re-approved each time the agency has a changing cost?”

That was Kelly Price. That's a very good question actually. To answer that question I have to go back to, first of all, the change up should be significant for you to know, okay, I have to use a lower rate or a higher rate because obviously the idea behind this fixed price methodology is exactly so that you can use it for an extended period of time, because when you did your calculation or your assessment you also used an extended period of time. So, during those five years that you use it, at the end of your analysis you're going to come up with a $25 rate, let's say, for example.

Well, I guarantee you that when you go back and you look at those five years that you used to come up with the calculation, sometimes the actual rate was higher and sometimes it was lower. The only way that it was the same is that it was $25 every month, every year for the last five years, and I guarantee you that was not the case. So, by following this approach this possibility is taken into account.

However, if the change is significant you want to update it, you want to get in touch with your HUD point of contact and tell them there's a change, for whatever reason we now have a smaller, I don't know, accounting department, we have our salaries got reduced, or our salaries got increased, or something significant and then you should be then doing the analysis again, the same assessment, taking into account the new changes and then submitting a revised amount hourly rate so that it can be approved one more time using the most up to date amounts.

Just to add one more thing to that. What you don't want, for example, is I go to your agency as an auditor eventually and then I look up the fixed amount that was used. Then I do a sample of, let's say, a couple of pay periods of some of the counselors or staff that were charged and I notice that the rate for whoever I tested for, John Doe, is much less than what it was agreed upon or approved. And I'm going to start asking questions, and those questions could lead to what you mentioned there, there was significant change and no adjustments were made. And perhaps it could lead to some issues, so if the changes are not significant the whole purpose of this approach is exactly that so that you don't have to be doing that calculation every quarter or every time you submit an invoice. But nobody will know better than you at the organization if the changes were significant or not to be able to have an impact in the amount being billed.

"If an affiliate, does the intermediary determine the methodology chosen?"

Well, not really. Each agency, or each organization should be determined in the way that they want to allocate their time, the billing methodology they want to use. It should be up to each agency, not to the parent organization or to HUD, to tell you this is how you need to do it. That's why these federal regulations exist and gives you these options so that you choose the one that fits you better. And then obviously you have to get it approved, but you should be able to decide what is better for you and your organization.

"How does an agency bill for indirect costs given the methodologies shown?"

Well, indirect cost, you see there you have a negotiated rate in place and you use that percentage. If you don't have a rate and decided not to elect to use a de minimis rate, then you are not allowed, you cannot charge any indirect cost, or if you elected to use the de minimis rate, then you can charge that 10%. So, it's up to whichever one of those approaches or if you have a negotiated rate in place then that is what will determine the indirect cost that you can charge.

"How do you take into account the paid time off?" It is a benefit, and 2,080, 31,200 a year pay, so the employee has 20 days paid leave, that is under 60 hours, and the employee works—let me read it out loud.

This is from Linda Smith. "How do you take into account the paid time off? It is a benefit, $15 an hour times 2,080, that is $31,200 a year pay, but if the employee has 20 days paid leave, that is 160 hours, the employee works actual 1,920 hours per year, $31,200 divided by 1,920 hours that bumps hourly rate wage to $16.25 an hour, not taking into account the other benefits such as insurance," etc., etc.

I'm not sure I understand the question 100%, but I guess she's asking if they should use $16.25 an hour or $15 an hour. That's what I think that she's trying to ask. Well, like I said, I think there was a similar question before going through the same options here. There's no way as to how an agency should or can calculate and should determine the hourly rate. The bottom line is the agency needs to explain the federal agency or the grantor the approach that they want to take, how they're going to calculate their hourly rate, which base is going to be used, is it going to be used at 2,080 hours or is it going to be used at 1,920 hours and then out of that the cognizant agency will determine to give you an approval or not as to the approach to be taken. This is part of what should be explained within the application or within the quarterly reports.

There were some questions in here that were answered. "Can we include pay into a separate retirement plan as a fringe benefit, a 401(k), for example?"

Again, if this is a benefit that is included to everybody within the agency and is paid by the employer, yes. It is a fringe benefit.

There's a couple more here. They're asking about handouts. So, we have three more questions and we're done.

"Are you saying the fringe benefit rate should be the same for all staff at an organization and the base rate is the only amount that will be different?"

I would say that yes, the fringe benefit should be similar for everybody within the organization. You are using figures, amounts that have to be available for everybody, so in theory it should be exactly the same for everybody, as a matter of fact.

"Are you going to have this webinar available to see it again?"

Well, I'm not sure about the answer to that question. I will say that if you want to see it again send an email to that housing counseling email, let me put it again on the screen, because I do know that it's being recorded and it's going to be available somewhere, and perhaps you can then go back and watch it again there.

Then the final question I have here is: "Are the cost of benefits often included in the breakdown of the rate?"

Well, if you are including fringe benefits, yes, you have to show how you are coming up with that rate. So, you have to show how much is the actual cost of all of these fringe benefits, because it's part of the calculation. The only way that if I were reviewing an hourly rate submitted by one of you and if I don't have the detail as to how you are coming up with that rate it will be hard for me to give an approval, because I need to make sure. That's part of the review, making sure that the amount used and the mass done behind it is all correct, so, yes, the breakdown of that rate should include the benefits amounts and so it should be provided. So, that will be determined if it is appropriate or not.

There's one last question here. "Does documented methodology mean that the method has to be stated in paper?"

Yes. That's exactly what it means. You have to put it in writing and you have to submit it to your HUD point of contact so that they can approve the way that you're billing the award.

That's the last question I have, at least here in the questions box. I don't see any more questions here.

W Those are all the questions, Wilfredo.

Wilfredo Okay. Well, if any of you think of any other questions or comments that you have, send those to the email that I gave you, which is on the screen right now. And we'll be more than happy to get to those at some point, so they'll go to the HUD staff, and we will take care of those. Thank you for your time. I hope you all have a very good rest of your day. Thank you very much.

Moderator Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation. You may now disconnect.