

Administrative Costs  
HOW TO DETERMINE

- a. Absence of Guidelines. The Office of Management and Budget (OMB) has not published any guidelines on developing administrative cost charges (what it costs HUD to collect the claim) to be recovered from the debtor. Accordingly, the following fixed monthly charge has been developed for assigning a fair share of administrative costs attributable to each claim owed HUD.
- b. Factors Used. The cost factors used relate to accounting, claims collection, and automation operations with a view to assigning reasonable identifiable costs.
1. Labor cost expended is figured based on the average grade of personnel who participate in recording, billing, and collecting delinquent debts.

a. Accounting (Estimated).

GS-7, Step 1	\$17,824 per annum average salary
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Plus (per OMB Circular):

Retirement	24.7%
Life and health insurance	4.0
Workman's compensation	1.9
Annual, sick, and holiday leave	18.0
Supervision and supplies	20.0

68.6%

$\$17,824 + (17,824 \times .686)$  divided by 2,080 hours =  
\$15/hr.

Use factor of 15/60 or .25 times minutes

b. Claims Collection (Random Sample).

GS-12, Step 6	\$35,503 per annum average salary
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$\$36,503 + (36,503 \times .686)$  divided by 2,080 hours = \$30/hr.

Use factor of 30/60 or .50 times minutes

2. In conjunction with the HUD Office of Information Policies and Systems (IPS), it was determined that the cost of the central processing unit (CPU) is 7 cents per second and the cost of mass storage of data is \$1.70 per megabyte/month. The costs are based on hardware rental and maintenance, and do not include overhead items such as operators, space, electricity, supervision, and management. The actual use of CPU and storage facilities by CCO's is minimal; therefore, further calculation and use of ADP cost data per claim is not considered cost effective and will not be costed to delinquent debtors.
3. Collection costs are calculated on a manual basis since automated operations are primarily restricted to inventory and reporting of claims in the Delinquent Debt Control (A97) System.

Preparation of demand letter	30 minutes
Recording	15 minutes
Aging (available in A97)	5 minutes
Interest calculation	15 minutes
Penalty computation	10 minutes
Establishing claim file	30 minutes
Processing claim file	60 minutes

4. Application of these factors will be done by personnel involved with a debt after it becomes delinquent (claim). The costs factored will be entered onto the Claims Collection Checklist, (See Appendix 12) and computed on an item or time basis as appropriate.

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Appendix 14

Administrative Costs  
WORKSHEET

Debtor \_\_\_\_\_  
HUD Claim No. \_\_\_\_\_

DELINQUENT DEBT FUNCTIONS	PROGRAM Initials/Time Date	ACCOUNTING Initials/Time Date	CLAIMS Initials/Time Date
Demand letter(s)			
Recording			
Aging			
Interest Calculation			
Penalty Computation			
Establishing Claim			

File

Review Analysis

Other (specify):

Total Time

x Factor .50        \$

Total Time

x Factor .25                        \$

Total Time

x Factor .50                                        \$

Grand Total \_\_\_\_\_

Time                        \_\_\_\_\_

Cost                        \$ \_\_\_\_\_

NOTE: Insert this sheet in the claim file.

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Appendix 14

Administrative Costs  
SAMPLE CALCULATIONS

Accounting Office

Recording debt	15 minutes
Calculating Interest	15 minutes
Aging	5 minutes
Total	35 minutes
Apply factor	.25
Cost	\$8.75

Claims Collection

Preparing demand letters (2)	60 minutes
Recording claim	15 minutes
Computing penalty	10 minutes
Processing claim file	60 minutes
Total	85 minutes
Apply factor	.25
Cost	42.50

Program

Preparing demand letter (initial)	30 minutes
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Establishing claim file	30 minutes
Total	60 minutes
Apply factor	.50
Cost	\$30.00
Total	\$81.25

The above is only an example. In actual practice, the functions may vary by individual office and time as to who performs what. As Field Office performance data is developed and reported, the times noted here will be adjusted appropriately.

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