

Louisiana Division of Administrative Law



BILLED SERVICES METHODOLOGY

EFFECTIVE: JULY 1, 2014

PRESENTED BY

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Introduction

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- ❖ This presentation is intended to explain the updated billing methodology and procedures for the services provided by the Louisiana Division of Administrative Law (DAL) effective July 1, 2014.
- ❖ Why use a billing methodology?
 - ❖ Required due to inclusion of DAL services in Section II of the SWCAP.
- ❖ Why the change in billing methodology?
 - ❖ Simplifies the administrative effort and provides budgetary certainty to both DAL and its customers.
 - ❖ DAL becomes an Internal Service Fund beginning FY 2015.

What is the SWCAP?

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- ❖ **The SWCAP is the State Wide Cost Allocation Plan.**
 - ❖ Annually prepared by the Division of Administration, Office of Statewide Reporting and Accounting Policy (DOA-OSRAP) with the help of a consultant.
 - ❖ Reviewed and approved by the United States Department of Health & Human Services, Division of Cost Allocation.
 - ❖ Identifies the allocated indirect costs of the State, and provides profit/loss statements for all billed services.
 - ❖ Submission and approval is required to ensure that charges for allocated or billed services are allowable for federal programs.
 - ❖ OMB Circular A-87 (2 CFR 225) provides regulations.

Framework of Billed Services Methodology

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- ❖ **To comply with the requirements of SWCAP inclusion...**
 - ❖ All customers must be billed on the same basis.
 - ❖ DAL is required to break even (no profit or loss) for the services it provides.
 - ❖ Profits can result in a federal payback as they indicate over-billing for services.

Billed Services Methodology – Fixed Annual Cost

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- ❖ Since July 1, 2014, all services are billed to customers utilizing a fixed annual amount based on an allocation of DAL costs.
- ❖ The fixed annual amount will include the same categories of cost utilized in FY 2014.
 - ❖ **Judicial Services** – costs are allocated based on the number of hours that staff spend in support of customer agency areas of law.
 - ❖ Includes all Attorney positions, excluding the DAL General Counsel.
 - ❖ **Clerical Services** – costs are allocated based on the number of hours that staff spend in support of customer agency areas of law.
 - ❖ Includes all Admin Coordinators, Admin Program Managers, Admin Program Specialists positions.

Billed Services Methodology – DAL Timekeeping

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- ❖ **Judicial Services and Clerical Services staff will keep electronic time logs called transactions to identify actual time.**
 - ❖ Time tracking is by Area of Law (AOL), not individual cases.
 - ❖ ¼ hour time increments.

- ❖ **Administrative DAL staff will not track time.**
 - ❖ Their costs are recovered thru the Judicial Services and Clerical Services cost pool allocations.

- ❖ **No change in time tracking from FY 2014.**

Billed Services Methodology – DAL Timekeeping

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❖ Time is kept in 3 broad categories with activity sub-categories:

- ❖ **Admin DAL** – unbilled time (costs recovered thru Clerical and Judicial Services billed cost pools).
 - ❖ Subcategories include: Leave, Training, Admin, Supervisory, Research, Travel, IT & Tech Assistance, Communications.
- ❖ **Clerical AOL** – billed thru Clerical Services cost pool allocation.
 - ❖ Subcategories include: Docketing/Schedule/Doc Mgt, Case Communications, Assisting Judges/Case Professionals, Preparing Appeal Record, Case Travel.
- ❖ **Judicial AOL** – billed thru Judicial Services cost pool allocation.
 - ❖ Subcategories include: Decision / Doc Prep, Decision Review, Hearing / Conference, File Review / Case Prep, Communications, Training, Research, Travel.

❖ No change from FY 2014.

Billed Services Methodology – Fixed Annual Cost

- ❖ Fixed annual costs are calculated in an Excel cost allocation model.
- ❖ All DAL costs are initially placed into one of five cost pools:
 - ❖ Administrative DAL, Clerical Services, Judicial Services, Specific AOL, Disallowed.
- ❖ The Administrative DAL cost pool is allocated to the other cost pools based on the proportionate number of employees assigned.
- ❖ The Clerical Services cost pool is then allocated to all customer areas of law based on the percentage of billable Clerical staff hours, to arrive at the Clerical Services component of the fixed annual cost.
- ❖ The Judicial Services cost pool is then allocated to all customer areas of law based on the percentage of billable Judicial staff hours, to arrive at the Judicial Services component of the fixed annual cost.
- ❖ The Specific AOL cost is allocated only to those customer areas of law that benefit from the costs.
- ❖ The Disallowed cost pool is not allocated to customers.

Billed Services Methodology – Fixed Annual Cost

- ❖ **Billing rates will only be utilized as a temporary billing mechanism for new DAL customers that weren't known at the time the annual fixed cost calculation was completed.**
 - ❖ There will be no hourly billing rates for existing or continuing DAL customers.
- ❖ **Fixed annual costs will be re-calculated annually prior to the start of the fiscal year.**
 - ❖ Beginning in FY 2017, the fixed annual cost amount will include 2 major components.
 - ❖ An estimate of costs for the FY 2017 fiscal year.
 - ❖ A true-up of the billings from the fiscal year two years prior (FY 2015 carry-forward).

Billed Services Methodology – Carry-Forward Process

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- ❖ After the close of each fiscal year, DAL will calculate the difference between the amounts paid by each customer area of law and the actual cost of providing services.
 - ❖ Calculation is based on actual costs, and actual Judicial and Clerical hours by customer Area of Law. Relative percentage of usage by customer Area of Law for Judicial Services and Clerical Services will determine the actual cost of providing services.
 - ❖ Identifying this over/under billing is important so that DAL can true-up the billings to the actual cost of providing services.
- ❖ The true-up amount (the difference between amounts paid and actual costs) is then carried-forward and included in the fixed annual cost for each customer area of law in the fiscal year two years after the initial fiscal year.
 - ❖ True-up amounts associated with FY 2015 will be included in FY 2017.
 - ❖ 2 year time frame is necessary due to timing of when information is known.
 - ❖ Actual costs for FY 2015 are not known until during FY 2016. The first opportunity to incorporate the resulting true-up amount (without causing budgetary issues) is FY 2017 billings.

Billed Services Methodology – Carry-Forward Process

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- ❖ The carry-forward of the true-up calculation may result in increased future billings to some customers, and reduced future billings to other customers.
- ❖ The carry-forward amount will not be billed separately, it will be a component of the fixed annual cost for each customer.
- ❖ The carry-forward amount does not impact when customers will be billed for their fixed annual cost.
- ❖ An example of the carry-forward calculation is included on the next slide.

Billed Services Methodology – Carry-Forward Example

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❖ Calculation of true-up for carry-forward:

Customer Agency Area of Law	Clerical Services	Judicial Services	Specific AOL Costs	Total Actual Costs	Total Actual Payments	FY 2015 Over/Under Recovery - Carry Forward to FY 2017
CUSTOMER AOL #1	\$48,959	\$350,405	\$0	\$399,365	\$450,000	-\$50,635
CUSTOMER AOL #2	\$7,638	\$50,556	\$16,500	\$74,694	\$65,000	\$9,694
CUSTOMER AOL #3	\$2,400	\$10,226	\$0	\$12,626	\$12,400	\$226
CUSTOMER AOL #4	\$16,403	\$55,382	\$0	\$71,785	\$70,400	\$1,385
CUSTOMER AOL #5	\$747,851	\$1,930,734	\$0	\$2,678,585	\$2,800,500	-\$121,915
* NEW AGENCY EXAMPLE *	\$0	\$0	\$0	\$0	\$0	\$0
ALL OTHERS	1,082,699	3,289,650	-	4,372,350	4,286,154	86,196
TOTAL TO BE BILLED	\$1,905,951	\$5,686,953	\$16,500	\$7,609,404	\$7,684,454	-\$75,050

Billed Services Methodology – Carry-Forward Example

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❖ Incorporation of carry-forward in future fixed annual cost.

Customer Agency Area of Law	Clerical Services	Judicial Services	Specific AOL Costs	FY 2017 Projected Costs	FY 2015 Over/Under Recovery - Carry Forward to FY 2017	FY 2017 Fixed Costs (to be billed)
CUSTOMER AOL #1	\$50,399	\$352,243	\$0	\$402,642	-\$50,635	\$352,007
CUSTOMER AOL #2	\$7,863	\$50,821	\$16,500	\$75,184	\$9,694	\$84,878
CUSTOMER AOL #3	\$2,471	\$10,280	\$0	\$12,750	\$226	\$12,976
CUSTOMER AOL #4	\$16,886	\$55,672	\$0	\$72,558	\$1,385	\$73,942
CUSTOMER AOL #5	\$769,837	\$1,940,860	\$0	\$2,710,697	-\$121,915	\$2,588,782
* NEW AGENCY EXAMPLE *	\$35,805	\$128,336	\$0	\$164,140	\$0	\$164,140
ALL OTHERS	1,114,529	3,306,904	-	4,421,433	86,196	4,507,629
TOTAL TO BE BILLED	\$1,997,788	\$5,845,116	\$16,500	\$7,859,404	-\$75,050	\$7,784,354

Billed Services Methodology – Payments

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- ❖ Customer agencies with funding available will pay for 100% of the fixed annual cost at the beginning of the fiscal year.
- ❖ Customer agencies with funding that arrives later in the fiscal year will pay for 50% of the fixed annual cost at the beginning of the fiscal year, and 50% prior to the end of the 2nd quarter.
- ❖ This payment schedule will provide DAL with its necessary working capital.

Billed Services Methodology – Summary of Changes

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- ❖ **DAL is an Internal Service Fund beginning in FY 2015.**
 - ❖ DAL does not make a profit on its services.
- ❖ **Customer charges will be a fixed annual amount, providing budget certainty.**
 - ❖ Previous methodology used hourly rate multiplied by actual hours.
- ❖ **Over/under payments will be carried-forward into a future year's fixed annual amount.**
 - ❖ Previous methodology placed true-up in same fiscal year, leading to budget uncertainty.
- ❖ **Charges will be billed at the beginning of the fiscal year for customers with funding available.**

Questions?

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Questions?

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