

CHAPTER 1: INTRODUCTION  
SECTION 1: INTRODUCTION

1-1 PURPOSE.

The purpose of this Guidebook is to provide guidance to Area Offices on monitoring the financial management activities of Public Housing Agencies (PHAs). This guidance provides for a more proactive approach in recognizing and addressing problematic PHA finance and budget issues. This guidance also serves to delineate the key finance and budget responsibilities of PHAs and the Department of Housing and Urban Development (HUD) Area Offices.

1-2 OVERVIEW.

A. The functional area of finance and budget focuses on the financial management activities of a PHA. Finance and budget is linked closely to other functional areas, both at HUD and at the operational level of the PHA. Financial management is a key component of a PHA's operation because it provides the basis for a PHA to effectively plan and manage resources. It is also vital to management because it enables the PHA to make informed/sound management decisions.

B. The PHA's financial information is important to its overall operation. This information can draw the PHA's organization closer together and can support mutual organizational goals. Therefore, financial reporting must be readily available to management and be up to date, accurate and in useful form so that the PHA can balance projected income and expenditures for both current and long-range needs.

C. PHAs are the "caretakers" of housing funds and must ensure that the funds are properly handled. PHA Executive Directors are accountable for the soundness and validity of budget estimates as well as for the implementation and administration of the Operating Budget. This responsibility should not be delegated outside of the PHA. Although PHAs may choose to contract with outside experts for accounting services and assistance with the Operating Budget and Calculation Performance Funding System Operating

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Subsidy (PFS) preparation, the responsibility for the timeliness and accuracy of the information remains with the PHA. Effective policies regarding clear lines of responsibility and internal control procedures need to be developed and implemented to prevent statutory and/or regulatory violations, fraud, waste and mismanagement. In order to evaluate the effectiveness of these

controls PHAs should have established written policies and procedures which require the periodic review of finance and budget.

D. In addition to the PHA monitoring its own finance and budget controls, the HUD Area Office also has the responsibility of monitoring PHA compliance with requirements and ensuring that effective controls are in place which may prevent potential problems. The Area Office will monitor PHA performance in two ways, remotely in the Area Office and on-site at the PHA. The Area Office finance and budget staff work as a team with other HUD functional groups and the PHA in evaluating the capacity of a PHA to oversee its resources. This problem solving partnership works together to identify and resolve financial management concerns, thereby safeguarding assets, reducing risk, and improving performance as evidenced in higher Public Housing Management Assessment Program (PHMAP) scores. The team approach to problem solving is results oriented in order to utilize staff resources to the maximum extent possible.

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