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Financial Reporting Guidance for the Mainstream Voucher Program

ACCOUNTING BRIEF #25

GOVERNING REGULATIONS AND GUIDANCE

1. Consolidated Appropriations Acts of 2017 (Pub.L. 115-31); 2018 (Pub.L. 115-141); and 2019 (Pub.L. 116-6) provided funding for incremental Mainstream vouchers for the first time since the enactment of the *Frank Melville Supportive Housing Investment Act of 2010* (Pub.L. 111-374) (*Melville Act*).
2. 2017 Notice of Funding Availability (and subsequent years) – Mainstream Voucher Program provides information on the award of increments of Mainstream vouchers, including eligibility, application, award administration information, and reporting.
3. 24 CFR Part 982 – Section 8 Tenant-Based Assistance: Housing Choice Voucher Program provides the regulation for Mainstream vouchers.

PURPOSE

This document provides reporting guidance for public housing authorities (PHAs) administering the Mainstream Voucher Program[1] with respect to their financial data schedule (FDS) submission through HUD's FASS-PH system and Voucher Management System (VMS) reporting. Accounting Brief #25 applies to all Mainstream vouchers, regardless of when the vouchers were awarded.

This Accounting Brief does not apply to Non-Elderly Disabled (NED) vouchers or Mainstream 1-Year vouchers as these voucher types are reported as part of the HCV program on the FDS. Note: With the exception of a few Moving to Work (MTW) programs that still have a separate line item for Mainstream 1-Year vouchers, virtually all Mainstream 1-year vouchers have been converted to NED vouchers.

[1] This reporting guidance uses the phrase "Mainstream Voucher Program" to refer both to the new increment of Mainstream vouchers that have been authorized in the 2017 Consolidated Appropriations Act and after and the Mainstream 5-Year program (sometimes referred to as the Section 811 voucher program) that was originally authorized under the *National Affordable Housing Act of 1990* (Pub.L. 101-625). HUD now refers to the older Mainstream 5-Year program, simply as Mainstream vouchers also.

BACKGROUND

The Mainstream Voucher Program, (previously referred to as the Mainstream 5-Year Program and/or the Section 811 Voucher Program) was originally authorized under the *National Affordable Housing Act of 1990* (Pub.L. 101-625). The Mainstream Voucher Program provides tenant-based assistance to persons with disabilities. Until the passage of the *Frank Melville Supportive Housing Investment Act of 2010* (Pub.L. 111-374) (*Melville Act*), the program operated as a separate program distinct from the regular tenant-based Housing Choice Voucher Program. The *Melville Act* converted the Mainstream 5-Year Program to the Housing Choice Voucher (HCV) Program under 8(o) of the *U.S. Housing Act of 1937*.

Under the *Melville Act*, except for serving a specific population, Mainstream vouchers are to be treated the same as regular voucher assistance. In other words, the same regulations at 24 CFR Part 982 (Section 8 Tenant-Based Assistance: Housing Choice Voucher Program) apply to Mainstream vouchers. There is no authority to treat families that receive a Mainstream voucher differently from other applicants and participants of the HCV program.

After enactment of the *Melville Act* (i.e., subsequent to conversion of this assistance to section 8(o) voucher assistance), funding for Mainstream voucher renewals and administrative fees was first provided in the *Consolidated and Further Continuing Appropriations Act, 2012* (Pub.L. 112-55) under its own paragraph under the Tenant-Based Rental Assistance (TBRA) heading.

The *Consolidated Appropriations Act, 2017* provided funding for incremental Mainstream vouchers for the first time since the enactment of the *Melville Act* (in addition to renewal and administrative fee funding). These incremental vouchers exclusively assisted non-elderly persons with disabilities. The *Consolidated Appropriations Act, 2018* and the *Consolidated Appropriations Act, 2019* ("2019 Act") also provided funding for incremental Mainstream vouchers for non-elderly persons with disabilities, in addition to renewal and administrative fee funding. In addition, the 2019 Act states that all new and existing Mainstream vouchers must be provided to non-elderly persons with disabilities upon turnover. Consistent with prior appropriations acts, all funding for 2017-2019 Mainstream vouchers was provided under its own paragraph (e.g., paragraph (4) under the TBRA heading in the 2019 Act).

While the *Melville Act* requires Mainstream vouchers to be treated the same as regular voucher assistance, the separate HCV Mainstream appropriations results in an accounting of Mainstream activity separate from the HCV program.

FINANCIAL DATA SCHEDULE REPORTING (FASS-PH)

CFDA Number. While 24 CFR Part 982 provides the regulation for the Mainstream Voucher Program, from a financial reporting standpoint, including HUD's FDS reporting, the Mainstream Voucher Program is not part of the HCV program. Unlike, for example, the Veterans Affairs Supportive Housing (VASH) vouchers or Family Unification Program (FUP) vouchers, which are reported as part of the HCV program in the FDS.

The Mainstream Voucher Program remains a separate program with its own CFDA number (14.879 - Mainstream Program). Therefore, for FDS reporting the PHA will need to continue to report Mainstream voucher activity under 14.879 and <u>not</u> report Mainstream voucher activity under the HCV program (CFDA 14.871). A PHA's Mainstream voucher activity is to be reported under 14.879 regardless of whether the activity is related to new awards of Mainstream vouchers or Mainstream vouchers issued prior to the *Melville Act* (i.e., Mainstream 5-Year vouchers).

Financial Data Schedule (FDS) Reporting. For FDS reporting, the PHA will report both a statement of net position (i.e., balance sheet) and a statement of revenue, expenses and changes in net position (i.e., income statement) for the Mainstream Voucher Program, which includes a separate accounting of administrative expenses. The accounting and FDS reporting will be very similar to a PHA's HCV program[2], with cash / investment balances on the statement of net position reported as unrestricted or restricted depending on whether the balances are made up of unspent administrative fees or HAP disbursements. Similarly, the program would report net position balances as unrestricted or restricted (i.e., unspent HAP).

While the Mainstream Voucher Program continues to have a year end settlement requirement[3] that will likely result in a PHA having been disbursed a different amount of HAP funds than what was needed during their fiscal year, the accounting and FDS will be very similar to a PHA's HCV program.

- Where a PHA was disbursed less HAP funds by HUD than was needed, the PHA will continue to report an accounts receivable from HUD up to the amount of HAP funds available to the PHA (i.e., undisbursed annual budget authority and HUD-held program reserves of the Mainstream Voucher Program). HUD will automatically increase one of the next HAP disbursements of the PHA once the year end settlement is processed.

- Where a PHA was disbursed more HAP funds by HUD than was needed, the unspent HAP funds should <u>not</u> be reported as a payable back to HUD but as restricted net position. For some PHAs, this reporting guidance may be a change from their current reporting practice. HUD will automatically decrease one of the next HAP disbursements of the PHA once the year end settlement is processed.

For FDS reporting, the concept of unrestricted and restricted net position applies both to the HCV and Mainstream Voucher programs. However, for VMS reporting, the PHA will report restricted net position of the HCV Program only. VMS does not collect information on restricted net position of the Mainstream Voucher Program (for further guidance see VMS reporting section below).

From a statement of revenue, expenses and changes in net position perspective, the revenue mainly would be made up of administrative fees and HAP funding from HUD. From an expense standpoint, the program expense will normally be associated with HAP costs and administrative costs. The accounting and reporting for the Mainstream Voucher Program are similar to the HCV program and as such PHAs should have little difficulty in reporting their Mainstream Voucher program[4].

Cost Allocation. Currently, most Mainstream Voucher programs are relatively small and do not support a separate division by itself in a PHA's organizational records. Typically, staff that work on the HCV program (i.e., waitlist, recertification, inspection functions) perform the same required functions for the Mainstream Voucher Program. If the PHA does not have a separate accounting for

[2] Accounting brief #19 - Revenue Recognition for Housing Assistance Payments and Administrative Fees for the Housing Choice Voucher (HCV) Program provides detailed reporting information for HAP and administrative fees. Accounting brief #19 can be found on the REAC's FASS-PH website (https://www.hud.gov/program_offices/public_indian_housing/reac/products/fass/pha_briefs).

[3] PHAs are no longer required to submit the year end settlement form (Form HUD- 526810). Instead HUD calculates the settlement amount and sends the completed results to the PHA for their review and records.

[4] For FDS reporting, the HCV Program has many detail links requesting further financial information. Currently this level of detail (i.e., detail links) is not included in the FDS reporting for the Mainstream Voucher Program.

the Mainstream Voucher Program, then the PHA will need to account for the Mainstream Voucher Program costs using a reasonable cost allocation method as required under 2 CFR 200.

PHAs should not use a fee concept in determining the administrative costs of the Mainstream Voucher Program where the PHA's HCV Program would charge a set fee to the Mainstream Voucher Program regardless of the actual costs incurred by the Mainstream Voucher Program. The use of the fee concept incorrectly assumes that all administrative fees earned by the Mainstream Voucher Program is the actual cost of the program. As such, a fee methodology could result in an overstatement of the HCV program administrative expenses and the actual costs of the HCV and Mainstream Voucher Program would be co-mingled in the HCV Program.

HUD Reconciliations and Mainstream Administrative Fees. Like HCV program administrative fees, Mainstream administrative fees are normally reconciled quarterly with a final reconciliation performed at the end of the calendar year, using leasing data reported from VMS. These reconciliations will result is an over/under payment of administrative fees, which will be reflected in the PHA's financial reporting as an accounts receivable or unearned revenue. Additionally, PHAs are not allowed to over-lease in the Mainstream Voucher Program and the HAP expenses for Unit Months Leased (UML) over the PHA's authorized units will be reduced on the year end settlement.

Mainstream HAP is reconciled based on the PHA's fiscal year end using VMS expense and leasing data. HUD also calculates a Mainstream HUD-held program reserve at the end of the calendar year.

Voucher Management System (VMS) Reporting

While the Mainstream Voucher program is to be reported separately from the HCV Program, the VMS system is utilized by HUD to gather data specific to Mainstream leasing and HAP expenses. PHAs will report monthly Mainstream Voucher Program activity for both new Mainstream awards and Mainstream awards from 2005 and prior as described below:

- VMS Field: 5 Year Mainstream – the number of Mainstream vouchers leased on the first of the month.

- VMS Field: 5 Year Mainstream HAP – the total amount of HAP expenses incurred for the month for Mainstream vouchers leased on the first of the month and any associated mid-month HAP.

No other VMS fields (such as Restricted Net Position (RNP) as of the Last Day of the Month, Unrestricted Net Position (UNP) as of the Last Day of the Month, or Administrative Expense) is to include any activity related to Mainstream vouchers.